



RIO DELL CITY COUNCIL  
REGULAR MEETING - 6:30 P.M.  
TUESDAY, APRIL 19, 2022  
CITY COUNCIL CHAMBERS  
675 WILDWOOD AVENUE, RIO DELL

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***WELCOME** - Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue and available on the City's website at [cityofriodell.ca.gov](http://cityofriodell.ca.gov). Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.*

**SPECIAL PUBLIC HEALTH EMERGENCY ALTERATIONS TO MEETING FORMAT  
CORONAVIRUS (COVID-19)**

Effective immediately, the City of Rio Dell will reopen City Council meetings held in City Hall Council Chambers to in-person attendance by the public. The public may also attend these meeting virtually through Zoom. The meetings will also be viewable via livestreaming through our partners at Access Humboldt via their YouTube channel or Suddenlink channels on Cable TV.

To maintain safety and minimize the health risks associated with COVID-19, participants may be required to complete an Attestation of Vaccination upon entering the City Council Chambers. Fully vaccinated participants will not be required to wear a mask. Unvaccinated participants must wear face coverings at all times while in the City Hall Council Chambers.

**Public Comment by Email:**

In balancing the health risks associated with COVID-19 and need to conduct government in an open and transparent manner, public comment on agenda items can be submitted via email at [publiccomment@cityofriodell.ca.gov](mailto:publiccomment@cityofriodell.ca.gov). Please note the agenda item the comment is directed to (example: Public Comments for items not on the agenda) **and email no later than one-hour prior to the start of the Council meeting**. Your comments will be read out loud, for up to three minutes.

Meeting can be viewed on Access Humboldt's website at <https://www.accesshumboldt.net/>. Suddenlink Channels 10, 11 & 12 or Access Humboldt's YouTube Channel at <https://www.youtube.com/user/accesshumboldt>.

**Zoom Public Comment:**

When the Mayor announces the agenda item that you wish to comment on, call the conference line and turn off your TV or live stream. Please call the toll-free number **1-888-475-4499**, enter meeting **ID 987 154 0944** and press star (\*) 9 on your phone – this will raise your hand. You will continue to hear the meeting on the call. When it is time for public comment on the item you wish to speak on, the Clerk will unmute your phone. You will hear a prompt that will indicate your phone is unmuted. Please state your name and begin your comment. You will have 3 minutes to comment.

- A. CALL TO ORDER
- B. ROLL CALL
- C. PLEDGE OF ALLEGIANCE
- D. CEREMONIAL MATTERS
- E. PUBLIC PRESENTATIONS

*This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not allowed under the Ralph M. Brown Act. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3 of the Council that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.*

F. CONSENT CALENDAR

*The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Councilmembers if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually following action on the remaining consent calendar items.*

- 1) 2022/0419.01 - Approve Minutes of the April 5, 2022 Regular Meeting **(ACTION)** 1
- 2) 2022/0419.02 – Approve Resolution No. 1534-2022 Authorizing the City Manager to Execute Agreements with the California Department of Transportation for the City of Rio Dell Clean California Local Grant Programs: 1) Rio Dell Gateway Beautification and 2) Eel River Trail **(ACTION)** 5
- 3) 2022/0419.03 – Receive and File Check Register for March **(ACTION)** 9

G. ITEMS REMOVED FROM THE CONSENT CALENDAR

H. REPORTS/STAFF COMMUNICATIONS

- 1) 2022/0419.04 - City Manager/Staff Update **(RECEIVE & FILE)** 13



I. SPECIAL PRESENTATIONS/STUDY SESSIONS/PUBLIC HEARINGS

1) 2022/0419.05 - Presentation by JJA CPA, Inc. – Fiscal Year 2020-2021  
Audited Financial Statements **(RECEIVE & FILE)** 19

2) 2022/0419.06 – Public Hearing and Presentation on Proposed Water and  
Wastewater Rate Study with Proposed Rates through  
Fiscal Year 2026-2027 Pursuant to Proposition 218  
with Possible Continuance of Tabulation of Protest Ballots  
to May 3, 2022 **(DISCUSSION/POSSIBLE ACTION)** 118

J. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

K. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

L. COUNCIL REPORTS/COMMUNICATIONS

M. ADJOURNMENT

*The next regular City Council meeting is scheduled for  
Tuesday, May 3, 2022 at 6:30 p.m.*

**RIO DELL CITY COUNCIL  
REGULAR MEETING MINUTES  
APRIL 5, 2022**

The regular meeting of the Rio Dell City Council was called to order at 6:33 p.m. by Mayor Garnes.

ROLL CALL: Present: Mayor Garnes, Mayor Pro Tem Johnson,  
Councilmembers Carter, and Wilson

Absent: Councilmember Woodall (excused)

Others Present: City Manager Knopp, Wastewater Superintendent Taylor, Fiscal Assistant II Hamaker and City Clerk Dunham

Absent: Finance Director Dillingham, Community Development Director Caldwell, Chief of Police Conner, Water/Roadways Superintendent Jensen and Management Analyst Sanborn

**ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION**

Conference with Legal Counsel – Anticipated Litigation – Consider Initiation of Litigation – Three (3) Potential Cases (Pursuant to Paragraph (4) Gov't Code §54956.9)

Mayor Garnes announced that the closed session scheduled for 5:30 p.m. was cancelled.

**ORAL ANNOUNCEMENTS**

Mayor Garnes moved Agenda Item (P) (1) (Resolution No. 1533-2022 Reducing the Cannabis Cultivation Tax) to the front of the agenda.

City Manager Knopp said that staff recommended removal of this item from the agenda and that it be continued to the regularly scheduled meeting of May 3, 2022 to allow Community Development Director Caldwell to be present. He noted that there is no real urgency since the next tax cycle starts on July 1, 2022. He explained that the item was moved to the front of the agenda to allow for public comment.

**PUBLIC PRESENTATIONS**

Mayor Garnes called for public comment on non-agenda items.

**Shawn Studebaker, Humboldt 454, LLC** addressed the Council and said that he has a 10,000 sq. ft. indoor grow at the Humboldt-Rio Dell Business Park and it was not included in the proposed cannabis tax discount. He pointed out that the current tax is only \$2.00 a square foot and if discounts are given, they would like to be included, however; if it doesn't pass, they are fine with the current tax.

**Jesse Jeffries** commented that all sectors of the cannabis industry are struggling, not just non-powered cannabis farms, and asked the Council when considering the tax reduction to take into consideration all the improvement costs associated with Humboldt 454, LLC incurred as far as water lines, power, building, landscaping, operational costs, and year-round employees. He said that the Council is considering lowering the tax for non-powered cannabis cultivation but pointed out that they are not impacted with the same infrastructure costs as the indoor cannabis cultivators. He recommended the Council consider leveling the playing field by reducing the tax across the board or not pass it at all.

### CONSENT CALENDAR

Mayor Garnes asked if any councilmember, staff or member of the public would like to remove any item from the consent calendar for separate discussion. No items were removed.

Motion was made by Johnson/Carter to approve the following consent calendar items:

- 1) Minutes of the March 15, 2022 Regular Meeting
- 2) Minutes of the March 29, 2022 Special Meeting
- 3) Appointment of Nick Angeloff, Larry Arsenault and Patrick Knight to the Rio Dell Planning Commission for 3-year terms ending December 31, 2024 and appointment of Arnie Kemp as Alternate Planning Commissioner for the remainder of the term ending December 31, 2023
- 4) Resolution No. 1532-2022 Accepting Submission by the Police Chief of a Proposed Military Equipment Use Policy
- 5) Authorizing Chief of Police to Purchase Five Panasonic Tough Book Computers for Mobile Display Terminals in Patrol Vehicles in the Amount of \$21,847
- 6) Authorizing Mayor to Sign Letter Supporting State Funding for Local Government Implementation of SB 1383 Organics Rules

Motion carried 4-0.

### REPORTS/STAFF COMMUNICATIONS

#### City Manager/Staff Update

City Manager Knopp provided highlights of the staff update and said that the bids were received for the 2022 Street Asphalt Project and the bid was awarded to G. R. Sundberg. Staff is in the process of reviewing the agreement with the contractor and work was expected to begin soon.

Staff has been working on the Water CIP grant application and providing additional information to the Water Board. The City Hall Solar Project was nearing completion and an application was submitted to PG&E to begin the official operation of the solar and battery backup project so the energy produced by the facility can be pushed back out to the grid.



He also reported that staff has been having ongoing discussions with Façade Improvement Project applicants. The most recent submittal seems to be a very good project that everyone will be happy with. Staff is also continuing to have ongoing discussions with local area experts on the Rio Dell Community Forest concept.

