BOARD OF DIRECTORS - SPECIAL MEETING

Thursday, March 6, 2025, at 5:00 p.m.

NOTICE:

District Town Hall Meeting to Discuss New Rate Structure and Rate Setting

This meeting will be held at 2400 Lillie Avenue, Church Meeting Hall, Summerland CA

The Public may attend the meeting in person. The public may also listen to the meeting telephonically by calling +1 669 900 6833 (San Jose) Meeting Code ID: 983 226 8568, access code 123, or through the internet at: https://us02web.zoom.us/j/9832268568?pwd=nlt8jNgA5DOkwx950nKL4h0nmahQbj.1&omn=81976996233

For this special meeting of the Board of Directors, public discussion is limited to agenda items.

Materials related to an item on this agenda, which are part of the agenda packet, are available for public inspection on the District's website at www.summerlandsd.org, or during normal business hours (7:30 a.m. - 4:00 p.m. weekdays) at the district's office.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk of the Board at (805) 969-4344. Notification 24 hours prior to the meeting will enable the Clerk of the Board to make reasonable arrangements to ensure accessibility to this meeting.

AGENDA

I. ROLL CALL

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF THE AGENDA

IV. PUBLIC COMMENT

Pursuant to section 54954.3 of the Government Code, every notice for a special meeting shall provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item. The three-minute time limit is pursuant to District regulation. Comment on other topics within the District's subject-matter jurisdiction can be provided at regularly scheduled meetings.

V. ITEMS TO BE DISCUSSED [Non-Action-Items; Any Action Will Come at a Subsequent Meeting]

A. Town Hall Meeting

1) Opening comments and a welcome from the President of the Board.
2) Presentation: Introduction of Board and Staff, Overview of the District/Capital Projects and upcoming District Challenges.
3) Presentation of Sewer Rate Cost-of-Service Study Report by Ms. Alison Lechowicz of Lechowicz + Tseng Municipal Consultants.
4) Public Questions and Answers by the Board, Rate Consultant, Legal Counsel, and Staff.
5) Closing Comments by the Board President.

VI. ADJOURNMENT

THIS AGENDA IS POSTED ON MARCH 5, 2025, ON THE SUMMERLAND SANITARY DISTRICT'S BULLETIN BOARD, AT THE SUMMERLAND POST OFFICE, AND ON THE SUMMERLAND SANITARY DISTRICT'S WEBSITE.

SUMMERLAND
Sanitary District

1

SUMMERLAND SANITARY DISTRICT

AN INDEPENDENT SPECIAL DISTRICT VOTED INTO EXISTENCE BY THE CITIZENS IN 1957

The district provides wastewater collection, treatment, and disposal services to the residents within the Summerland District boundaries.

2

INTRODUCTION

SUMMERLAND SANITARY DISTRICT BOARD OF DIRECTORS

Gary Robinson
Board President
Office Term December 2024 through December 2028

John Franklin
Board Vice-President
Office Term December 2024 through December 2028

Jolene Colomy
Board Secretary
Office Term: December 2022 through December 2026

James (Jim) Witmer
Board Director
Office Term December 2022 through December 2026

Tricia Price
Board Director
Office Term December 2024 through December 2028

STAFF MEMBERS

David Lewis
Operations Manager

Marjon (Mar) Souza
Administrative Manager

Eduardo (Ed) Nava
Lead Collections/WWTP Operator II

Chris Bennett
Wastewater Treatment Plant Operator II

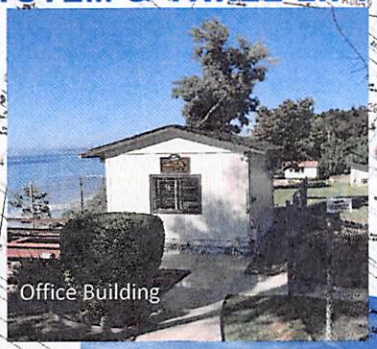
Justin Rogers
Wastewater Treatment Operator-in-Training

3

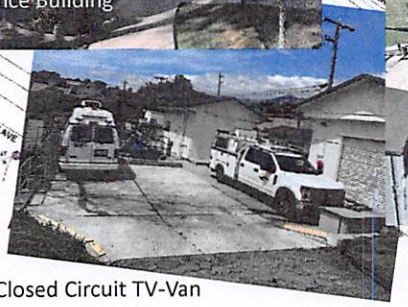
ONE TREATMENT FACILITY, EIGHT MILES OF COLLECTION PIPELINE SYSTEM & THREE LIFT STATIONS

Treatment Facility

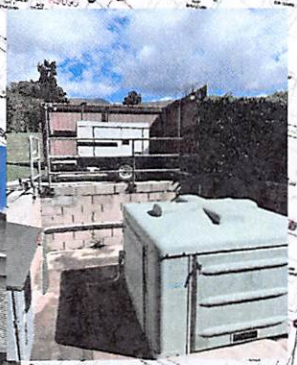
Sludge Press Room Building



Office Building



Closed Circuit TV-Van & Company Truck



Lift Station II

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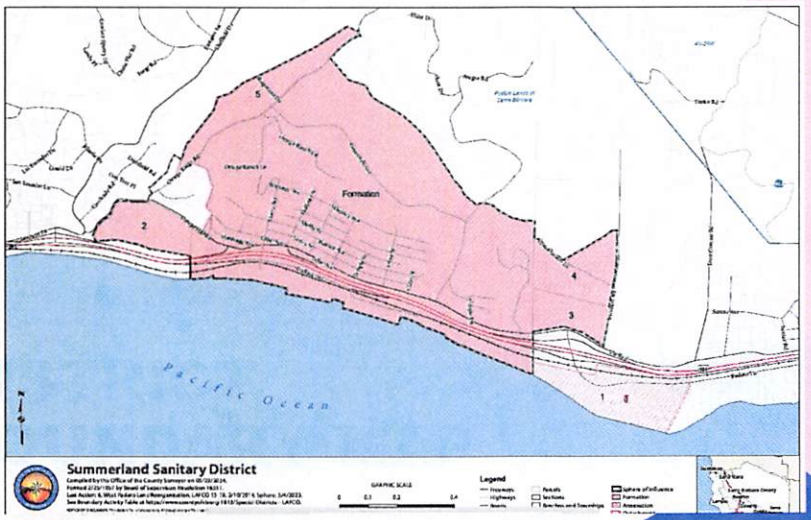
DISTRICT BOUNDARY MAP



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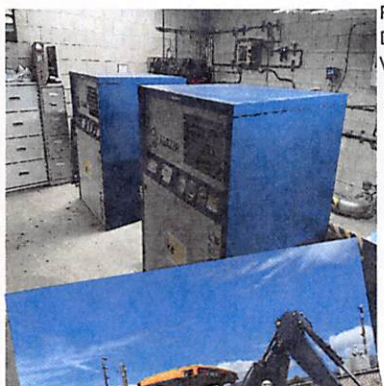
EXAMPLES OF CAPITAL EXPENDITURES /PROJECTS



Replacement of two Aeration Blowers, Delta Blowers, valves and Variable Frequency Drives

New Sprockets for Primary Clarifier

Replacement of Ocean Outfall Pipeline Diffusers

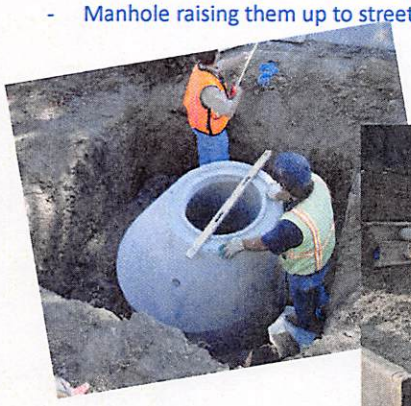
New Tractor Backhoe

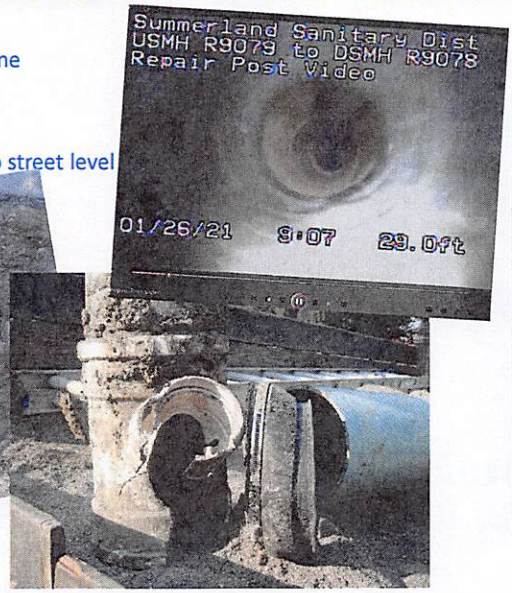
Polymer pump

6

CAPITAL EXPENSES/PROJECTS COLLECTION SYSTEM

- Offset Repair Main Sewer line
- Main Sewer Line Slip Lining
- Manhole Installations
- Manhole raising them up to street level





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DISTRICT'S FUTURE AND CHALLENGES

- **Location of the Wastewater Treatment Plant and Lift station I**

  The Treatment Plant is situated at the bluffs of Summerland. The Board hired a consultant firm for a SWRCB-mandated Coastal Hazard Monitoring and Life Expectancy Study. This report will provide the District with expected future erosion and bluff analyses of the plant location and its assets.

- **Ocean Outfall Pipeline**

  The District is in the process of rehabilitating, or replacing, the ocean outfall pipeline in the foreseeable future due to its condition. The SWRCB is mandating that the above-mentioned Study needs to be completed before approval is given.

- **Feasibility Studies Connecting to Neighboring Sanitary District**

  In December 2022, the District was invited to participate in a County of SB Water Reuse Study to discover if connecting the SSD collection facilities to the Carpinteria Sanitary District would be a realistic option. This study was financed by the County of Santa Barbara Water Agency and was completed in October 2023.

  A second study was conducted to discover the connection cost and reuse of water opportunities SSD to the Montecito Sanitary District. This study was financed by the County of SB Water Agency, SSD, Montecito Water, and Montecito Sanitary District and was completed in December 2024. Both study results show disappointingly high connection costs and would be difficult to achieve without substantial financial assistance.

