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To: Board of Directors, Clearlake Oaks County Water District
From: Vida Lopez, Rural Community Assistance Corporation (RCAC)
Date: March 13, 2026
Subject: Wastewater Financial Plan for FYE 2027 – FYE 2031

Purpose

Rural Community Assistance Corporation (RCAC) worked with Clearlake Oaks County Water District (CLOCWD) to prepare a 5-year Wastewater Financial Plan to evaluate revenues, expenses, and the adequacy of current customer charges.

During the financial planning analysis, RCAC found that current sewer fund revenues are not sufficient to cover ongoing expenses and that the projected CRP – Sewer Fund budget is expected to begin operating at a deficit in FYE 2025.

The wastewater financial plan recommends a rate increase based on the current rate structure and is being submitted to the Board for consideration. The Board may accept the Financial Plan and then decide if they would like to proceed with a rate increase and the Proposition 218 process.

Summary

The industry standard is to conduct a wastewater rate study every five years to ensure revenues are covering expenses and costs are being applied to customer classes in a fair and equitable manner. As a public entity, CLOCWD must ensure rate structures are consistent with current Proposition 218 case law, which has specific guidance on what is considered fair and equitable ways to distribute costs to customers.

CLOCWD requested a wastewater rate analysis to evaluate for these primary areas:

- Current rate study was conducted in 2021 and produced a rate schedule for FYE 2022 – FYE 2026.
- Wastewater reserves have been decreasing in recent years due to a negative operating balance in the sewer fund.

Due to limitations in available system data and funding constraints, a full Cost of Service (COS) analysis was not feasible at this time. As a result, this study has been prepared as a financial plan, focusing on projecting the utility's revenues, expenses, and fund balances over the next several years. The financial plan identifies the total revenue required to maintain system operations, fund necessary capital improvements, and meet reserve policies, and provides a proposed rate schedule to achieve these objectives. While it does not allocate costs to specific customer classes as a full COS would, it provides a practical and transparent framework to ensure rates remain sufficient, sustainable, and compliant with Proposition 218 requirements.

RCAC conducted this wastewater financial plan on behalf of Clearlake Oaks County Water District (CLOCWD) to establish rates that allow CLOCWD to operate and maintain the wastewater system for the next five years and collect the necessary reserves for emergencies and capital improvements. RCAC analyzed data for fiscal year ending 2023 (FYE 2023) and FYE 2024 and budgeted data for FYE 2025 and FYE 2026 to set rates for FYE 2027 through FYE 2031.

With the projected expenses, the current rates are expected to leave CLOCWD with a net loss of \$4,333,734 based on operating revenue. Some of this loss could be made up with non-operating revenue but RCAC recommends all operating expenses be covered by operating revenue.

Current Rate Summary						
	2027	2028	2029	2030	2031	5-Year Total
Expenses	\$2,381,760	\$2,486,289	\$2,601,327	\$2,706,289	\$2,815,736	\$12,991,401
Income Generated by New Rates	\$1,699,680	\$1,699,680	\$1,699,680	\$1,699,680	\$1,699,680	\$8,498,400
Uncollectables	-\$5,099	-\$5,099	-\$5,099	-\$5,099	-\$5,099	-\$25,495
Penalty & Interest	\$34,112	\$35,476	\$36,896	\$38,371	\$39,906	\$184,762
NET LOSS OR GAIN:	-\$653,067	-\$756,232	-\$869,850	-\$973,336	-\$1,081,249	-\$4,333,734

RCAC recommends CLOCWD increase rates to ensure that operating revenues are sufficient to cover operating expenses. The proposed rate schedule is:

CLOCWD Proposed Rates per EDU						
	2026 (Current Rates)	2027	2028	2029	2030	2031
Rate per EDU	\$74.47	\$93.09	\$110.18	\$115.17	\$119.71	\$124.44
% Increase	-	25.0%	18.4%	4.5%	3.9%	4.0%
Affordability	2.87%	3.58%	4.24%	4.43%	4.61%	4.79%

CLOCWD Proposed Rates per Customer Unit							
Customer Type	Customer Unit	2026 (Current Rates)	2027	2028	2029	2030	2031
School	Per Student	\$2.17	\$2.79	\$3.23	\$3.38	\$3.51	\$3.65
RV/Campsite	Per Space	\$22.11	\$27.27	\$32.62	\$34.10	\$35.43	\$36.83