He added that the City received approximately \$41,000 for sewer arrearages so those credits are currently being applied to sewer accounts similar to the water arrearages program that was made available by the State as a result of the COVID emergency..

He also noted that on March 22<sup>nd</sup> Mayor Garnes attended a virtual meeting of the CPUC to give public comment regarding PG&E's slow rate in updating critical energy conveyance facilities and its impact to not only Rio Dell, but the entire County of Humboldt with regard to economic development.

There were no comments or questions from the Council or the public regarding the staff update.

### **SPECIAL CALL ITEMS/COMMUNITY AFFAIRS/PUBLIC HEARINGS**

#### Appoint two Members of the City Council to an Ad Hoc Committee to Participate in Interviews for Rio Dell Chief of Police

City Manager Knopp provided a staff report and said as the Council is aware, staff is in the process of soliciting applications for Chief of Police with three applications received so far. Staff recommended the appointment of two members of the City Council to an Ad Hoc committee to proceed with the initial review of applications and interviews. He noted that Mayor Pro Tem Johnson and Councilmember Wilson served on the last Ad Hoc when Chief Conner was hired.

Mayor Garnes commented that Councilmember Woodall reached out to her expressing interest in serving on the committee. Mayor Garnes also volunteered to serve.

Mayor Garnes and Councilmember Woodall were then appointed to the Ad Hoc Committee to participate in the interview process for the Chief of Police.

### **ORDINANCES/SPECIAL RESOLUTIONS**

#### Adopt Resolution No. 1531-2022 Declaring the Need for Continued In-Person/Hybrid Meetings or Resuming with Virtual (Zoom) Meetings in Accordance with AB 361

City Clerk Dunham explained that during the duration of the declared emergency, staff is required to bring the resolution back to the Council every 30 days to reconsider the circumstances of the state of emergency and make the finding that the emergency continues to directly impact or does not directly impact the ability of the City Council, staff and public from meeting safely in person. Based on that finding, the meetings would continue to be held in-person (hybrid), or resume as virtual (Zoom) meetings.

Motion was made by Wilson/Johnson to adopt Resolution No. 1531-2022 *Declaring the Need for Continued In-Person/Hybrid Meetings in Accordance with AB 361*. Motion carried 4-0.

### COUNCIL REPORTS/COMMUNICATIONS

Councilmember Wilson reported on the opening of the Hambro CRV Redemption Center in Arcata and noted that they would be accepting up to 100 pounds of CRV per day.

Councilmember Carter reported that she attended a RREDC meeting in-person which was a nice way to reconnect with the Board. They discussed their 5-year Strategic Plan which included such topics as housing, health care, infrastructure and support for small farms.

Mayor Garnes reported that she attended a Cal Cities business meeting in Ukiah on March 25<sup>th</sup> and that they shared information between the cities in the Redwood Empire Division and Fortuna mentioned that there was something in the works for the former mill site property. She said that they also did a walk around tour of the Ukiah Streetscape which she was only able to drive around and view.

She also said that she wanted to wish local resident Nancy Kurtz a happy 94<sup>th</sup> birthday.

### ADJOURNMENT

Motion was made by Johnson/Carter to adjourn the meeting at 6:50 p.m. to the April 19, 2022 regular meeting. Motion carried 4-0.

Attest:

\_\_\_\_\_  
Debra Garnes, Mayor

\_\_\_\_\_  
Karen Dunham, City Clerk

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675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532  
(707) 764-5480 (fax)



DATE: April 19, 2022

TO: Mayor and Members of the City Council

FROM: Travis Sanborn, Management Analyst

THROUGH: Kyle Knopp, City Manager

SUBJECT: AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION FOR THE CITY OF RIO DELL CLEAN CALIFORNIA LOCAL GRANT PROGRAMS: 1) RIO DELL GATEWAY BEAUTIFICATION AND 2) EEL RIVER TRAIL

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve attached Resolution No. 1534-2022 Authorizing the City Manager to Execute Agreements with the California Department of Transportation for the City of Rio Dell Clean California Local Grant Programs: 1) Rio Dell Gateway Beautification and 2) Eel River Trail

BACKGROUND AND DISCUSSION

The City of Rio Dell was recently awarded grant funds from the Clean California Local Grant Program to complete two projects; the Rio Dell Gateway Beautification and the Eel River Trail.

This Rio Dell Gateway Beautification project will enhance the northern segment of Wildwood Avenue, the main street through the City of Rio Dell, from Elko Street to Belleview Avenue. Existing unhealthy trees in medians and landscaped areas will be removed, an adequately-sized planting hole will be excavated and filled with amended soil, and trees will be replanted that are sensitive to the town's character, drought-tolerant, low-maintenance, and aesthetically pleasing. The existing irrigation system will be modified to match the placement and water needs of the new trees. Near the southern end of the project, Memorial Park will be revitalized and enhanced with the addition of exercise equipment.

The Eel River Trail project will develop a new 1/4 mile, 10' Class I shared-use path along the west bank of the Eel River, in the City of Rio Dell. The Eel River Trail will enhance an unofficial footpath that lacks accessibility features & amenities, create a link between two unconnected city streets.



At the southern gateway, an improved asphalt parking area with a bioretention feature at the Edwards Drive trailhead would also provide access to the river bar and feature a community-selected art piece. At the northern terminus, the Davis Street trailhead improvements include regrading and thinning of dense vegetation. At each end of the trail, users will find directional & interpretive signage, seating, and waste receptacles. Along the path will be interpretive signage and a connection to an existing footpath to the river.

It is staff's recommendation that the City Council approve the attached Resolution No. 1534-2022 Authorizing the City Manager to Execute Agreements with the California Department of Transportation for the City of Rio Dell Clean California Local Grant Programs: 1) Rio Dell Gateway Beautification and 2) Eel River Trail

Attachments:

RESOLUTION NO. 1534-2022 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION FOR THE CITY OF RIO DELL CLEAN CALIFORNIA LOCAL GRANT PROGRAMS 1) RIO DELL GATEWAY BEAUTIFICATION AND 2) EEL RIVER TRAIL



**RESOLUTION NO. 1534-2022**  
**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL**  
**AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE**  
**CALIFORNIA DEPARTMENT OF TRANSPORTATION FOR THE CITY OF RIO DELL**  
**CLEAN CALIFORNIA LOCAL GRANT PROGRAMS 1) RIO DELL GATEWAY**  
**BEAUTIFICATION AND 2) EEL RIVER TRAIL**

**WHEREAS**, the City Council of the City of Rio Dell is eligible to receive Federal and/or State funding for certain transportation planning related plans, through the California Department of Transportation;

**WHEREAS**, the City of Rio Dell has applied for and received two Clean California Grants for the 1) Rio Dell Gateway Beautification and 2) Eel River Trail;

**WHEREAS**, a Restricted Grant Agreement is needed to be executed with the California Department of Transportation before such funds can be claimed through the Clean California Local Grant Program;

**WHEREAS**, the City of Rio Dell wishes to delegate authorization to execute these agreements and any amendments thereto;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Rio Dell, authorize the City Manager, or designee, to execute all Restricted Grant Agreements and any amendments thereto with the California Department of Transportation Clean California Local Grant Programs 1) Rio Dell Gateway Beautification and 2) Eel River Trail.

**I HEREBY CERTIFY** that the forgoing Resolution was PASSED, APPROVED, and ADOPTED by the City Council of the City of Rio Dell on April 19, 2022 by the following vote:

Ayes:

Noes:

Absent:

Abstain:

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Mayor Debra Garnes

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above and foregoing to be a full, true, and correct copy of Resolution No. 1534-2022 adopted by the City Council of the City of Rio Dell April 19, 2022.