After the Study results are received from the required Coastal Hazard Monitoring Plan and Life Expectancy Analysis a more balanced opinion and assessment can be made of the District's needs for the upcoming 5-10 years.

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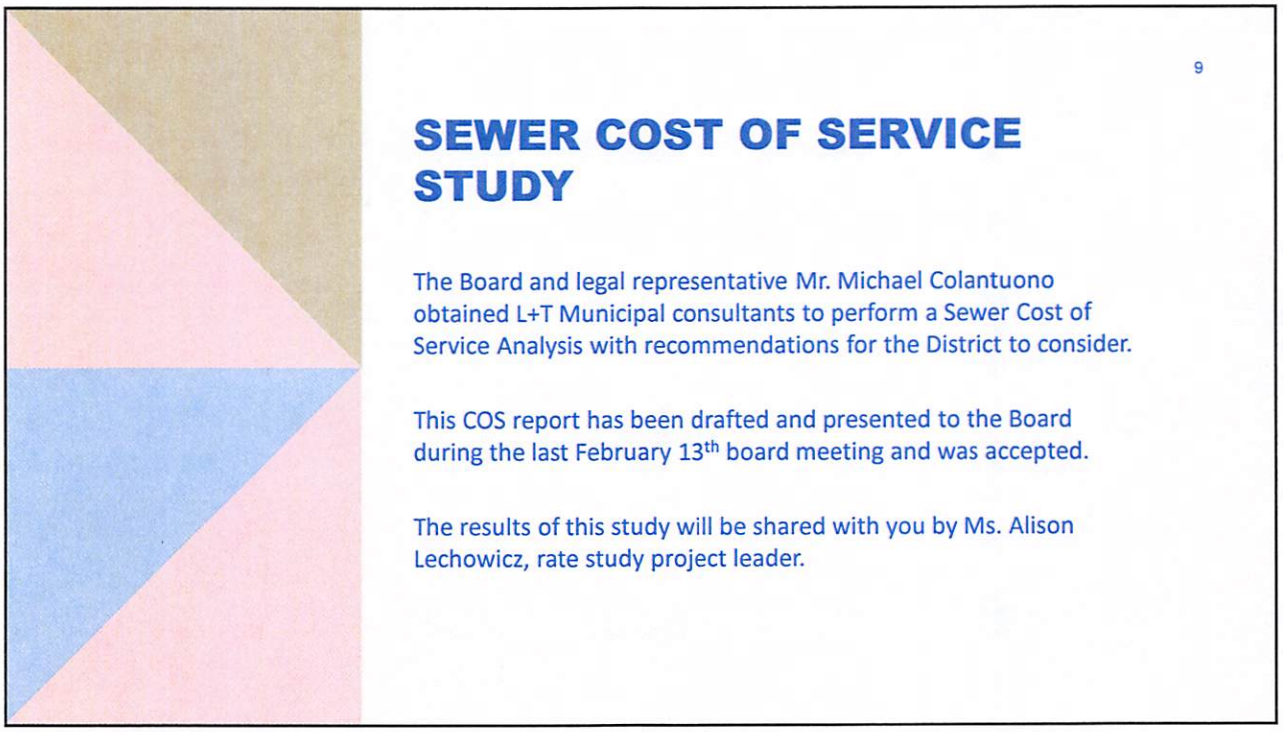
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SEWER COST OF SERVICE STUDY
The Board and legal representative Mr. Michael Colantuono obtained L+T Municipal consultants to perform a Sewer Cost of Service Analysis with recommendations for the District to consider.
This COS report has been drafted and presented to the Board during the last February 13th board meeting and was accepted.
The results of this study will be shared with you by Ms. Alison Lechowicz, rate study project leader.

9

Summerland Sanitary District

Sewer Cost of Service Study

Town Hall Meeting
March 6, 2025

LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

Alison Lechowicz
Project Manager

1

Background

- The Summerland Sanitary District (District or SSD) is a special district providing sewer service to about 480 parcels
- Current rates are collected annually on the property tax roll and based on the assignment of equivalent dwelling units (EDUs)
  - One EDU is defined as the wastewater flow and pollutant loading of the average single family dwelling unit in the District
- Sewer rates are the primary revenue source to fund operating and capital expenses for:
  - Wastewater collection and treatment
  - Infrastructure renewal and improvements
  - Debt repayment
- Rates have not been updated since 2022

2

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Legal Requirements: Proposition 218

- Governs how sewer service charges can be calculated and adopted
  - 5-year rate plans can be adopted via a single rate study
  - Rates must be based on the cost of providing service
  - Rates must proportionally recover costs based on how customers take service
  - Rates cannot be arbitrary or subsidize one group at the expense of another
- Procedural requirements for adopting rate adjustments:
  - The District must analyze its cost of service
  - Notify property owners of a public hearing to consider the rates via written notice
  - Allow property owners to submit written protests
  - Hold a public hearing at least 45 days after mailing the notices
  - Count the protests – if more than 50% of parcels subject to the rates submit written protests, the rates cannot be adopted

3

3

Cost of Service Analysis FY2024/25

Revenues	
Service Charges (rates)	$1,067,000
Property Taxes	$391,000
Interest, connection fees, etc.	$60,700
Total Current Revenues	$1,518,700

Expenses	
Operating Expenses	$1,212,700
Debt Service	$58,900
Capital Repairs	$80,000
Total Expenses	$1,351,600
Net revenues at current rates	**$167,100**

Total Operating Budget including Reserves as of June 30, 2025, are estimated to be $2.9 M.

4

4

Financial Needs

- +3% annual inflation for operating and capital costs
- District is currently conducting a Coastal Hazard Monitoring Plan Study as mandated by the State Water Resources Control Board (SWRCB)
  - The Outcome of the study will determine future capital expenditure direction
  - It is recommended that a Capital Cost Project Sinking Fund be created to fulfill SWRCB mandates by setting aside $150,000 per year (up to fiscal year 2029/30).
- To meet these financial needs, rate revenues should increase from $1,067,000 (current) to $1,286,000 over five years (i.e. through FY2029/30)
- In addition to rate revenues, the District collects about $460,000 in property tax allocations taxes and other fees

5

5

Phase In Plan

- Rate adjustments are proposed to be phased-in for some of the customer classes. Rate impacts vary by customer class
- Rate decreases are implemented immediately
- Phasing in rate increases will underfund services in initial years. Reserves will cover this to give customers time to adjust

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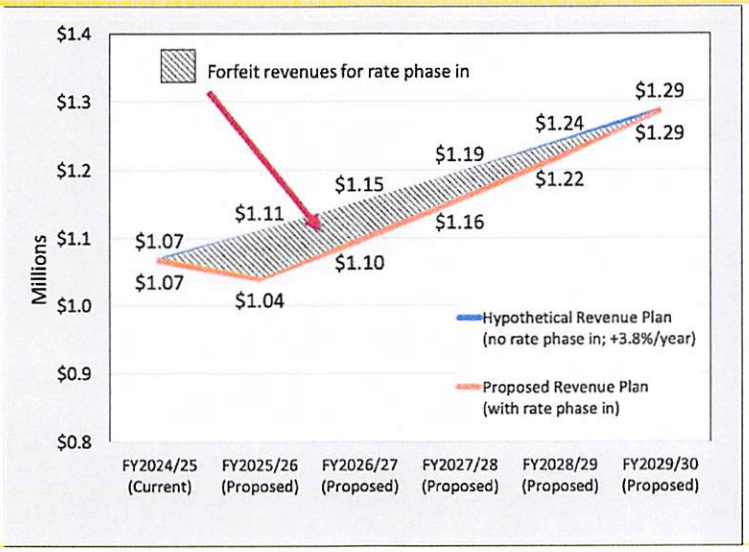
Rate Revenue Increase



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Rate Design Approach

- Costs are assigned to customers based on their proportional use of the sewer system (i.e. how costs are incurred to serve them)
- Proportional use = estimated wastewater flow and pollutant loading
- Currently all residential dwelling types (single family, mobile home, apartments, and accessory dwelling units) are charged the same sewer service charge.
- It is proposed that the residential class be subdivided into new, additional categories to better reflect the flows of various residential customer types
- The rate design for non-residential customers is proposed to be revised based on industry standard wastewater flow and pollutant loading estimates

8

8

Residential Cost Allocation

Residential User Classification	# of bedrooms	Estimated Daily Flow (gpd)	EDUs per dwelling	Count of Dwellings
Single Family Dwelling	3	230	1.0	450
Mobile Home	2	150	0.7	38
Multifamily				
Apartments				
Studio	1	110	0.5	5
1 Bedroom	1	110	0.5	69
2 Bedroom	2	150	0.7	73
3 or 4 Bedroom	3	190	0.8	3
Accessory Dwelling Unit (ADU)	1	110	0.5	75
				713

- Proposed residential allocation is based on # of bedrooms as a proxy for sewer flow and based on City of Los Angeles (LA) flow generation rates

EDU – equivalent dwelling unit; Gpd – gallons per day

9

9

Residential Rate Summary

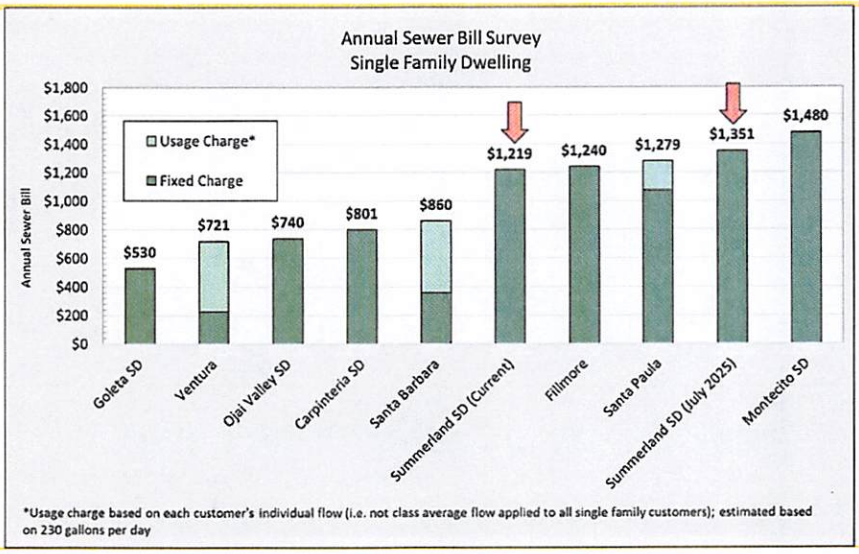
Residential User Classification	Current Rate	PROPOSED July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Single Family Dwelling, including Condos, Duplex Units and Townhomes	$1,219	$1,351	$1,424	$1,502	$1,582	$1,668
Apartments (per dwelling)						
Studio	$1,219	$719	$746	$774	$804	$834
1 Bedroom	$1,219	$719	$746	$774	$804	$834
2 Bedroom	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168
3 Bedroom	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Accessory Dwelling Unit (ADU)	$1,219	$719	$746	$774	$804	$834
Mobile home park (per mobile home unit)	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168