CLOCWD Proposed Rates per Customer Unit							
Customer Type	Customer Unit	2026 (Current Rates)	2027	2028	2029	2030	2031
Hotel/Motel	Per Building	\$34.04	\$42.77	\$50.41	\$52.70	\$54.78	\$56.95
Laundromat	Per Machine	\$45.56	\$57.72	\$67.59	\$70.66	\$73.46	\$76.39
Church	Per Building	\$68.75	\$87.84	\$102.17	\$106.83	\$111.07	\$115.50
Service/Gas Station	Per Restroom	\$45.56	\$57.72	\$67.59	\$70.66	\$73.46	\$76.39
Beauty/Barber Shop	Per Building	\$89.00	\$117.44	\$133.16	\$139.28	\$144.87	\$150.72
Restaurant	Per Building	\$102.05	\$131.08	\$151.83	\$158.75	\$165.07	\$171.67
Restaurant w/Bar 1	Per Building	\$170.90	\$220.49	\$254.50	\$266.12	\$276.72	\$287.80
Restaurant w/Bar 2	Per Building	\$170.90	\$220.49	\$254.50	\$266.12	\$276.72	\$287.80
Bar	Per Building	\$98.89	\$126.99	\$147.12	\$153.83	\$159.95	\$166.34
Service Club	Per Building	\$68.78	\$87.88	\$102.22	\$106.87	\$111.12	\$115.55
Service Club w/Kitchen/Food Service 1	Per Building	\$94.91	\$122.19	\$141.27	\$147.72	\$153.60	\$159.75
Service Club w/Kitchen/Food Service 2	Per Building	\$94.91	\$122.19	\$141.27	\$147.72	\$153.60	\$159.75
Commercial Office Space	Per Building	\$68.78	\$87.88	\$102.22	\$106.87	\$111.12	\$115.55
Community Beach	Per Restroom	\$68.78	\$87.88	\$102.22	\$106.87	\$111.12	\$115.55

This rate option gradually increases rates so that, by the end of the five-year study period, total revenues are projected to fully cover total expenses. In the first year, there is a shortfall of \$226,689, which has been considered to balance rate affordability for customers. Non-operating revenues have not been applied toward covering operating costs and are available to strengthen fund reserves.

RCAC recommends CLOCWD:

- Adopt the proposed rate option to ensure financial sustainability.
- Ensures rates are sustainable for CLOCWD while also assessing the affordability to your customers.
 - The State Water Resources Control Board drinking water needs assessment measures affordability by dividing the annual bill (assuming 600 cubic feet or 4,388 gallons of water usage per month) by the median household income (MHI). Based on the %MHI, water system bills are categorized as no risk, medium risk, or high risk for affordability.

State Water Resources Control Board Needs Assessment: Affordability as %MHI		
No Risk	Medium Risk	High Risk
<1.5%	1.5% - 2.5 %	>2.5%

- RCAC’s rate model calculates affordability by taking the average residential bill for the wastewater system and dividing it by the MHI.
- Review revenues versus expenditures every year to ensure that the rates cover all costs to the system.
- Strive to be transparent. Successful utilities are those that are transparent to their customers regarding their day-to-day operations, including successes and struggles. Promote your services to your customers and continuously educate them on why it is necessary to raise and adjust rates.
- Consider increasing non-operational revenue. For example, CIP reserves could be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so is more than the interest earned on the account.
- Work with the billing software provider to streamline reports, billing codes, and application of billing charges. Clearer, more consistent data will make future rate studies faster and more accurate.
- For future rate studies, consider conducting a wastewater EDU analysis using up-to-date customer water usage. If technical assistance is used, request the EDU analysis early to ensure enough time and resources for a precise cost-of-service evaluation.



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Next Steps

1. The Board can decide to accept the wastewater financial plan as is or request edits.
2. The Board can decide to pursue the proposed rates and instruct CLOCWD staff to begin the Prop 218 process by mailing out Prop 218 notices at least 45-days in advance of the Prop 218 hearing.
3. At the Prop 218 hearing, the Board may adopt rates. If 50% + 1 of the parcel owners protest the rates in writing, the Board cannot adopt the rates.
4. If adopted, new rates to go into effect July 1, 2026.

Please contact Vida Lopez, Small Utility Project Manager I at Vida.Lopez@rcac.org or (916) 995-7321 with any questions.