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Karen Dunham, City Clerk, City of Rio Dell



**City of Rio Dell  
Check Listing for City Council Meeting**

Ref#	Date	Vendor	Description	Amount
10807	3/02/2022	[3975] AT&T - 5709	FAX LINE EXPENSES FOR FEB 2022-PD, FAX LINE EXPENSES FOR FEB 2022-CITY HALL	54.09
10808	3/02/2022	[7232] BURUM, CHRISTIAN & HALE, EMMALEE	REFUND DEPOSIT	171.61
10809	3/02/2022	[2386] EUREKA RUBBER STAMP CO.	2x10 Gold/Bk 1 Line Name Plates "Management Analyst"	19.62
10810	3/02/2022	[7338] EZ RADIO	Help Wanted Radio Ad - Police Chief	125.00
10811	3/02/2022	[6875] FLEMMING, DENNIS B & O'KELLY, NATALIE	REFUND DEPOSIT	11.76
10812	3/02/2022	[5052] GHD, INC	Douglas Tank to Dinsmore Tank Waterline Improvement Project, SRTS Safety Improvement & Community Outreach Project	513.73
10813	3/02/2022	[7324] HAVEN ELECTRIC	SOLAR ROOFING PROJECT FOR CITY HALL	79,506.00
10814	3/02/2022	[2452] HORIZON BUSINESS PRODUCTS	Ups Parcel Shipping	11.45
10815	3/02/2022	[2458] H.C. DIVISION OF ENVIRONMENTAL HEALTH	HAZARDOUS MATERIALS FACILITY FEE	721.28
10816	3/02/2022	[5639] JACKSON, PAMELA	REFUND CUSTOMER DEPOSIT	29.77
10817	3/02/2022	[6801] KEKA THUNDER COUNTRY	Help Wanted Radio Ad - Police Chief	250.00
10818	3/02/2022	[7339] KINS NEWS TALK RADIO	Help Wanted Radio Ad - Police Chief	125.00
10819	3/02/2022	[6653] CRYSTAL L LANDRY	Travel Expenses: Drove to Napa to pickup evidence.	280.80
10820	3/02/2022	[7220] LARRY WALKER ASSOCIATES, INC.	Assistance during NPDES permit reissuance. For Services Rendered Through 1/31/2022	730.75
10821	3/02/2022	[3006] MISSION LINEN SUPPLY, INC	MAINTENANCE & LAUNDER UTILITY WORKERS SHIRTS; PAPER TOWELS; ANTIBACTERIAL FOAM HAND SOAP; CLEAN MOP HEAD, MAINTENANCE & LAUNDER UTILITY WORKERS SHIRTS;	396.64
10822	3/02/2022	[5934] NORTH COAST JOURNAL, INC	Help Wanted Ad - Chief of Police	727.50
10823	3/02/2022	[2569] NORTH COAST LABORATORIES, INC.	Coliform Bacteria 3x5	90.00
10824	3/02/2022	[6100] NORTHERN CALIFORNIA GLOVE	Nitrile Blue and Orange Gloves, Venom Faceshield, Aries Glasses	286.77
10825	3/02/2022	[4393] NVLEX.net. Inc.	Server Overtime Power Outage Response, MONTHLY MAINTENANCE FOR MARCH 15 THROUGH APRIL 15, 2022; AND SECURITY GATEWAY FOR PD	2,630.00
10826	3/02/2022	[6943] PACE SUPPLY CORP	Hinged Saddle, Ford, Strap Saddle, Dinsmore Tank: Dual Wedge, Rods, Rings, Joints, Bolts, Gaskets, and Valves	6,080.47
10827	3/02/2022	[5053] PACIFIC ECORISK	NPDES WET Testing	2,714.61
10828	3/02/2022	[6806] PINTERMEDIA LLC	MONTHLY WEB HOSTING FEE FOR MARCH 2022	30.00
10829	3/02/2022	[2619] PITNEY BOWES, INC.	QUARTERLY LEASING PAYMENT 12/30/2021 - 03/29/2022	98.11
10830	3/02/2022	[6349] RECOLOGY EEL RIVER	Garbage Bags Month of February 2022	132.55
10831	3/02/2022	[4525] SHERLOCK RECORDS MGMT	STORAGE SERVICE FOR MARCH 2021; Box Retrieval; Handling and Delivery charges	291.27
10832	3/02/2022	[7185] STAPLES ADVANTAGE	Self Inking Stamp, Surge Protector, Posted Stamp, Correction Tape, and Brother's Printer Drum	249.30
10833	3/02/2022	[2772] WENDT CONSTRUCTION, INC	271 Cherry Ln: Installed Sewer Lateral w/ Cleanout & Box and Water Service Stubbed to Property Line	5,940.00
10834	3/09/2022	[0576] 101 AUTO PARTS	Fuses, Battery Charger/Cables, Wheel Battery Charger, Battery, Boxed Capsules	521.20
10835	3/09/2022	[5381] ALTERNATIVE BUSINESS CONCEPTS	MONTHLY MAINTENANCE & COPIER CHARGES FOR FEBRUARY 2022	547.02
10836	3/09/2022	[2277] CAMPTON ELECTRIC SUPPLY	Signal Wire	243.63
10837	3/09/2022	[2293] CITY OF FORTUNA	POLICE DISPATCH SERVICES FOR MARCH 2022	5,766.66
10838	3/09/2022	[2303] COAST CENTRAL CREDIT UNION	POA Dues for PPE 2/25/2022	120.00

**City of Rio Dell  
Check Listing for City Council Meeting**

Ref#	Date	Vendor	Description	Amount
10839	3/09/2022	[7065] HUGHES, ROSE OR MICHAEL	REFUND CUSTOMER DEPOSIT	188.58
10840	3/09/2022	[2457] HUMBOLDT COUNTY CLERK-RECORDER	Copies	3.00
10841	3/09/2022	[2458] HUMBOLDT COUNTY DIVISION OF ENVIRONMENTAL HEALTH	CUPA STATE SURCHARGE (Following [Invoices 64397&64519] Portion Paid on Ck # 0010815: HAZMAT EMERGENCY RESPONSE TEAM SUPPORT & HAZARDOUS MATERIALS FACILITY FEE)	84.00
10842	3/09/2022	[7203] LECHOWICZ & TSENG MUNICIPAL CONSULTANTS, LLC	Water/Sewer Rate Study	3,452.50
10843	3/09/2022	[2551] MIRANDA'S ANIMAL RESCUE	Animal Control for February 2022	1,900.00
10844	3/09/2022	[2693] SHELTON'S AUTO LUBE	Full Oil Change Service - 2014 Ford Explorer, Full Oil Change Service - 2017 Ford Police Interceptor Sedan	130.54
10845	3/09/2022	[4570] SHRED AWARE	Shredding	72.10
10846	3/09/2022	[4151] TIMES PRINTING COMPANY	Prop 218 Notice Printing & Mailing Service, Prop 218 Notice Mailing Service	1,743.08
10847	3/09/2022	[2750] USA BLUEBOOK	Water Analyzer Parts: Kimwipes Disposable Wipes, Online Sample Vial	103.28
10848	3/09/2022	[2787] WYCKOFF'S	PVC Elbows & Nipples	6.34
10849	3/14/2022	[6038] ACCURATE TERMITE & PEST SOLUTIONS	RODENT & INSECT CONTROL @ 475 HILLTOP DR	140.00
10850	3/14/2022	[6969] LIAM J BURNS	DUI TRAINING TRAVEL EXPENSE	133.00
10851	3/14/2022	[3461] CRIMESTAR CORPORATION	RECORDS MANAGEMENT SYSTEM ANNUAL SUPPORT FEE PER LICENSE	325.00
10852	3/14/2022	[5687] ENGINEERED FIRE SYSTEMS, INC.	PLAN REVIEW FOR THE MONTH OF FEBRUARY 2022 - NORTHWESTERN FLOWER FS	250.00
10853	3/14/2022	[2405] FORTUNA ACE HARDWARE	Two Tank Sprayers	69.42
10854	3/14/2022	[2437] HACH	Reagent Set Chlorine Free C17	536.33
10855	3/14/2022	[6299] JIACPA. INC.	Financial Statement Audit Planning, Preparation & Year End Fieldwork (FYE 6/30/2021)	10,625.00
10856	3/14/2022	[7087] ANDREW C LEWIS	Reimbursement	121.38
10857	3/14/2022	[2570] NILSEN COMPANY	Monterey Weed Killer 2.5gal, 252 40# BAGS SOLAR SALT	2,029.86
10858	3/14/2022	[5934] NORTH COAST JOURNAL, INC	Help Wanted Ad - Chief of Police	540.00
10859	3/14/2022	[6943] PACE SUPPLY CORP	Hinged Saddle and Ford	114.38
10860	3/14/2022	[6825] SUDDENLINK	INTERNET SERVICES MARCH 2022	900.00
10861	3/14/2022	[4908] THE MITCHELL LAW FIRM, LLP	LEGAL SERVICES FOR FEBRUARY 2022, LEGAL SERVICES FOR FEBRUARY 2022,	3,287.00
10862	3/14/2022	[2750] USA BLUEBOOK	Sonoscope Leak Detector, Solo 2.25gal Sprayer	325.04
10863	3/14/2022	[5647] WHITCHURCH ENGINEERING, INC.	Review & Provide Engineering Services for Drainage Project Between Ogle and Bellevue Ave	4,847.50
10864	3/30/2022	[6038] ACCURATE TERMITE & PEST SOLUTIONS	BI-MONTHLY PEST CONTROL @ 675 WILDWOOD AVE	105.00
10865	3/30/2022	[2224] AQUA BEN CORPORATION	Hydrofloc	2,437.09
10866	3/30/2022	[3975] AT&T - 5709	FAX LINE EXPENSES FOR FEBRUARY 2022-PD	27.26
10867	3/30/2022	[6969] LIAM J BURNS	DUI Training, 1 Night Hotel Stay	103.43
10868	3/30/2022	[2303] COAST CENTRAL CREDIT UNION	POA Dues for PPE 3/11/2022	120.00
10869	3/30/2022	[2340] DEPT OF JUSTICE ACCOUNTING OFFICE	BLOOD ALCOHOL ANALYSIS FOR FEBRUARY 2022	70.00
10870	3/30/2022	[2356] DOWNEY BRAND LLP	Services Rendered Through February 28, 2022	480.00
10871	3/30/2022	[2405] FORTUNA ACE HARDWARE	Foaming Wasp & Harp, Distilled Water, Alcohol Wipes, Clorox Wipes,	50.03
10872	3/30/2022	[4855] FRESHWATER ENVIRONMENTAL SERVICES	CERS Annual Re-Certification	883.00
10873	3/30/2022	[5765] GARNES, DEBRA	Reimbursement: CAL Cities Div. MTG	268.86