- Single Family Dwelling calculated EDU Rate without Phase-In-Rate is $1,437 (July 1, 2025)

10

10

Single Family Rate Survey ($/year)



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11

Non-residential Cost Allocation

- Commercial EDUs are also proposed to be adjusted based on the City of LA sewer flow and pollutant loading rates
- Range of increases and decreases across the commercial class
- New rate categories
  - Coffee Shop w/grease trap
  - Gas Station/Food Market
  - Pet shop w/live animals
  - Self Storage
  - Special class: Innovation Place Campus (UC Campus) and Pacifica Institute

12

12

Rate Study Schedule

- March 13: Board Meeting – Request for the Board to proceed with Proposition 218 noticing
- March 20: District mails notices to property owners
- May 8: Board Meeting – Proposition 218 public hearing
- August 10: Deadline to submit tax roll for fee collection

13

Wrap Up

14

Full List of Non-residential Rates

Non-residential User Classification	Billing Unit	Current Rate	PROPOSED July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Barber & Beauty shop	up to 3 operators	$2,255	$1,006	$1,044	$1,084	$1,125	$1,168
Bed and Breakfast - per 10 rooms	per 10 rooms	$3,657	$4,816	$5,579	$6,463	$7,487	$8,674
Coffee Shop	each w/o food service	$1,219	$1,351	$1,424	$1,501	$1,582	$1,668
NEW Coffee Shop w/grease trap	up to 3 checkout lanes	NA	$4,311	$4,473	$4,644	$4,821	$5,004
NEW Gas Station/Food Market	per 1,000 ft²	NA	$2,587	$2,684	$2,786	$2,893	$3,002
Elementary School	per 40 students	$1,219	$1,566	$1,790	$2,045	$2,336	$2,669
Fire station	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
Food Market	less than 5,000 ft²	$2,828	$2,587	$2,684	$2,786	$2,893	$3,002
Food market w/food service & kitchen	per 1,000 ft²	$8,655	$7,329	$7,604	$7,895	$8,196	$8,507
Health Club	each	$2,438	$1,581	$1,640	$1,703	$1,768	$1,835
Meeting Hall/Assembly	each	$1,950	$1,150	$1,193	$1,238	$1,286	$1,334
Offices	per 10 employees	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Offices - Medical/Dental	per 10 employees	$2,840	$2,874	$2,982	$3,096	$3,214	$3,336
Park w/Restrooms + Residence	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
NEW Pet shop w/live animals	per 1,000 ft²	NA	$575	$596	$619	$643	$667
Restaurant	per 1,000 ft²	$8,411	$8,478	$8,797	$9,133	$9,481	$9,841
Retail	per 1,000 ft²	$1,219	$287	$298	$310	$321	$334
NEW Self Storage	per 1,000 ft²	NA	$144	$149	$155	$161	$167
Special Class							
Innovation Place UC Campus	each	$43,884	$53,564	$59,471	$66,030	$73,313	$81,398
Pacifica Institute	each	$17,066	$18,957	$20,007	$21,115	$22,284	$23,519

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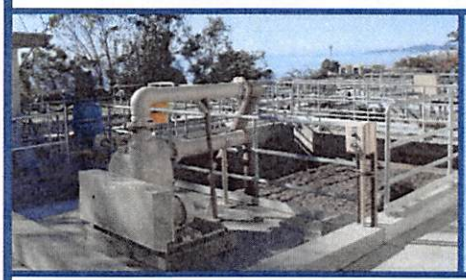
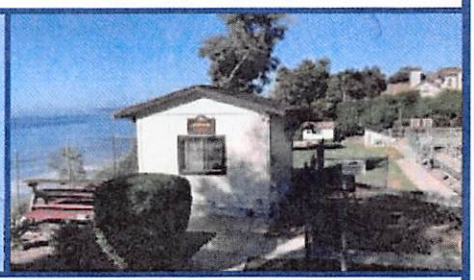


SUMMERLAND
Sanitary District



Sewer Cost of Service Study
for the Summerland Sanitary District

Final Report
February 13, 2025

LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS
909 Marina Village Parkway #135
Alameda, CA 94501
(510) 545-3182
www.LTmuniconsultants.com

TABLE OF CONTENTS

LIST OF TABLES

SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The Summerland Sanitary District (Summerland SD or District) was established in 1957 in Summerland, California, an unincorporated community in Santa Barbara County. The District provides wastewater (sewer) collection, treatment, and disposal for about 480 parcels consisting of the following land use types: single family dwelling, duplex, apartments, mobile homes, offices, retail, restaurants, schools, and other non-residential land uses. In recent years, the District has experienced growth in the number of accessory dwelling units in its service area. The District bills customers annually for service on the Santa Barbara County property tax roll; rates were last increased in July 2022.

The District is currently generating positive net revenues such that current revenues are adequate to cover current operating costs as well as making payments on an existing loan. However, rate adjustments are proposed to accumulate a sinking fund for future capital improvements not funded by current rates as well as to recover current and projected costs from customers. The rates proposed in this report apportion costs to customers based on updated wastewater flow and pollutant loading estimates.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIIIC and XIIID of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.

2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.

3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners (counted one per parcel) submit timely written protests against the proposed rate increases, the increases cannot be adopted.

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

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel. Caselaw allows this determination to be made customer class-by-customer class rather than parcel-by-parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges are approved as assessments on real property.
5. **General Government Services** – No property-related fee or charge may be imposed for general governmental services available to the public at large, as police and some fire services are.

Charges for sewer service are exempt from additional voting requirements of Proposition 218 for other property-related fees, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available, such as the District's historical operating results, budgets, audits, and input from District staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the projected cost of the sewer service per parcel under these proposed sewer rates.
- **Cost of Service Allocation** - The cost-of-service process builds on the revenue requirement analysis and assigns costs to functional cost components associated with the District's major service functions: wastewater flow, biochemical oxygen demand (BOD), and total suspended solids (TSS) which relate to the District's core functions of wastewater collection and conveyance and treatment and disposal.
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customer classes but does not exceed the proportional cost of the service attributable to each

class. Final rate recommendations are designed to fund the District's short- and long-term costs of providing service and fairly allocate costs to all customer classes.

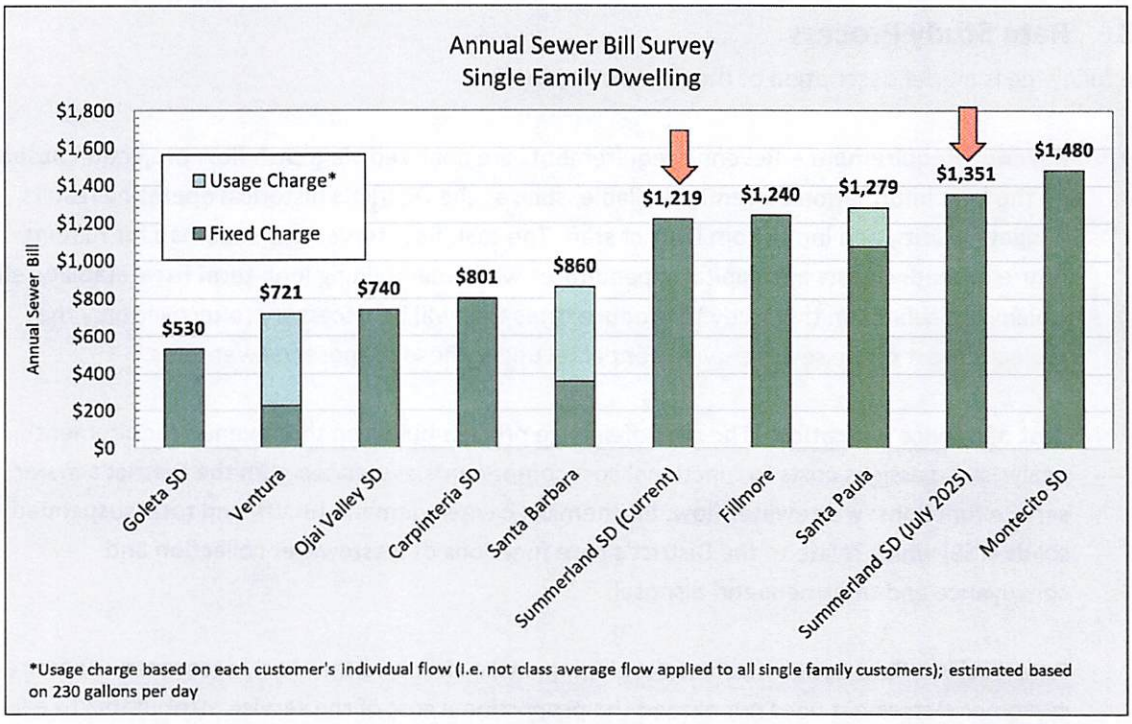
The rates recommended in this report are based on the best available information gathered from District budgets, audits, and input from staff and the ratemaking consultant's professional opinion. The cost allocations proposed herein are based on industry standard practice. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each customer class.

1.4 Proposed Rates

Current and proposed residential rates are provided in Table 1 and non-residential rates are provided in Table 2. It is proposed that the rates be implemented each July 1 from 2025 through 2029 and continue to be billed annually on the County property tax roll.