**City of Rio Dell  
Check Listing for City Council Meeting**

Ref#	Date	Vendor	Description	Amount
10874	3/30/2022	[7356] GRAINGER, INC.	Variable Frequency Drive	6,009.25
10875	3/30/2022	[6486] GREEN TO GOLD ENTERPRISES LLC	Catchmaster Scent Fly Ribbon, 4pk, Sewer Maintenance & Repair	28.08
10876	3/30/2022	[2447] HILFIKER PIPE CO.	24" Cast Iron Frame & Cover Sanitary Sewer, GR (Grade Ring)	2,670.35
10877	3/30/2022	[2457] HUMBOLDT COUNTY CLERK-RECORDER	Substitution of Trustee & Reconveyance Documents	49.00
10878	3/30/2022	[2484] INDEPENDENT BUSINESS FORMS	LASER PAPER FOR SHUT OFF NOTICES	483.43
10879	3/30/2022	[7087] ANDREW C LEWIS	Wastewater Exam	272.30
10880	3/30/2022	[2569] NORTH COAST LABORATORIES, INC.	ACID DIGESTION; AMMONIA NITROGEN W/O DISTILLATION; CONDUCTIVITY; HALOACETIC ACIDS; HARDNESS; ICAP METALS; NITRATE/NITRITE; THM by EPA 624; TOTAL DISSOLVED SOLIDS; TOTAL NITROGEN; TOTAL PHOSPHATE PHOSPHORUS; TURBIDITY	872.00
10881	3/30/2022	[6943] PACE SUPPLY CORP	Hinged Saddle, Ford, Credit on Invoice 027421196	19.66
10882	3/30/2022	[2592] PACIFIC PAPER CO.	Completion of Finance Director & Management Analyst New Desks	2,027.68
10883	3/30/2022	[6806] PINTERMEDIA LLC	MONTHLY WEB HOSTING FEE FOR APRIL	30.00
10884	3/30/2022	[5772] SACRAMENTO VALLEY ASSOCIATION OF	Webinar (2.24.2022) - Sheathing for Success	65.00
10885	3/30/2022	[2319] SUDDENLINK COMMUNICATIONS	PUBLIC WORKS INTERNET & CITY HALL/PD/ PW PHONE SERVICES 3/10/22 - 4/9/22	536.10
10886	3/30/2022	[2754] US CELLULAR	MONTHLY SERVICE FOR SAFETY PHONE 03/08-04/02/2022	67.17
10887	3/30/2022	[2750] USA BLUEBOOK	Submersible Level Transmitter	1,298.38
10888	3/30/2022	[6037] WELLS FARGO VENDOR FIN SERV	KYOCERA COPIER PAYMENT FOR APRIL 2022	391.07
<b>Total Checks/Deposits</b>				<b>160,708.06</b>

Ref#	Date	Vendor	Description	Amount
9837101	3/02/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR MISSIONSQUARE RETIREMENT ONLINE PAYMENT FOR PPE 02/25/2022.	-11,513.84
9837102	3/07/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR EFTPS PAYROLL TAXES FOR PPE 02/25/2022	-16,548.14
9837103	3/07/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR EDD PAYROLL TAXES FOR PPE 02/28/2022	-3,045.62
3082022	3/8/2022	ELECTRONIC FUNDS TRANSFER	BRANCH TELLER ADJUSTMENT LISTING ERROR	-0.20
475157	3/10/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR AFLAC INSURANCE ONLINE PAYMENT FOR FEBRUARY 2022	-845.80
9837104	3/10/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR ALLIED ADMINISTRATORS-DELTA DENTAL ONLINE PAYMENT FOR APRIL 2022.	-2,099.49
7922095	3/10/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR WEXBANK/SHELL FUEL COMPANY ONLINE PAYMENT FOR FEB & MAR FY2021-2022.	-2,984.43
711745	3/11/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR MISSIONSQUARE RETIREMENT ONLINE PAYMENT FOR PPE 03/11/2022	-11,513.84
9837108	3/21/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR EDD PAYROLL TAXES FOR PPE 03/11/2022	-2,935.26
9837107	3/21/2022	WITHDRAWALS	BANK ANALYSIS FEE FOR MARCH 2022	-328.70
9000477	3/21/2022	ELECTRONIC FUNDS TRANSFER	CUSTOMER REFUND FOR WATER/SEWER DEPOSIT	-300.00
9837109	3/21/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR EFTPS PAYROLL TAXES FOR PPE 03/11/2022	-16,343.66
9837114	3/28/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR BANK OF AMERICA CREDIT CARDS ONLINE PAYMENT FOR FEBRUARY/MARCH 2022	-2,561.84
9837111	3/28/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR BENEFIT BRIDGE/PUBLIC AGENCY COALITION ONLINE PAYMENT FOR APRIL 2022.	-24,590.81
9837113	3/28/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR DEARBORN LIFE INSURANCE ONLINE PAYMENT FOR APRIL 2022	-397.50
7110	3/28/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR PG&E ONLINE PAYMENT FOR FEBRUARY/MARCH 2022.	-17,398.13



**City of Rio Dell  
Check Listing for City Council Meeting**

Ref#	Date	Vendor	Description	Amount
9837112	3/28/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR VSP INSURANCE ONLINE PAYMENT FOR APRIL 2022.	-379.73
9837106	3/31/2022	ELECTRONIC FUNDS TRANSFER	EFT FOR ACCUFUND ONLINE PAYMENT FOR SOFTWARE LICENSE.	-7,930.44
<b>Total EFT's Bank Withdrawals</b>				<b>-121,717.43</b>

Ref#	Date	Vendor	Description	Amount
TRX TO PR	3/01/2022	TRANSFER FROM CHECK TO PAYROLL ACCOUNT	TRANSFER TO PAYROLL ACCT FOR PPE 02/25/2022	-41,853.70
TRX TO PR	3/11/2022	TRANSFER FROM CHECK TO PAYROLL ACCOUNT	TRANSFER TO PAYROLL ACCT FOR PPE 03/11/2022	-41,442.24
TRX TO PR	3/29/2022	TRANSFER FROM CHECK TO PAYROLL ACCOUNT	TRANSFER TO PAYROLL ACCT FOR PPE 03/25/2022	-42,304.91
<b>Total Transfer Between Accounts</b>				<b>-125,600.85</b>

Ref#	Date	Vendor	Description	Amount
2282022	3/01/2022	WITHDRAWALS	DEBIT FOR POSTAGE TO MAIL U/B BILLS FOR FEBRUARY 2022	-446.14
9837105	3/30/2022	WITHDRAWALS	DEBIT FOR POSTAGE TO MAIL U/B BILLS FOR MARCH 2022	-446.81
<b>Total Debit Card Withdrawals</b>				<b>-892.95</b>



## Staff Highlights – 2022-04-19

---

### City Council

#### City Manager

Meeting with CalTrans Rep for the Clean California Program Grants and discussions with City Engineer on moving forward botany study of the area.

Meetings with contractor on street paving project, site visits.

Newsletter issuance.

Setup for annual cleanup day on Saturday, May 7, 2022. The event will take place from 9:00am to 1:00pm.

Interviews for open positions in Public Works.

Meeting with Chief of Police Ad Hoc.

#### City Clerk

Processed One (1) Building Permit Application:

240 Stream St. – New Furnace

Processed Two (2) Business License Applications:

Parker Hall – Tractor Work/Brush Removal

Lost Coast Power Washing – Gavin Gurney

Processed One (1) Encroachment Permit

Sewer Lateral/Cleanouts – 223 Belleview Ave.

Misc:

Submitted Quarterly Seismic Activity Report to Dept. of Conservation

Submitted Quarterly SB 1473 Report to Calif. Building Standards Commission

Submitted Quarterly SB 1186 Report to Division of the State Architect

Submitted April Employment Data to Bureau of Labor Statistics



**City Attorney**

**Human Resources, Risk & Training**

**Finance Department**

**Public Works Water**

**Public Works Wastewater**

Sewer lateral inspection at 223 Belleview Ave.

Automatic transfer switches arrived at the plant for the lift station generator project.

Commissioned the Tesla batteries at Corp yard. Waiting for PG&E approval to operate

GHD meeting to discuss SSES: structural modifications to effluent line for irrigation field test run with Chloramines, Schedule CCTV of the collection system and Painter St. construction grant application.

Spring cleaning and mowing at the Corp yard.

Routine collection system cleaning.

Submitted rough draft of Wastewater Budget to finance.

Operations staff is working on a parts list and rough design for Ammonia monitoring of Effluent: Chloramine project.

**Public Works Streets, Buildings and Grounds**

**Public Works City Engineer**

**Public Works Capital Projects**

**Police Department**

The Department had the following statistics for the period of March 30 to April 12, 2022. This period of time saw average numbers for all of the metrics. Staffing was reduced during the reporting period due to training and vacations. The summation of Calls for Service may be greater than the total as multiple officers can now be assigned to the same call for service. There may also be administrative calls for service that are not documented below.

Officer	Calls for Service	Reports	Arrests
Conner	18	2	0
Beauchaine	1	0	0
Landry	50	8	5



Burns	57	4	2
Johnson	65	12	7
Fielder	7	1	1
Clark	27	0	N/A
Totals	14.4	27	15
Averages	14.2 per day	13.5 per week	7.5 per week
2021 Yearly Average	15.6 per day	14.2 per week	5.7 per week

Calls for Service at 355 Center Street

Type	Date	Time	Location	Primary Unit	Case #
415N	04/01/2022	07:27:01	355 CENTER ST	R615	
FU	04/04/2022	15:48:52	355 CENTER ST	6X3	
VI	04/08/2022	08:27:25	355 CENTER ST	R615	
CUSTODY	04/08/2022	13:34:25	355 CENTER ST	6S2	
CIVIL	04/11/2022	14:06:33	355 CENTER ST	6S2	

FU – Follow-up or other generic call for service

VI – Vehicle investigation

415N – Noise complaint

CUSTODY – Child custody issue

CIVIL – Attempt to mediate a civil issue

R615 – Officer Liam Burns

6S2 – Corporal Crystal Landry

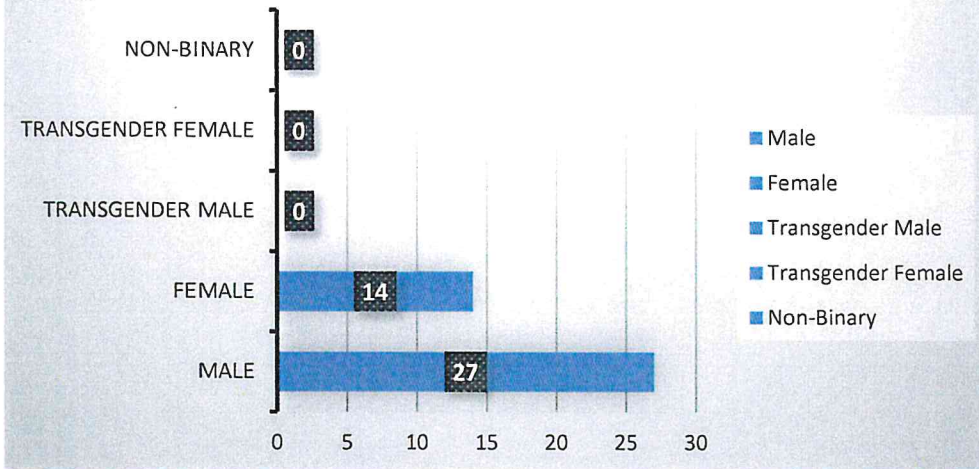
6X3 – Community Services Officer Mary Clark

During the period of March 30 to April 12, 2022, there were 4 calls for service related to animal control issues. One cat was transported to Miranda’s Rescue. Chief Conner helped a concerned citizen free a goat that had become entangled in a rope fence. The more the goat struggled, the mire ensnared it became. When the goat was finally cut free, it took a while to catch its breath, but eventually rose to its feet. It then limped off and joined the horses it shared the pasture with.

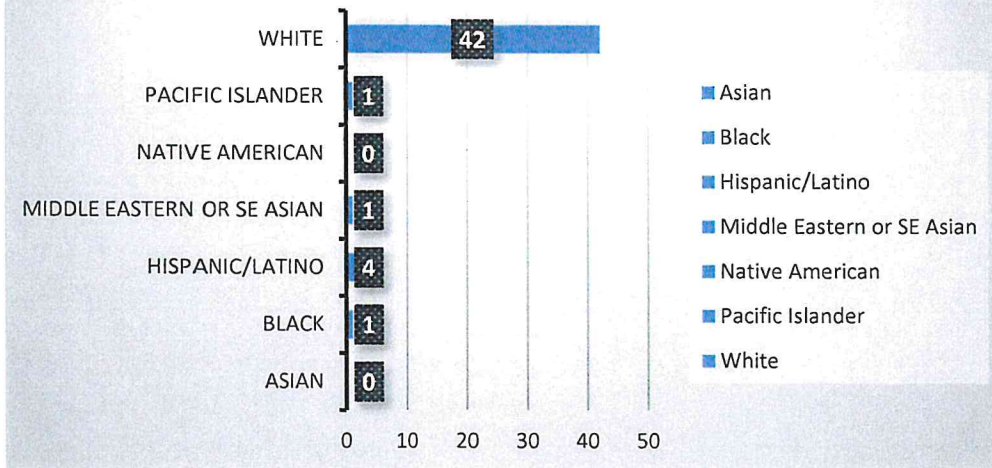
The Department has started to collect stop data as required by the Race and Identity Profiling Act of 2015. The following charts show the data for gender, race, searched by race, and arrested by race in the month of march, 2022. There were 41 detentions/searches in that time period. We have started to submit our data to the Department of Justice. Larger agencies have been doing this since 2018 and so there is data viewable for the years 2018 and 2019 at the site [State of California Department of Justice - OpenJustice](https://openjustice.org)