It is proposed that the annual single family dwelling sewer rate increase from $1,219 (current) to $1,351 on July 1, 2025. Figure 1 provides a bill survey comparing Summerland SD's current and proposed single family dwellingl rate with the rates of other local communities. The District's proposed rate will be comparable to the rates charged by the City of Santa Paula and the Montecito Sanitary District. It is higher than those of larger agencies both because it is more recently developed (other agencies' rates will increase when updated) and due to diseconomies of small scale.

Figure 1: Annual Sewer Bill Survey



As shown in Table 2, it is recommended that the District implement several new non-residential customer classes to better reflect land use in Summerland and associated sewer flows of these customers. New classes include:

- Coffee shop with grease trap
- Food market with food service & kitchen (renamed from "Food market with grinder")
- Gas Station/food market
- Elementary school (renamed from "School")
- Meeting Hall/assembly (renamed from "Meeting Hall/church")
- Pet shop with live animals
- Self storage
- Special Class – Innovation Place UC Campus
- Special Class – Pacifica Institute

The special class customers are large institutional customers with unique characteristics that do not align with other existing customer classes in this small, largely residential District. The derivation of their rates is explained in Table 9.

Table 1: Current and Proposed Annual Residential Sewer Rates

Residential User Classification	Current Rate	PROPOSED				
		July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Single Family Dwelling [1], including Condos, Duplex Unit and Townhomes	$1,219	$1,351	$1,424	$1,502	$1,582	$1,668
Apartments (per dwelling)						
Studio	$1,219	$719	$746	$774	$804	$834
1 Bedroom	$1,219	$719	$746	$774	$804	$834
2 Bedroom	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168
3 Bedroom	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Accessory Dwelling Unit (ADU)	$1,219	$719	$746	$774	$804	$834
Mobile home park (per mobile home unit)	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168

1 - Single Family Dwelling calculated EDU Rate without Phase-In-Rate as displayed on Table 10 is $1,437 (July 1, 2025)

Table 2: Current and Proposed Annual Non-Residential Sewer Rates

Non-residential User Classification	Billing Unit	Current Rate	PROPOSED				
			July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Barber & Beauty shop	up to 3 operators	$2,255	$1,006	$1,044	$1,084	$1,125	$1,168
Bed and Breakfast - per 10 rooms	per 10 rooms	$3,657	$4,816	$5,579	$6,463	$7,487	$8,674
Coffee Shop	each w/o food service	$1,219	$1,351	$1,424	$1,501	$1,582	$1,668
NEW Coffee Shop w/grease trap	up to 3 checkout lanes	NA	$4,311	$4,473	$4,644	$4,821	$5,004
NEW Gas Station/Food Market	per 1,000 ft^2	NA	$2,587	$2,684	$2,786	$2,893	$3,002
Elementary School	per 40 students	$1,219	$1,566	$1,790	$2,045	$2,336	$2,669
Fire station	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
Food Market	less than 5,000 ft^2	$2,828	$2,587	$2,684	$2,786	$2,893	$3,002
Food market w/food service & kitchen	per 1,000 ft^2	$8,655	$7,329	$7,604	$7,895	$8,196	$8,507
Health Club	each	$2,438	$1,581	$1,640	$1,703	$1,768	$1,835
Meeting Hall/Assembly	each	$1,950	$1,150	$1,193	$1,238	$1,286	$1,334
Offices	per 10 employees	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Offices - Medical/Dental	per 10 employees	$2,840	$2,874	$2,982	$3,096	$3,214	$3,336
Park w/Restrooms + Residence	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
NEW Pet shop w/live animals	per 1,000 ft^2	NA	$575	$596	$619	$643	$667
Restaurant	per 1,000 ft^2	$8,411	$8,478	$8,797	$9,133	$9,481	$9,841
Retail	per 1,000 ft^2	$1,219	$287	$298	$310	$321	$334
NEW Self Storage	per 1,000 ft^2	NA	$144	$149	$155	$161	$167
Special Class							
Innovation Place UC Campus	each	$43,884	$53,564	$59,471	$66,030	$73,313	$81,398
Pacifica Institute	each	$17,066	$18,957	$20,007	$21,115	$22,284	$23,519

"NEW" designates a proposed rate category that is not included in current rates

SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

The Summerland Sanitary District's rate structure consists of fixed charges for sewer service that are billed annually on the Santa Barbara County tax roll, as is typical of sewerage agencies which are not also water providers. The District provides wastewater collection, treatment, and disposal to 482 parcels. The majority of parcels are single family dwelling parcels. The District also provides service to a mobile home park, apartment complexes, non-residential customers, and institutional customers. Currently, all residential customers — including single family dwellings, mobile homes, accessory dwelling units, and apartments — are billed the same annual rate of $1,219. Non-residential rates vary based on land use. Under the current rate schedule, the District collects about $1,067,000 annually, see Table 3. Revenues of $1,067,000 divided by the current rate of $1,219 equals about 875 billing equivalents (i.e., the projected wastewater demand of 875 single family dwellings).

Table 3: Current (FY2024/25) Annual Sewer Rates

User Classifications Based on Land Use	Total	# of Units	Sewer Service Rate FY2024/25	Equiv. Units	FY2024/25 Sewer Rates	% of Total
RESIDENTIAL						
Properties with 1 SFD	334	1	$1,219	334	$407,146	38.16%
Properties with 2 SFD's	5	2	$1,219	10	$12,190	1.14%
Properties with 1 SFD + 1 ADU	56	2	$1,219	112	$136,528	12.80%
Properties with 1 SFD + 2 ADU	4	3	$1,219	12	$14,628	1.37%
Properties with 1 SFD + 3 ADU	2	4	$1,219	8	$9,752	0.91%
Properties with a Duplex	20	2	$1,219	40	$48,760	4.57%
Properties with a Duplex + 1ADU	1	3	$1,219	3	$3,657	0.34%
Properties with 3 Apartments	4	3	$1,219	12	$14,628	1.37%
Properties with 4 Apartments	7	4	$1,219	28	$34,132	3.20%
Properties with 6 Apartments	2	6	$1,219	12	$14,628	1.37%
Properties with 8 Apartments	4	8	$1,219	32	$39,008	3.66%
Properties with 10 Apartments	2	10	$1,219	20	$24,380	2.28%
Apartment Complex 30-unit	1	30	$1,219	15	$36,570	3.43%
Apartment Complex 30-unit reduced rate					-$18,285	-1.71%
Properties with 1 SFD + 4 Apartments	1	5	$1,219	5	$6,095	0.57%
Misc Apartments	12	1	$1,219	12	$14,628	1.37%
# ADU's at Non-Residential Buildings	2	1	$1,219	2	$2,438	0.23%
Mobile home park 40 Unit [1]	1	40	$1,219	40	$48,760	4.57%
Subtotal Residential	458			697	$849,643	79.63%
NON-RESIDENTIAL						
Barber & Beauty shop-less than 3 operators	1	1.85	$2,255	1.85	$2,255	0.21%
Bed and Breakfast- per 10 rooms	3	3	$3,657	9	$10,971	1.03%
Coffee Shop	1	1	$1,219	1	$1,219	0.11%
Fire Station	1	2	$2,438	2	$2,438	0.23%
Food Market <5,000 ft^2	2	2.32	$2,828	4.64	$5,656	0.53%
Food Market - with food grinder	1	7.1	$8,655	7.1	$8,655	0.81%
Health Club	3	2	$2,438	6	$7,314	0.69%
Meeting Hall-Church w.o. kitchen	1	1.6	$1,950	1.6	$1,950	0.18%
Offices - per 10 employees	65	1	$1,219	65	$79,235	7.43%
Offices - Medical/Dental	1	2.33	$2,840	2.33	$2,840	0.27%
Park w/Restrooms + Residence	1	2	$2,438	2	$2,438	0.23%
Restaurant - per 1,000 ft^2	6	6.9	$8,411	41.4	$50,466	4.73%
Retail - per 1,000 ft^2	29	1	$1,219	29	$35,351	3.31%
Small Retail < 400 ft^2	2	0.7	$853	1.4	$1,706	0.16%
School - per 40 students	4	1	$1,219	4	$4,876	0.46%
Subtotal Non-Residential	121			178.32	$217,370	20.4%
TOTAL				**875.32**	**$1,067,013**	**100.0%**

FY - fiscal year (July 1 to June 30)
SFD - single family dwelling unit
ADU - accessory dwelling unit
1 – 38 mobile home dwelling unit plus two buildings billed as single family dwelling units; one building is a clubhouse that is proposed to be reclassified as a commercial building

SECTION 3: COST OF SERVICE

This section provides an analysis of projected revenues and expenses to determine the total cost of service to be recovered via rates or the District's rate revenue requirement. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with projected expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that the District can fund operating costs, debt service, capital projects, and accumulate reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the cost of sewer service per customer class.

3.1 Revenues

The District's revenues primarily consist of sewer service charges which generate about $1.07 million under existing rates. In fiscal year (FY) 2024/25 the District expects to receive about $391,000 in property taxes, $48,000 in administrative fees and interest earnings, and about $12,000 in connection fee revenues. In total, the District estimates total revenues of about $1.52 million. Taxes and administrative fees are projected to increase by 3% annually over the next five years while connection fee revenues are estimated to be $5,000 annually from FY2025/26 to FY2029/30.

Over the next five years, it is recommended that rate revenues increase from $1.07 million (current) to $1.29 million in FY2029/30. This represents a 3.8% annual increase to the rate revenue requirement each year for the next five years, net of non-rate revenues. This net revenue requirement is the total amount of service-charge revenue proposed to be collected from all customers on an annual basis. Due to proposed rate structure changes, some customers are proposed to receive increases and others are proposed to receive decreases. To mitigate rate impacts, the customers that are proposed to receive increases will have their rates phased-in over the next five years. The loss of revenue associated with the phase-in (as compared to the cash flow that would result from imposing these rates immediately) is shown in line 6 of the cash flow on page 10. As rate increases are phased-in, the rates approach the proposed cost allocation/EDU assignment and the loss of revenue is less each year until the phase-in is completed and rates fully recover anticipated costs by FY2029/30 (the fifth year of the rate plan). Interim funding deficits will be funded from District reserves.