### RDPD Stop Data - Gender



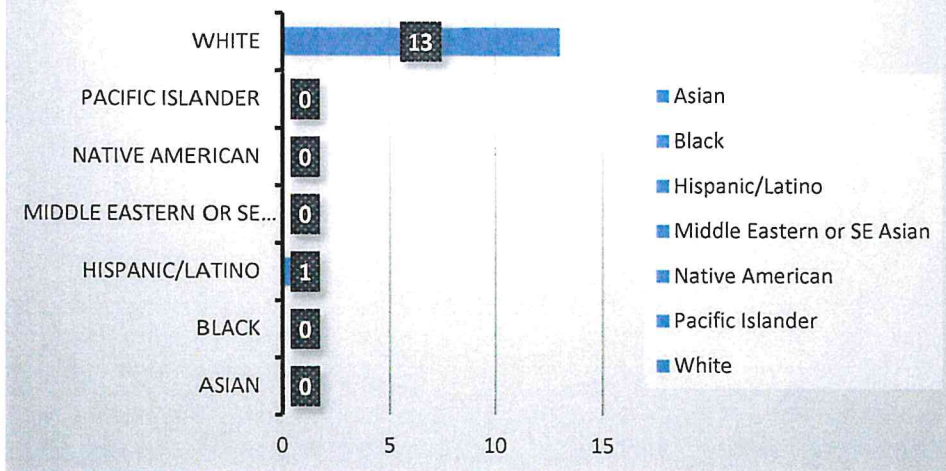
### RDPD Stop Data - Race



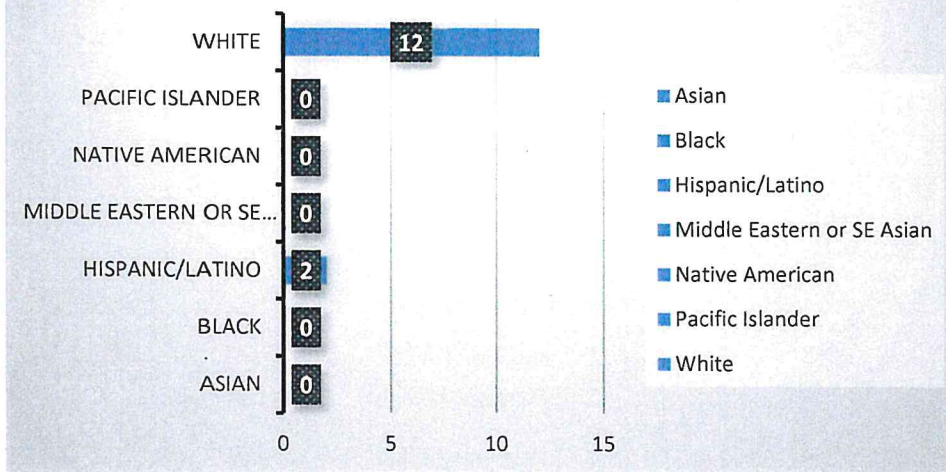




### RDPD Stop Data - Search by Race



### RDPD Stop Data - Arrest by Race



During the week of March 23 to March 30, officers made numerous contacts with a homeless woman who was camped near the intersection of Monument and Sequoia. Officers made numerous attempts to offer assistance including rides and bus passes, but the woman refused to leave. On March 30, a relative made a citizen’s arrest when the woman trespassed on his property after numerous warnings and stole his fishing license. She was taken into custody and transported to the jail without serious incident. She does not appear to have returned.

On April 10, 2022, Corporal Landry responded to a residence in Fortuna where a woman told Fortuna officers that she had been assaulted by her husband in Rio Dell. Corporal Landry learned that the man had been filleting fish when an argument ensued. The man placed a knife to the woman’s throat and threatened to kill her if she did not leave him alone. The woman fled to her mother’s house. Corporal Landry and Officer Johnson went to the family’s residence in Rio Dell and took the man into custody. He





admitted threatening his wife, but claimed that she had threatened him first. He was booked into the jail, but has since been released on bail.

### **Code Enforcement**

During the period of March 30 to April 12, 2022, the Department opened one new code enforcement cases dealing with junk or inoperable vehicles and closed four. Of the closed cases, two cars were towed by the City while the other two were moved by their owners. At the end of this reporting period, there were six open cases involving junk vehicles.

During the period of March 30 to April 12, 2022, the Department did not open any new cases or close any old cases.

### **Community Development Department**

#### **Intergovernmental**

#### **Humboldt-Rio Dell Business Park**

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675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532  
(707) 764-5480 (fax)



April 13, 2022

TO: Rio Dell City Council  
THROUGH: Kyle Knopp, City Manager  
FROM: Cheryl Dillingham, Finance Director *CD*  
SUBJECT: Fiscal Year 2020-21 Audited Financial Statements

---

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Receive presentation by JJA CPA, Inc. on the City's audited financial statements and accompanying information.

BACKGROUND AND DISCUSSION:

Each year an independent auditing firm audits and prepares financial statements for the City of Rio Dell in accordance with Generally Accepted Accounting Principles (GAAP) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that an audit be performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The City received an unqualified opinion and no material weaknesses were identified. An unqualified opinion means that the auditor has concluded the financial statements present fairly the results of the City's operations and its financial position according to generally accepted accounting principles. A material weakness is one or more deficiencies in internal control where a reasonable possibility exists that a material misstatement will not be prevented, detected, or corrected in a timely manner. The auditor found no such weaknesses.

The auditing firm of JJA CPA, Inc. will present to Council the Fiscal year 2020-21 audited Financial Statements and accompanying information.

ATTACHMENTS:

Annual Financial Report for the fiscal year ended June 30, 2021

CITY OF RIO DELL, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021



Prepared by:

**Cheryl Dillingham**  
Finance Director

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**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

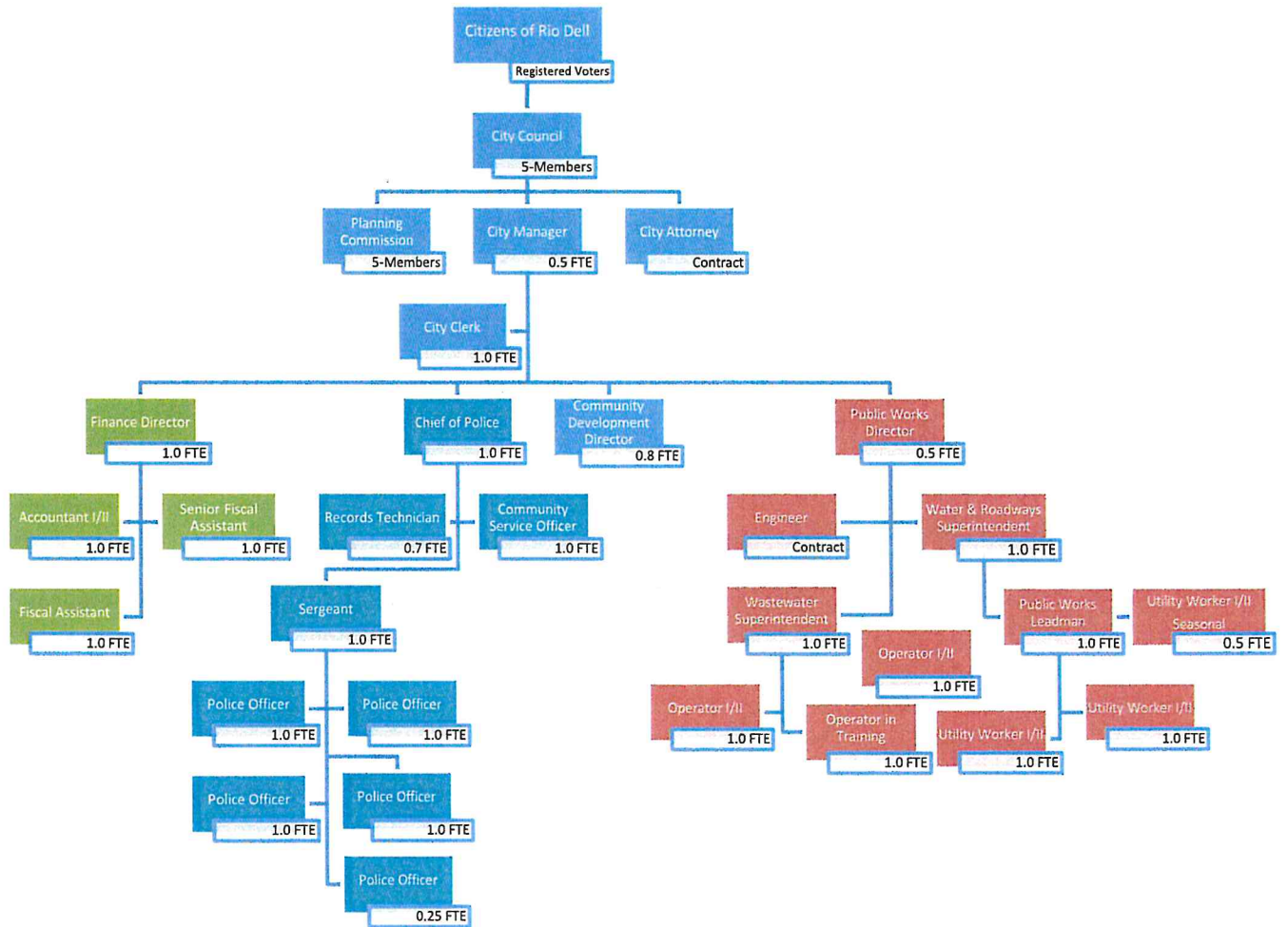
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**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Organization Chart**



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**List of Officials**

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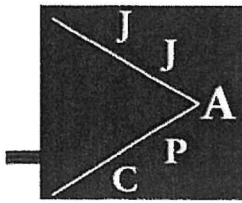
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***CITY COUNCIL***

- Debra Garnes, Mayor
- Gordon Johnson, Mayor Pro Tem
- Frank Wilson, Council Member
- Julie Woodall, Council Member
- Amanda Carter, Council Member

***CITY OFFICIALS***

- Kyle Knopp, City Manager
- Keren Dunham, City Clerk
- Cheryl Dillingham, Finance Director
- Kevin Caldwell , Community Development Director
- Jeff Conner, Chief of Police



JJACPA, Inc.