3.2 Expenses

3.2.1 Operating Costs

In FY2024/25, the District expects to incur about $1.21 million in expenses to operate and maintain the sewer system. Operating expenses consist of staffing, equipment, electricity, chemicals, permitting, regulatory compliance, and other materials and supplies. These expenses are estimated to increase by 3% annually over the next five years.

3.2.2 Debt Service Costs

In addition to operating costs, the District funds annual debt service costs of $58,900. In 2022, the District issued a loan of $500,000 to repair its ocean outfall pipeline. The loan will be fully paid off by FY2031/32.

3.2.3 Capital Costs

Each year, the District funds about $80,000 for repairs and upgrades to its facilities. It is projected that this expense will increase by 3% annually over the next five years.

3.2.4 Reserves

Accumulation of appropriate reserves is one component of the cost of service recovered from customers via rates. Table 4 lists Summerland SD's current and proposed reserve targets. The District's current targets were developed when the District last conducted a comprehensive rate study in 2017. Summerland SD currently maintains an operating reserve equal to six months of operating expenses. It is proposed that the operating reserve be increased to eight months of operating costs to cover the gap in revenue disbursements from the County's Collection System spanning from April to December. That is, the District incurs expenses every month, but receive property taxes only twice a year and therefore needs an operating reserve. Should there be revenue shortfalls or delays in disbursements from the County, this reserve is intended to ensure District will have funds on hand to pay operating and debt service costs.

In addition to the operating reserve, it is proposed that the District continue to maintain up to $2 million for capital improvement and emergency funding and current liability coverage. District staff determined that this amount is appropriate given typical costs of emergency repairs, vehicle replacements, equipment purchases, and expected pipeline replacements given the age of this system.

Summerland SD is currently conducting a Coastal Hazard Monitoring Plan Study as required by the State Water Resources Control Board to protect water quality. Based on the outcome of the study, the District will prioritize its capital improvement needs. It is recommended that this District accumulate $150,000 annually into a new capital project sinking fund (i.e. Other Capital Reserve) to fund these currently unknown expenses. If unspent over the next five years, the sinking fund balance will accumulate $750,000 and underwrite capital expenses thereafter, relieving pressure on future rates.

Table 4: Recommended Reserves

Reserve	Adopted Policy (2017)	Recommended Targets
Operating Reserve	6 months of operating expenses	8 months of operating expenses + 1 year of existing debt service expense
Capital Reserve	Minimum equal to the annual depreciation cost of the system; emergency reserve target of $2 million	Emergency reserve target of $2 million
Other Capital Reserve	None	5 years of $150,000 accumulated each year into a partial sinking fund for upcoming Capital Projects depending on the Coastal Hazard Monitoring Plan Study Outcome.

3.3 Cash Flow

Table 5 provides a cash flow analysis showing revenues and expenses for the current fiscal year (FY2024/25) and a projection over the five-year rate study period (FY2025/26 to FY2029/30).

Table 5: Cash Flow

		Budget	Years 1 - 5: Proposition 218				
1		FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
2	**BEGINNING FUND BALANCE [1]**	$2,744,000	$2,911,100	$2,868,000	$2,854,600	$2,873,700	$2,927,800
3							
4	**REVENUES**						
5	Rate Design Revenue Requirement	1,067,000	1,108,000	1,150,000	1,194,000	1,239,000	1,286,000
6	Loss of Rate Revenue due to Phase-in		(67,800)	(54,000)	(38,000)	(20,200)	0
7	Property Taxes	391,000	402,700	414,800	427,200	440,000	453,200
8	Interest and Admin Fees	48,300	49,700	51,200	52,700	54,300	55,900
9	Connection Fees & Interest	12,400	5,000	5,000	5,000	5,000	5,000
10	**Total Revenue**	1,518,700	1,497,600	1,567,000	1,640,900	1,718,100	1,800,100
11							
12	**EXPENSES**						
13	*Operating Expenses*						
	(Anticipated Escalation)		3%	3%	3%	3%	3%
14	Salaries & Employee Benefits	751,800	774,400	797,600	821,500	846,100	871,500
15	Services and Supplies	460,900	475,000	489,000	504,000	519,000	535,000
16	Subtotal O&M	1,212,700	1,249,400	1,286,600	1,325,500	1,365,100	1,406,500
17							
18	Net Operating Revenue	306,000	248,200	280,400	315,400	353,000	393,600
19							
20	Existing Debt Service	58,900	58,900	58,900	58,900	58,900	58,900
21							
22	*Capital Expenses*						
	(Anticipated Escalation)		3%	3%	3%	3%	3%
23	Misc Capital Repairs	80,000	82,400	84,900	87,400	90,000	92,700
24	Capital Cost Project Sinking Fund	0	150,000	150,000	150,000	150,000	150,000
25	Subtotal Capital Expenses	80,000	232,400	234,900	237,400	240,000	242,700
26							
27	**Total Expenses**	1,351,600	1,540,700	1,580,400	1,621,800	1,664,000	1,708,100
28							
29	**Total Net Revenues**	167,100	(43,100)	(13,400)	19,100	54,100	92,000
30							
31	**ENDING FUND BALANCE**	$2,911,100	$2,868,000	$2,854,600	$2,873,700	$2,927,800	$3,019,800
32							
33	*Reserve Fund Targets [2]*						
34	Operating Reserves	867,000	892,000	917,000	943,000	969,000	997,000
35	Capital Reserves	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
36	Total Reserve Target	2,867,000	2,892,000	2,917,000	2,943,000	2,969,000	2,997,000
37	*Operating Reserve Target Met?*	*yes*	*no*	*no*	*no*	*no*	*yes*
38							
39	Outfall Sinking Fund	0	150,000	300,000	450,000	600,000	750,000
40							
41	Debt Service Coverage Target –						
	1.20x [3]	5.20	4.21	4.76	5.35	5.99	6.68
42	*Target Met?*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*

1 - Total cash (Funds 5215, 5216, and 5217) as of July 1, 2024

2 - Recommended targets: see Table 1

3 - Net Operating Revenue divided by Total Debt Service; this is required by bond covenants

SECTION 4: COST ALLOCATION

The prior section determined the total cost of providing service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customer classes use the system, and in any event not to exceed the proportional cost of the wastewater service attributable to each class.

4.1 Methodology

The cost of sewer service of each customer class (or land use) is proportional to the wastewater flow and pollutant loading of the parcels in that class (and devoted to that land use). Wastewater flow is expressed in gallons per day and pollutant loading is expressed in terms of milligrams per liter (mg/l) of biochemical oxygen demand (BOD)[1] and total suspended solids (TSS).[2] These parameters reflect the amount of sewage Summerland Sanitary District must collect and convey as well as the composition of pollution the District must treat and dispose of. The relative cost of flow, BOD, and TSS to Summerland SD's total cost of service is calculated in Table 6 based on the value of infrastructure needed to accommodate these aspects of wastewater generation in the District.

Table 6: Calculation of Cost Allocation Percentages to Flow, BOD, and TSS based on the Value of District Assets

Asset Category	Book Value of Assets [1]	Flow	BOD	TSS
Treatment & Land	$1,645,268	50.00%	25.00%	25.00%
Subsurface Lines	$2,689,776	100.00%	0.00%	0.00%
Ocean Outfall Lines	$85,205	100.00%	0.00%	0.00%
Treatment Equipment	$816,563	0.00%	60.00%	40.00%
	$5,236,812	$3,597,615	$901,255	$737,942
% Allocation		68.70%	17.21%	14.09%

BOD – biological oxygen demand
TSS – total suspended solids
1 - As reported in the June 30, 2023 Financial Statements

For cost allocation and rate design purposes, each customer is assigned a number of equivalent dwelling units to express its wastewater generation as a multiple (or fraction) of that expected from a single-family dwelling. One equivalent dwelling unit (EDU) represents the flow and pollutant loading of an average single family dwelling. One EDU is defined as 230 gallons per day of wastewater flow, 265 mg/l

[1] Biochemical oxygen demand (BOD) generally represents how much oxygen is needed to break down organic matter in water. (https://www.usgs.gov/special-topics/water-science-school/science/biochemical-oxygen-demand-bod-and-water)
[2] Total Suspended Solids (TSS) are defined as non-settleable solid particles found in water. (https://www.sciencedirect.com/topics/engineering/total-suspended-solid#:~:text=Total%20Suspended%20Solids-,Total%20Suspended%20Solids%20(TSS)%20are%20defined%20as%20non%2Dsettleable,of%20sunlight%20into%20the%20water.)

BOD, and 275 mg/l TSS. All residential customer types are assumed to have the same BOD and TSS concentrations as single family dwellings; the strength of wastewater varies among non-residential land uses. The formula used to calculate EDUs is provided in Figure 2 along with two example calculations using the factors derived in Table 6.

Figure 2: EDU Formula and Example Calculations

EDU calculation: $EDU = \frac{Flow}{SFD\ Flow}$ X (68.70% + [17.21% X $\frac{BOD}{SFD\ BOD}$]+ [14.09% X $\frac{TSS}{SFD\ TSS}$])

EXAMPLE 1: An accessory dwelling unit that has domestic-strength flow of 110 gallons per day

EDU calculation (rounded): $0.5 = \frac{110\ gpd}{230\ gpd}$ X (68.70% + [17.21% X $\frac{265\ mg/l}{265\ mg/l}$]+ [14.09% X $\frac{275\ mg/l}{275\ mg/l}$])

EXAMPLE 2: 1,000 square feet of a restaurant with estimated flow of 826 gallons per day and BOD of 1,000 mg/l and TSS of 600 mg/l

EDU calculation (rounded): $5.9 = \frac{826\ gpd}{230\ gpd}$ X (68.70% + [17.21% X $\frac{1{,}000\ mg/l}{265\ mg/l}$]+ [14.09% X $\frac{600\ mg/l}{275\ mg/l}$])

BOD – biological oxygen demand
gpd – gallons per day
mg/l – milligrams per liter
SFD – single family dwelling
TSS – total suspended solids

4.2 Residential Cost Allocation

The proposed residential cost allocation is provided in Table 7. The residential class consists of single family dwellings, mobile homes, apartments, and accessory dwelling units (ADUs). Currently, each residential dwelling is assigned one EDU and billed $1,219. It is proposed that the District break out the residential class into the following subcategories: single family dwelling, mobile home, studio apartments, 1 bedroom apartments, 2 bedroom apartments, 3 & 4 bedroom apartments, and accessory dwelling units. Wastewater flow is projected based on the number of bedrooms for each dwelling type and published flow estimates from the City of Los Angeles. All dwelling types have the same pollutant loading. Based on the proposed cost allocation, the number of residential EDUs is reduced from 713 under current rates to 604.6 under proposed rates.

4.3 Non-residential Cost Allocation

The non-residential cost allocation and total proposed EDUs are provided in Table 8. The BOD and TSS concentrations of each non-residential customer are scaled to the proposed single family dwelling BOD and TSS concentrations and apportioned 17.21% and 14.09% of costs, respectively (that is, expressed in EDUs). Total estimated flow of each customer is scaled to the estimated flow of an average single family dwelling (230 gallons per day) and attributed 68.70% of costs associated with flow. Wherever possible, estimated flow and pollutant loading data was taken from the City of Los Angeles permitting guidelines. The City of Los Angeles data were selected because the City is a large, sophisticated agency located close to Summerland with a similar climate and including all the customer categories represented in Summerland. In some cases, the City of Los Angeles did not have comparable customer classes to Summerland SD. In these instances, data was taken from the City of Burbank or Monterey One Water, also large, sophisticated agencies with robust data.

Summerland Sanitary District has two special class customers that require separate fee calculations: the Innovation Place UC Campus and the Pacifica Institute, see Table 9. Currently, the Innovation Place UC Campus is billed 36 EDUs based on the estimated number of office employees. The District has observed that the parcel has 122,000 square feet of offices, meeting rooms, and auditoriums that can accommodate a larger number of employees and/or visitors. It is proposed that the Innovation Place UC Campus EDU assignment be increased from 36 to 48.8 to better reflect its size, land use, and expected wastewater flow.

The Pacifica Institute is a higher education facility that serves about 105 students, has about 30 staff members, and has a cafeteria (commercial kitchen) onsite. Based on these metrics, the Pacific Institute is proposed to receive a slight increase in EDUs from 14.0 (current) to 14.1 (proposed).

As part of the rate study process, the District reviewed and updated its customer records and new customer classes are proposed to reflect those records. For example, the District's existing two food market customers are proposed to be transitioned to other rate classes. One market sells only dry goods and is proposed to be transitioned to the retail category. The other food market is proposed to be reclassified as a gas station with food market. Other examples include customers that have expanded

operations and should be charged for additional square feet or additional employees relative to their FY2024/25 EDU assignment.

In total across both the residential and non-residential customer classes, the proposed cost allocation results in a net loss of 104.2 EDUs when comparing existing rates to proposed rates.

Table 7: Residential EDU Cost Allocation

Residential User Classifications	# of bedrooms per dwelling	Source of # of bedrooms	Estimated Daily Flow (gpd) [1]	EDUs per Classification [2]	Count per Classification	Total Residential EDUs [3]
Single family dwelling[4]	3	300 real estate listings	230	1.0	450	450.0
Mobile Home	2	17 real estate listings	150	0.7	38	26.6
Multifamily						
Apartments						
Studio	1	SSD cust. records	110	0.5	5	2.5
1 Bedroom	1	SSD cust. records	110	0.5	69	34.5
2 Bedroom	2	SSD cust. records	150	0.7	73	51.1
3 or 4 Bedroom	3 or 4	SSD cust. records	190	0.8	3	2.4
Accessory Dwelling Units (ADU)	1	SSD observation	110	0.5	75	37.5
					713	604.6

Gpd – gallons per day of sewer flow; SSD – Summerland Sanitary District

1 – City of Los Angeles, "Sewerage Facilities Charge, Sewage Generation Factor for Residential and Commercial Categories" effective April 6, 2012; accessible https://engpermitmanual.lacity.org/sewer-s-permits/technical-procedures/sewage-generation-factors-chart

Mobile home flow is noted as the same as apartments

2 – Calculated as: (flow of each multifamily dwelling unit) / (230 gpd of single family dwelling flow). For example: (150 gpd mobile home flow per dwelling) / (230 gpd of single family dwelling flow) = 0.7

3 – EDUs per dwelling multiplied by the count of dwellings

4 – Includes single family dwellings, duplex unit, condominiums, and townhouses

Table 8: Current and Proposed Customer Classes

EDU calculation: $EDU = \frac{Flow}{SFD\ Flow}$ X (68.70% + [17.21% X $\frac{BOD}{SFD\ BOD}$]+ [14.09% X $\frac{TSS}{SFD\ TSS}$])

User Classification	Billable Units	Count	gpd	BOD mg/L	TSS mg/L	EDUs per Billable Unit	# of Allocated EDUs	Current EDUs
Total Residential		604.6	230	265	275	1.0	604.6	696.0 [1]
Non-Residential								
Barber & Beauty Shop [2]	up to 3 operators	1	150	265	275	0.7	0.7	
Bed & Breakfast [3]	per 10 rooms	3	1200	265	275	5.2	15.6	
Coffee Shop [4]	each w/o food service	1	238	265	275	1.0	1.0	
NEW Coffee Shop w/grease trap [5]	Up to 3 checkout lanes	0	697	265	275	3.0	0.0	
NEW Gas Station/Food Market [6]	per 1,000 ft^2	1	425	265	275	1.8	1.8	
Elementary School [3]	per 40 students	4	360	265	275	1.6	6.4	
Fire Station [7]	each	1	460	265	275	2.0	2.0	
Food Market [6]	less than 5,000 ft^2	0	425	265	275	1.8	0.0	
Food market w/food service & kitchen [3]	per 1,000 ft^2	2	720	1000	600	5.1	10.2	
Health Club [8]	each	3	250	265	275	1.1	3.3	
Meeting Hall/Assembly [9]	each	3	180	265	275	0.8	2.4	
Offices [10]	per 10 employees	12	180	265	275	0.8	9.6	
Offices – Medical [11]	per 10 employees	1	468	265	275	2.0	2.0	
Park w/Restrooms + Residence [12]		1	460	265	275	2.0	2.0	
NEW Pet shop w/live animals [13]	per 1,000 ft^2	2	100	265	275	0.4	0.8	
Restaurant [14]	per 1,000 ft^2	6	826	1000	600	5.9	35.4	
Retail [3]	per 1,000 ft^2	50	50	265	275	0.2	10.0	
~~Retail—small~~	~~400 ft^2 or less~~			Proposed to be eliminated				
NEW Self Storage	per 1,000 ft^2	4	30	265	275	0.1	0.4	
Special Class [15]								
Innovation Place UC Campus	each	1					48.8	
Pacifica Institute	each	1					14.1	
Total Non-Residential							166.5	179.3
District Total EDU Count							**771.1**	**875.3**

See footnotes on the following page

Continuing of Footnotes from Table 8
BOD – biological oxygen demand
gpd – gallons per day
mg/l – milligrams per liter
SFD – single family dwelling
TSS – total suspended solids

1 – reflects 15 EDU discount provided to the large apartment customer under a settlement agreement. Under the proposed cost allocation and rate structure, no discount is given to the large apartment customers. The current residential EDU count also reflects the mobile home park clubhouse (1 EDU) transitioned from the residential category to the commercial category.
2 – City of Los Angeles (City of LA) Sewage Generation Factors Chart https://engpermitmanual.lacity.org/sewer-s-permits/technical-procedures/sewage-generation-factors-chart; beauty shop flow generation of 50 gpd/stall multiplied by 3 stalls (operators)
3 – City of LA
4 – Flow taken from Monterey One Water– small takeout establishment with one checkout lane; pollutant loading from City of LA
5 – Flow taken from Monterey One Water – medium takeout establishment with two to three checkout lanes; pollutant loading from City of LA; the Summerland Sanitary District does not currently have any customers with this land use but expects new customers to take service under this category in the future
6 – Flow from the City of Burbank (small commercial/retail); pollutant loading from City of LA; Summerland Sanitary District currently has two food market customers (less than 5,000 ft^2). However, these customers are proposed to be transitioned to other rate categories. The District may have customers take service via this rate category in the future.
7 – Estimated to be equivalent to two single family dwellings
8 – Flow from the City of Burbank; pollutant loading from City of LA
9 – City of LA office - 10 employee equivalent (see note 9)
10 – Based on 150 square feet per employee and 120 gallons per day per 1,000 square feet from the City of LA; pollutant loading from City of LA
11 – Flow taken from Monterey One. Based on up to 3 physicians and 7 employees per billing unit. Pollutant loading from City of LA.
12 – Estimated to be equivalent to two single family dwellings
13 – City of LA pollutant loading and sewerage generation factor for a dog kennel
14 – Flows from the City of Burbank; pollutant loading from the City of LA
15 – See Special Class calculations

Table 9: Special Class Calculations

Innovation Place UC Campus

Customer Class	Billable Units	Count	gallons per day	BOD mg/L	TSS mg/L	EDUs per Billable Unit	# of EDUs	Basis
CURRENT								
Offices	per 10 employees	36					36.0	headcount 358 per July 19, 2019
PROPOSED								
Large offices	per 1,000 sq ft of building space	122	85	265	275	0.4	48.8	City of LA sewerage generation factors - midpoint between office (120 gpd) and retail/library/lounge (50 gpd)

Pacifica Institute

Customer Class	Billable Units	Count	gallons per day	BOD mg/L	TSS mg/L	EDUs per Billable Unit	# of EDUs	Basis
CURRENT								
Offices	per 10 employees	14					14.0	# of students + # of office staff
PROPOSED								
Graduate Students	per 10 students	11	160	265	275	0.7	7.7	City of LA - 16 gpd per grad student
Office Staff	per 10 employees	3	180	265	275	0.8	2.4	City of LA sewerage generation factors for office
Cafeteria	per 10 meals	10	60	1000	600	0.4	4.0	Monterey One flow and strength
						Total proposed	14.1	

SECTION 5: RATE DESIGN

5.1 Rate Calculation

As shown in Table 8, the proposed cost allocation results in a net loss of over 100 EDUs. The proposed FY2025/26 revenue requirement of about $1.1 million divided by 771.1 proposed EDUs results in a rate of $1,437 per EDU. This equates to a nearly 18% increase over the current rate of $1,219, see Table 10 (Hypothetical Rate Adjustment Without Phase-in).