A Professional Accounting Services Corp.

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Rio Dell  
Rio Dell, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Rio Dell, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Council  
The City of Rio Dell  
Rio Dell, California  
Page 2

***Emphasis of Matter***

*Implementation of New GASB Pronouncement*

As discussed in Note 1 to the basic financial statements, the City implemented *Governmental Accounting Standards Board* (“GASB”) Statement No. 84, *Fiduciary Activities* during the year. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3–16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

March 16, 2022

*JJACPA, Inc.*  
**JJACPA, Inc.**  
Dublin, CA

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis**

---

This section provides a narrative overview and analysis of the financial activities of the City of Rio Dell (City) for the fiscal year ended June 30, 2021. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

**FINANCIAL HIGHLIGHTS**

This section of the annual financial report provides a narrative overview and analysis of the financial activities of the City of Rio Dell (City) for the fiscal year ended June 30, 2021. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

The following outlines the financial highlights for the year:

- ◆ At June 30, 2021, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$31,676,649, an increase of \$1,653,921 from the prior year. Of the total net position, \$22,123,575 was invested in capital assets (net of related debt) and \$732,218 had restrictions in their use leaving \$8,820,856 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by \$349,396, 6% compared to FY 2019-20. The increase is primarily due to increased sales and cannabis tax revenues. The City's total expenses for all programs in FY 2020-21 increased by \$382,301, or 9%.
- ◆ Overall the City's total net position increased by \$1,653,921 (\$1,445,891 and \$208,030 for governmental activities and business-type activities, respectively). Total city-wide assets increased \$542,786. This primarily was the result of an increase in cash.
- ◆ The General Fund reported a fund balance of \$2,594,257 at the end of the 2021 fiscal year, an increase of \$369,395. This change was the result of increased Cannabis revenues and additional sales tax revenues.
- ◆ The City also ended the fiscal year with \$4,916,088 reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of \$659,945 from 2020 and is a result of unrestricted water funds increasing by \$438,171 to \$2,713,865 and unrestricted sewer funds increasing by \$221,774 to \$2,202,223.



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

**The Basic Financial Statements**

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

**Government-wide Financial Statements**

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and are comprised of the Statement of Net position and the Statement of Activities. The Statement of Net position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by private sector entities. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

Government-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City. There are two basic statements presented here: the Statement of Net Position and Statement of Activities. These statements present information about the following activities.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, parks and recreation, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ ***Business-type activities*** – All the City's enterprise activities are reported here, including Water and Sewer. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2021, the City's major funds are as follows:

**GOVERNMENTAL FUNDS:**

- ◆ General Fund
- ◆ CDBG Special Revenue Fund

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued**

**Fund Financial Statements, Continued**

**PROPRIETARY FUNDS:**

- ◆ Water Enterprise Fund
- ◆ Sewer Enterprise Fund

For the fiscal year ended June 30, 2021, the City adopted annual appropriated budgets for all governmental funds.

*Proprietary funds.* The City maintains Enterprise-type funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Sewer activities. The proprietary fund financial statements provide separate information for all of these operations.

**Fiduciary Statements**

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The fiduciary statements provide financial information about the activities of special deposits for which the City acts solely as an agent. They provide information about the cash balances and activities of these funds.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 43-72 of this report.

**Combining and Individual Fund Financial Statements and Schedules**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 76-89 of this report.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,676,649 as of June 30, 2021. The Summary of Net position as of June 30, 2021, and 2020, follows:

	Summary of Net Position					
	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 4,827,706	\$ 5,498,443	\$ 10,326,149	\$ 5,136,662	\$ 4,856,441	\$ 9,993,103
Noncurrent assets	6,671,986	21,710,194	28,382,180	5,690,687	22,481,753	28,172,440
Total assets	11,499,692	27,208,637	38,708,329	10,827,349	27,338,194	38,165,543
Current and other liabilities	131,733	542,095	673,828	931,185	564,215	1,495,400
Long-term liabilities	58,987	6,298,865	6,357,852	33,083	6,614,332	6,647,415
Total liabilities	190,720	6,840,960	7,031,680	964,268	7,178,547	8,142,815
Net position:						
Net invested in						
Capital Assets	6,671,986	15,451,589	22,123,575	5,690,687	15,903,504	21,594,191
Restricted	732,218	-	732,218	436,569	-	436,569
Unrestricted	3,904,768	4,916,088	8,820,856	3,735,825	4,256,143	7,991,968
Total net position	\$ 11,308,972	\$ 20,367,677	\$ 31,676,649	\$ 9,863,081	\$ 20,159,647	\$ 30,022,728

The City's total net position increased by \$1,653,921 (\$1,445,891 for governmental activities and \$208,030 for business-type activities). Total city-wide assets increased \$542,786. This was mostly the result of an increase in cash. Total current city-wide liabilities decreased by \$1,111,135, primarily due to elimination of accounts payable for construction costs on the ATP streets project. Debt service principle (long-term liabilities) for the wastewater treatment plant and the water system infiltration gallery decreased \$315,690. Total city-wide liabilities, not including deferred outflows and inflows of resources decreased by \$1,111,135.

About 2.3% or \$732,218 of City-wide net position represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position of \$8.8 million may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$3,904,768 is held by governmental activities and \$4,916,088 is held by business-type activities.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Revenues**

The City's total revenues for governmental and business-type activities were \$6,126,443 for the fiscal year ended June 30, 2021, an increase of \$349,396. Significant revenues for the City for FY 2020-21 were derived from taxes (25%), operating grants and contributions (18%), and charges for services (43%).

The following discusses variances in key revenues from the prior fiscal year:

- ◆ **Charges for Services** - Annual receipts for business-type activities increased \$133,219, or 5%. Governmental activities increased 70,199, primarily due to cannabis permitting fees, planning and building fees, and nuisance abatements.
- ◆ **Grants and Contributions** - Annual receipts decreased by \$421,195. This was due to funding received for the ATP streets construction project in the prior year.
- ◆ **Other Taxes** - Annual receipts increased \$154,668. This represents revenues from the cannabis tax.

**Expenses**

Governmental and business-type activity expenses of the City for the year totaled \$4,472,522. This is an increase of \$382,301 from the prior fiscal year. Governmental activity expenses totaled \$1,660,082, or 37% of total expenses. Business-type activities accounted for \$2,812,440 of expenses during the fiscal year, an increase of \$261,334 due mainly to grant funded sewer study costs. Public safety - Police costs represented 55% of total governmental activities expenses, General Government activities were 20% and Public Works was 16%. The remaining 9% were Planning and Building and Recycling costs.



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The change in net position for the fiscal years ended June 30, 2021, and 2020, follows:

	Changes in Net Position					
	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 161,944	\$ 2,474,435	\$ 2,636,379	\$ 91,745	\$ 2,341,216	\$ 2,432,961
Grants and contributions:						
Operating	238,796	133,111	371,907	188,624	64,765	253,389
Capital	599,430	171,329	770,759	1,020,625	115,357	1,135,982
General revenues:						
Property taxes, levied for general purposes	148,127	-	148,127	137,848	-	137,848
Sales taxes	809,947	-	809,947	573,424	-	573,424
Cannabis taxes	347,772	-	347,772	193,104	-	193,104
Transient occupancy tax	20,597	-	20,597	11,797	-	11,797
Gas taxes	142,803	-	142,803	141,699	-	141,699
Franchise taxes	93,626	-	93,626	87,139	-	87,139
Motor vehicle in lieu	424,496	-	424,496	409,738	-	409,738
Use of money and property	102,193	16,197	118,390	70,089	54,438	124,527
Contributed capital	-	222,344	222,344	-	211,300	211,300
Other general	16,242	3,054	19,296	16,694	47,445	64,139
Total revenues	3,105,973	3,020,470	6,126,443	2,942,526	2,834,521	5,777,047
Expenses:						
Governmental activities:						
General government	336,910	-	336,910	302,068	-	302,068
Public safety - Police	919,224	-	919,224	786,994	-	786,994
Public works	269,562	-	269,562	319,966	-	319,966
Planning and building	128,038	-	128,038	121,821	-	121,821
Recycling	6,348	-	6,348	8,266	-	8,266
Business-type activities:						
Sewer	-	1,615,712	1,615,712	-	1,639,983	1,639,983
Water	-	1,196,728	1,196,728	-	911,123	911,123
Total expenses	1,660,082	2,812,440	4,472,522	1,539,115	2,551,106	4,090,221
Excess (Deficiency) of revenues over expenditures before transfers	1,445,891	208,030	1,653,921	1,403,411	283,415	1,686,826
Transfers	-	-	-	-	-	-
Change in net position	1,445,891	208,030	1,653,921	1,403,411	283,415	1,686,826
Net position:						
Beginning of year	9,863,081	20,159,647	30,022,728	8,459,670	19,876,232	28,335,902
End of year	\$ 11,308,972	\$ 20,367,677	\$ 31,676,649	\$ 9,863,081	\$ 20,159,647	\$ 30,022,728

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Governmental Activities**

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2021, and 2020, are as follows:

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 336,910	\$ 179,412	\$ 302,068	\$ 252,452
Public safety - Police	919,224	751,440	786,994	604,126
Public works	269,562	(335,898)	319,966	(702,169)
Planning and building	128,038	67,956	121,821	84,679
Recycling	6,348	(2,997)	8,266	(967)
Total	<u>\$ 1,660,082</u>	<u>\$ 659,913</u>	<u>\$ 1,539,115</u>	<u>\$ 238,121</u>

Total expenses for governmental activities were \$1,660,082 which was \$120,967 or 8% more than the prior year. Public Works had a negative "Net Cost of Services" due to the addition of infrastructure funded by a grant from the State through the Active Transportation Program (ATP).