To mitigate rate impacts, rates increases (but not decreases) are proposed to be phased-in over the next five years. It is proposed that any customers that receive a rate decrease under the hypothetical rate design (due to a reduction in that class's EDU assignment) will receive that decrease in FY2025/26 (i.e., immediately). Any customers with a proposed increase under the hypothetical rate design will instead receive a phased-in rate adjustment over five years. By FY2029/30, the phased-in rates will equal the projected, full cost rates. Each customer class will be assigned the EDUs proposed in Table 8, and total EDUs will equal 771.10. The loss of revenue from the phase-in is shown in Table 10, which is also shown in line 6 of the cash flow in Table 5.

Table 10: Rate Phase-in

	Current	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
HYPOTHETICAL RATE ADJUSTMENT WITHOUT PHASE-IN						
EDUs	875.32	771.10	771.10	771.10	771.10	771.10
Rate Revenue Increase		**3.8%**	**3.8%**	**3.8%**	**3.8%**	**3.8%**
[A] Rate Revenue	**$1,067,000**	**$1,108,000**	**$1,150,000**	**$1,194,000**	**$1,239,000**	**$1,286,000**
Rate per Single Family Dwelling	$1,219	$1,437	$1,491	$1,548	$1,607	$1,668
Rate Increase		17.9%	3.8%	3.8%	3.8%	3.8%
PROPOSED RATE ADJUSTMENT WITH PHASE-IN						
EDUs	875.32			Phase-in		771.10
Rate Revenue Increase		-2.5%	5.4%	5.5%	5.4%	5.5%
[B] Rate Revenue	$1,067,000	$1,040,200	$1,096,000	$1,156,000	$1,218,800	$1,286,000
Rate per Single Family Dwelling	$1,219			Phase-in		$1,668
Loss for Rate Phase-in Row [B] minus [A]		**($67,800)**	**($54,000)**	**($38,000)**	**($20,200)**	**$0**

5.2 Recommended Rates and Bill Impacts

Table 11 shows the proposed rate plan through FY2029/30. As described, there are a range of rate impacts. Customers receiving decreases to their EDU assignments are proposed to receive the benefit of the associated rate decrease in FY2025/26. These customers are then proposed to receive 3.8% increases annually from FY2026/27 to FY2029/30 corresponding to the proposed increase to the revenue requirement shown in Table 10. Customers that are proposed to receive rate increases under the new EDU assignments are proposed to receive phased-in rate adjustments. In FY2026/27 through FY2029/30 their rates are proposed to increase by approximately the same percent each year by rate class. The first-year rate increase in FY2025/26 is proposed to be approximately double the percentage increase of subsequent years to mitigate losses from the phase-in. Table 12 lists the proposed rates, count of customers by class, and total rate revenue by year.

Table 11: Proposed 5-Year Rate Plan

Residential User Classifications	Current Rate	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Properties with 1 SFD (per parcel)	$1,219	$1,351	$1,424	$1,502	$1,582	$1,668
Apartments (per dwelling)						
Studio	$1,219	$719	$746	$774	$804	$834
1 Bedroom	$1,219	$719	$746	$774	$804	$834
2 Bedroom	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168
3 Bedroom	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Accessory Dwelling Unit (ADU)	$1,219	$719	$746	$774	$804	$834
Mobile home park (per mobile home unit)	$1,219	$1,006	$1,044	$1,084	$1,125	$1,168

Residential User Classifications	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Properties with 1 SFD (per parcel)	10.8%	5.4%	5.5%	5.3%	5.4%
Apartments (per dwelling)					
Studio	-41.1%	3.8%	3.8%	3.8%	3.8%
1 Bedroom	-41.1%	3.8%	3.8%	3.8%	3.8%
2 Bedroom	-17.5%	3.8%	3.8%	3.8%	3.8%
3 Bedroom	-5.7%	3.8%	3.8%	3.8%	3.8%
Accessory Dwelling Unit (ADU)	-41.1%	3.8%	3.8%	3.8%	3.8%
Mobile home park (per mobile home unit)	-17.5%	3.8%	3.8%	3.8%	3.8%

Table is continued on the next page.

Non-Residential User Classifications	Billing Unit	Current Rate	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Barber & Beauty shop	up to 3 operators	$2,255	$1,006	$1,044	$1,084	$1,125	$1,168
Bed and Breakfast - per 10 rooms	per 10 rooms	$3,657	$4,816	$5,579	$6,463	$7,487	$8,674
Coffee Shop	each w/o food service	$1,219	$1,351	$1,424	$1,501	$1,582	$1,668
NEW Coffee Shop w/grease trap	per 3 checkout lanes	NA	$4,311	$4,473	$4,644	$4,821	$5,004
NEW Gas Station/Food Market	per 1,000 ft²	NA	$2,587	$2,684	$2,786	$2,893	$3,002
Elementary School	per 40 students	$1,219	$1,566	$1,790	$2,045	$2,336	$2,669
Fire Station	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
Food Market	less than 5,000 ft²	$2,828	$2,587	$2,684	$2,786	$2,893	$3,002
Food market w/food service & kitchen	per 1,000 ft²	$8,655	$7,329	$7,604	$7,895	$8,196	$8,507
Health Club	each	$2,438	$1,581	$1,640	$1,703	$1,768	$1,835
Meeting Hall/Assembly	each	$1,950	$1,150	$1,193	$1,238	$1,286	$1,334
Offices	per 10 employees	$1,219	$1,150	$1,193	$1,238	$1,286	$1,334
Offices - Medical/Dental	per 10 employees	$2,840	$2,874	$2,982	$3,096	$3,214	$3,336
Park w/Restrooms + Residence	each	$2,438	$2,702	$2,848	$3,002	$3,165	$3,336
NEW Pet shop w/live animals	per 1,000 ft²	NA	$575	$596	$619	$643	$667
Restaurant	per 1,000 ft²	$8,411	$8,478	$8,797	$9,133	$9,481	$9,841
Retail	per 1,000 ft²	$1,219	$287	$298	$310	$321	$334
NEW Self Storage	per 1,000 ft²	NA	$144	$149	$155	$161	$167
Special Class							
Innovation Place UC Campus	each	$43,884	$53,564	$59,471	$66,030	$73,313	$81,398
Pacifica Institute	each	$17,066	$18,957	$20,007	$21,115	$22,284	$23,519

Non-Residential User Classifications	Billing Unit	Current Rate	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Barber & Beauty shop	up to 3 operators	$2,255	-55.4%	3.8%	3.8%	3.8%	3.8%
Bed and Breakfast- per 10 rooms	per 10 rooms	$3,657	31.7%	15.8%	15.8%	15.8%	15.8%
Coffee Shop	each w/o food service	$1,219	10.8%	5.4%	5.4%	5.4%	5.4%
NEW Coffee Shop w/grease trap	per 3 checkout lanes	NA	NA	3.8%	3.8%	3.8%	3.8%
NEW Gas Station/Food Market	per 1,000 ft²	NA	NA	3.8%	3.8%	3.8%	3.8%
Elementary School	per 40 students	$1,219	28.5%	14.2%	14.2%	14.2%	14.2%
Fire Station	each	$2,438	10.8%	5.4%	5.4%	5.4%	5.4%
Food Market	less than 5,000 ft²	$2,828	-8.5%	3.8%	3.8%	3.8%	3.8%
Food market w/food service & kitchen	per 1,000 ft²	$8,655	-15.3%	3.8%	3.8%	3.8%	3.8%
Health Club	each	$2,438	-35.2%	3.8%	3.8%	3.8%	3.8%
Meeting Hall/Assembly	each	$1,950	-41.1%	3.8%	3.8%	3.8%	3.8%
Offices	per 10 employees	$1,219	-5.7%	3.8%	3.8%	3.8%	3.8%
Offices- Medical/Dental	per 10 employees	$2,840	1.2%	3.8%	3.8%	3.8%	3.8%
Park w/Restrooms + Residence	each	$2,438	10.8%	5.4%	5.4%	5.4%	5.4%
NEW Pet shop w/live animals	per 1,000 ft²	NA	NA	3.8%	3.8%	3.8%	3.8%
Restaurant	per 1,000 ft²	$8,411	0.8%	3.8%	3.8%	3.8%	3.8%
Retail	per 1,000 ft²	$1,219	-76.4%	3.8%	3.8%	3.8%	3.8%
NEW Self Storage	per 1,000 ft²	NA	NA	3.8%	3.8%	3.8%	3.8%
Special Class							
Innovation Place UC Campus	each	$43,884	22.1%	11.0%	11.0%	11.0%	11.0%
Pacifica Institute	each	$17,066	11.1%	5.5%	5.5%	5.5%	5.5%

Table 12: Proposed Rate Revenue Listed by Land Use

		FY2025/26		FY2026/27		FY2027/28		FY2028/29		FY2029/30	
RESIDENTIAL	**Count**	**Rate**	**Revenue**	**Rate**	**Revenue**	**Rate**	**Revenue**	**Rate**	**Revenue**	**Rate**	**Revenue**
Properties with 1 SFD (per parcel)	336	$1,351	$453,936	$1,424	$478,464	$1,502	$504,672	$1,582	$531,552	$1,668	$560,448
Properties with 2 SFD's (per parcel)	5	$2,702	$13,510	$2,848	$14,240	$3,004	$15,020	$3,164	$15,820	$3,336	$16,680
Properties with 1 SFD + 1 ADU (per parcel)	56	$2,070	$115,892	$2,170	$121,492	$2,276	$127,456	$2,386	$133,588	$2,502	$140,112
Properties with 1 SFD + 2 ADU (per parcel)	4	$2,788	$11,152	$2,915	$11,660	$3,050	$12,200	$3,189	$12,756	$3,336	$13,344
Properties with 1 SFD + 3 ADU (per parcel)	2	$3,507	$7,013	$3,661	$7,321	$3,824	$7,648	$3,993	$7,985	$4,170	$8,340
Properties with a Duplex (per parcel)	20	$2,702	$54,040	$2,848	$56,960	$3,004	$60,080	$3,164	$63,280	$3,336	$66,720
Properties with 1 Duplex + 1 ADU (per parcel)	1	$3,421	$3,421	$3,594	$3,594	$3,778	$3,778	$3,968	$3,968	$4,170	$4,170
Apartments (per dwelling)											
Studio	5	$719	$3,593	$746	$3,728	$774	$3,870	$804	$4,018	$834	$4,170
1 Bedroom	69	$719	$49,577	$746	$51,440	$774	$53,406	$804	$55,442	$834	$57,546
2 Bedroom	73	$1,006	$73,431	$1,044	$76,190	$1,084	$79,103	$1,125	$82,118	$1,168	$85,235
3 or 4 Bedroom	3	$1,150	$3,449	$1,193	$3,578	$1,238	$3,715	$1,286	$3,857	$1,334	$4,003
Accessory Dwelling Unit (ADU)	4	$719	$2,874	$746	$2,982	$774	$3,096	$804	$3,214	$834	$3,336
Mobile home park (per mobile home unit)	38	$1,006	$38,224	$1,044	$39,661	$1,084	$41,177	$1,125	$42,746	$1,168	$44,369
TOTAL RESIDENTIAL			$830,110		$871,309		$915,221		$960,342		$1,008,473
NON-RESIDENTIAL											
Barber & Beauty shop	1	$1,006	$1,006	$1,044	$1,044	$1,084	$1,084	$1,125	$1,125	$1,168	$1,168
Bed and Breakfast- per 10 rooms	3	$4,816	$14,448	$5,579	$16,737	$6,463	$19,389	$7,487	$22,462	$8,674	$26,021
Coffee Shop	1	$1,351	$1,351	$1,424	$1,424	$1,501	$1,501	$1,582	$1,582	$1,668	$1,668
NEW Coffee Shop w/grease trap	0	$4,311	$0	$4,473	$0	$4,644	$0	$4,821	$0	$5,004	$0
NEW Gas Station/Food Market	1	$2,587	$2,587	$2,684	$2,684	$2,786	$2,786	$2,893	$2,893	$3,002	$3,002
Elementary School	4	$1,566	$6,266	$1,790	$7,158	$2,045	$8,178	$2,336	$9,344	$2,669	$10,675
Fire station	1	$2,702	$2,702	$2,848	$2,848	$3,002	$3,002	$3,165	$3,165	$3,336	$3,336
Food Market <5,000 ft²	0	$2,587	$0	$2,684	$0	$2,786	$0	$2,893	$0	$3,002	$0
Food market w/food service & commercial kitchen	2	$7,329	$14,657	$7,604	$15,208	$7,895	$15,790	$8,196	$16,391	$8,507	$17,014
Health Club	3	$1,581	$4,742	$1,640	$4,920	$1,703	$5,108	$1,768	$5,303	$1,835	$5,504
Meeting Hall/Assembly	3	$1,150	$3,449	$1,193	$3,578	$1,238	$3,715	$1,286	$3,857	$1,334	$4,003
Offices- per 10 employees	12	$1,150	$13,795	$1,193	$14,314	$1,238	$14,861	$1,286	$15,427	$1,334	$16,013
Offices- Medical/Dental	1	$2,874	$2,874	$2,982	$2,982	$3,096	$3,096	$3,214	$3,214	$3,336	$3,336
Park w/Restrooms + Residence	1	$2,702	$2,702	$2,848	$2,848	$3,002	$3,002	$3,165	$3,165	$3,336	$3,336
NEW Pet shop w/live animals	2	$575	$1,150	$596	$1,193	$619	$1,238	$643	$1,286	$667	$1,334
Restaurant - per 1,000 ft²	6	$8,478	$50,870	$8,797	$52,781	$9,133	$54,799	$9,481	$56,888	$9,841	$59,047
Retail - per 1,000 ft²	50	$287	$14,370	$298	$14,910	$310	$15,480	$321	$16,070	$334	$16,680
Small Retail < 400 ft²											
NEW Self Storage	4	$144	$575	$149	$596	$155	$619	$161	$643	$167	$667
NEW Special Class		$0									
Innovation Place Campus	1	$53,564	$53,564	$59,471	$59,471	$66,030	$66,030	$73,313	$73,313	$81,398	$81,398
Pacifica Institute	1	$18,957	$18,957	$20,007	$20,007	$21,115	$21,115	$22,284	$22,284	$23,519	$23,519
TOTAL NON-RESIDENTIAL			$210,063		$224,704		$240,795		$258,411		$277,722
SYSTEMWIDE TOTAL			$1,040,173		$1,096,013		$1,156,016		$1,218,753		$1,286,195

Received 3/5/25

Lucinda Malott
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February 28, 2025

Board of Directors
Summerland Sanitary District
2435 Lillie Avenue
Summerland, CA 93067

RE: Proposition 218 Compliance Concerns - Continuing Inequitable Wastewater Rates for 160 Evans Avenue

Dear Board of Directors and General Manager:

As trustee for the 160 Evans Avenue apartment complex, I am writing regarding serious concerns about the equity and legality of your proposed wastewater rate structure as it applies to our 30-unit multi-family property. As you know, I previously challenged the District's rate methodology in *Malott v. Summerland Sanitary District* (2020), where the Court of Appeal ruled in my favor regarding our right to challenge disproportionate rates.

I have carefully reviewed your recently completed Cost of Service Study dated February 13, 2025. While I appreciate the District's efforts to develop a more equitable rate structure than existed previously, my analysis indicates that the new rates still fail to meet the proportionality requirements mandated by California Constitution Article XIII D, Section 6(b)(3) (Proposition 218).

Evidence of Disproportionate Billing

Using winter water consumption as a reliable proxy for wastewater generation, I have commissioned a detailed analysis comparing our property's actual usage patterns with the assumptions used in your rate study. My findings demonstrate that:

1. **Significant Usage Disparity**: Our apartment units use only 29.0% of the water that single-family homes in Summerland use on average, yet your rate structure assumes a 50-70% ratio based on Los Angeles data.
2. **Quantifiable Overcharge**: Based on my calculations, our property is being overcharged by approximately $9,810 annually, or 83.0% above proportional cost based on proposed rates and real winter water usage for the apartment and surrounding residences.

Inappropriate Methodology

The methodology used to develop the new rates remains fundamentally flawed because:

1. **Reliance on Los Angeles Data**: Summerland (population ~1,500) and Los Angeles (population ~4 million) have drastically different demographics, property characteristics, and water usage patterns. This makes Los Angeles an inappropriate proxy for determining local usage patterns.
2. **Failure to Consider Local Factors**: Summerland's demographic and housing characteristics differ dramatically from Los Angeles, creating major disparities in water usage patterns that your rate study fails to account for:
    - **Age Demographics**: Summerland's population skews significantly older (median age ~54) than Los Angeles (mid-30s). This older, more retired community spends substantially more time at home, directly increasing residential water usage through more frequent toilet flushing, cooking, cleaning, and other household activities compared to younger working populations.
    - **Household Size Disparity**: Summerland single-family homes average approximately 3 persons per household, comparable to LA owner-occupied homes (3.05), while our apartments average just 1.15 persons - dramatically lower than LA's rental units (2.6 persons). This fundamental difference in occupancy density between Summerland's apartments and houses creates a much wider usage gap than what Los Angeles data would suggest.
    - **Occupancy Patterns & Behavior**: Summerland's predominantly older, semi-retired single-family home residents spend significantly more time at home than the working adults in our apartments. National studies during stay-at-home periods showed that when people spend more time at home, indoor water use increases by approximately 20% due to daytime bathroom use, cooking, and other activities that would otherwise occur at workplaces. This means Summerland's houses generate substantially more wastewater per unit than our apartments, where residents are typically away 8-10 hours daily.
    - **Building Characteristics**: Our studio and 1BR apartments have modest fixtures, no dishwashers or disposals, and small bathrooms with two washing machines for the entire complex, and solar heating.
3. **Vacancy Factor Relevance**: While I am not requesting a formal vacancy adjustment at this time, it's worth noting that our property typically maintains some vacancy (averaging ~5%), meaning we are being charged for units that generate zero wastewater—further exacerbating the disproportionate billing issue.

Legal Framework

As you are well aware from our previous litigation, the California Court of Appeal's decision in *Malott v. Summerland Sanitary District* addressed this issue directly. The Court found that treating each apartment unit as equivalent to a single-family home for billing purposes, without regard to actual usage differences, may violate the constitutional proportionality requirement.

Proposition 218 explicitly requires that "the amount of a fee charged upon any parcel shall not exceed the proportional cost of the service attributable to that parcel." The California Supreme Court has consistently interpreted this to mean rates must reflect the actual cost of providing service to each parcel or customer class. Your proposed rate of $714 is 83% above the $392 that would be proportional to our actual usage.

Requested Actions

In light of these facts, I respectfully request that the District:

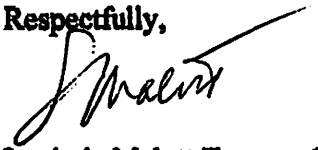
1. Adjust our current billing to reflect equitable rates based on proportional usage, which my analysis indicates would be approximately $392 annually per studio/1BR unit.
2. Revise the rate methodology to use Summerland-specific data rather than Los Angeles coefficients, ideally through:
    - Analysis of actual winter water consumption (non-irrigation months) from representative Summerland properties, as this provides the most accurate estimate of wastewater generation by excluding outdoor usage
    - Consideration of property-specific characteristics for large multi-unit developments

I hope to resolve this matter collaboratively. My goal is not confrontation but rather to ensure rates that fairly reflect the proportional cost of service as required by law. I would be pleased to meet with you to discuss my findings and work toward an equitable solution.

However, should it be necessary, I am prepared to pursue further legal remedies to ensure compliance with Proposition 218, following the path established in our previous case.

Please respond regarding your willingness to address these issues. I can be reached at (805) 687-4363 (landline) or lmalott@silcom.com.

Respectfully,



Lucinda Malott Trustee, Carol Nantker Family Trust