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

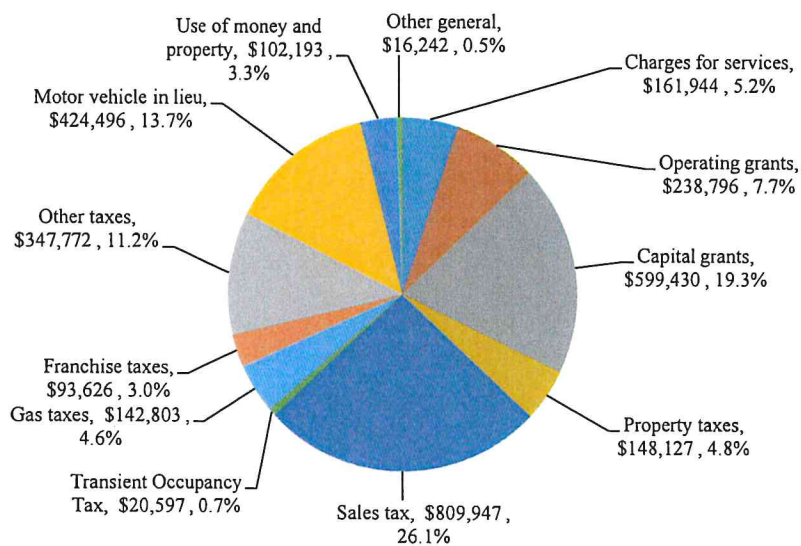
**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

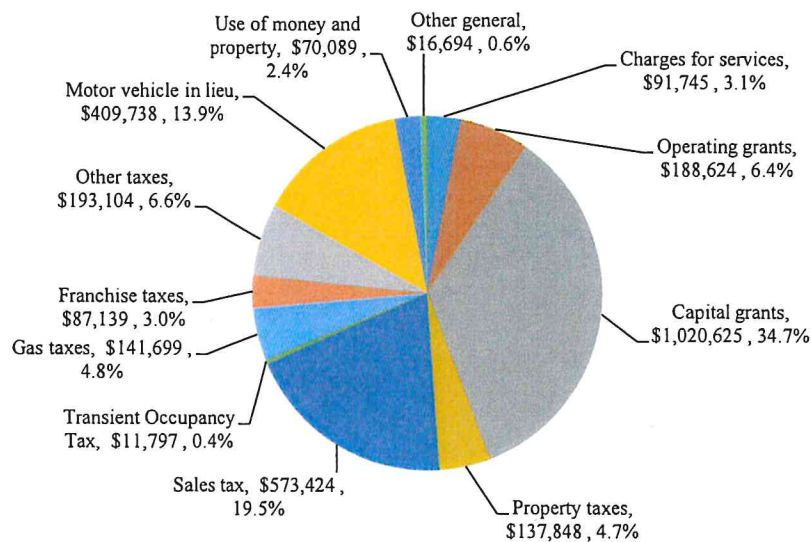
**Governmental Activities, continued**

Revenues by source for the fiscal years ended June 30, 2021, and 2020, are as follows:

**Revenues by Source - Governmental Activities 2020**



**Revenues by Source - Governmental Activities 2020**



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

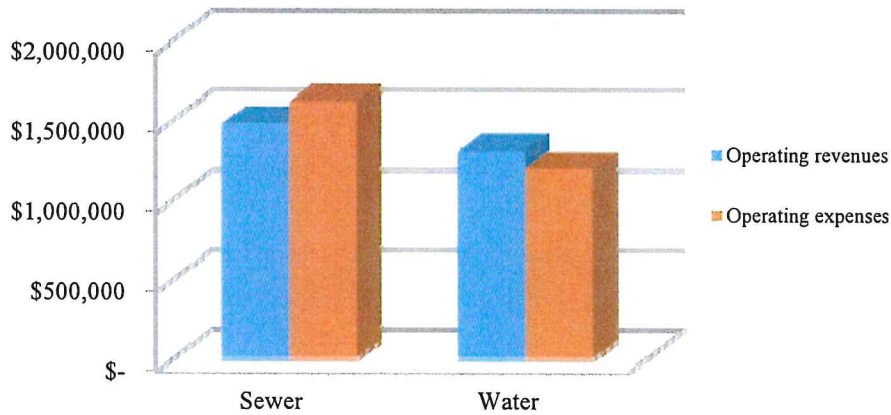
**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

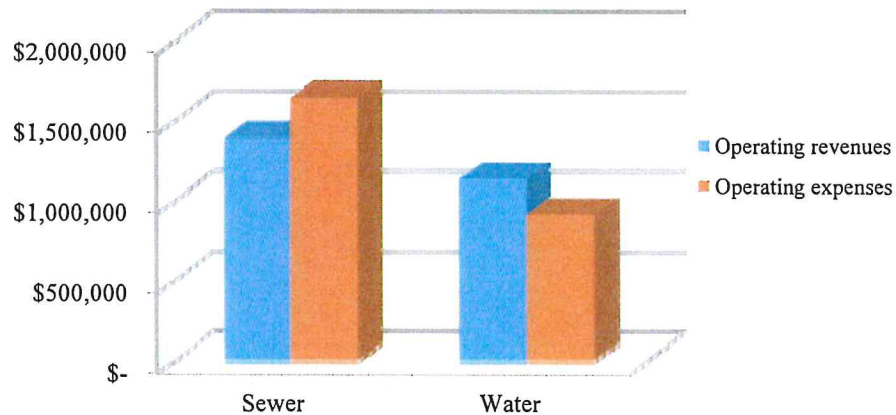
**Business-type Activities**

Business-type activities have increased the City’s net position by \$208,030. The City has two business-type activities: Sewer and Water Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2021, and 2020, are as follows:

**Operating Revenues and Expenses  
 Business-type Activities  
 2021**



**Operating Revenues and Expenses  
 Business-type Activities  
 2020**



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

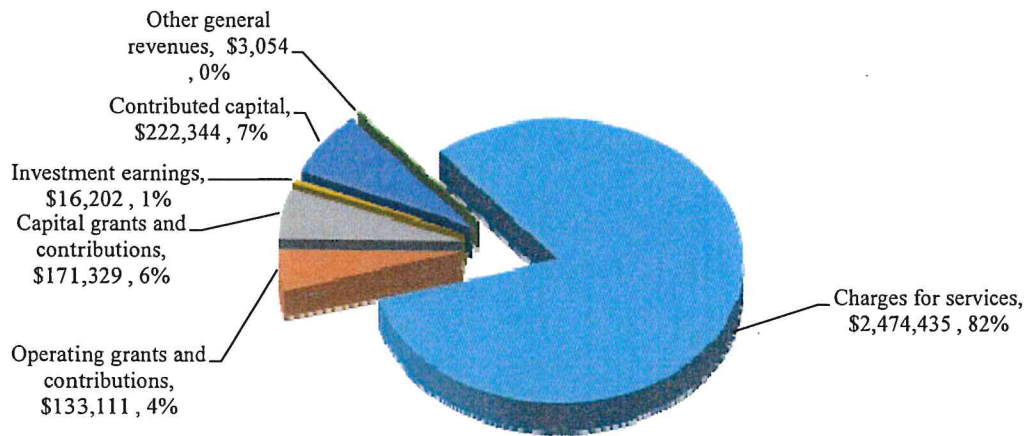
**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

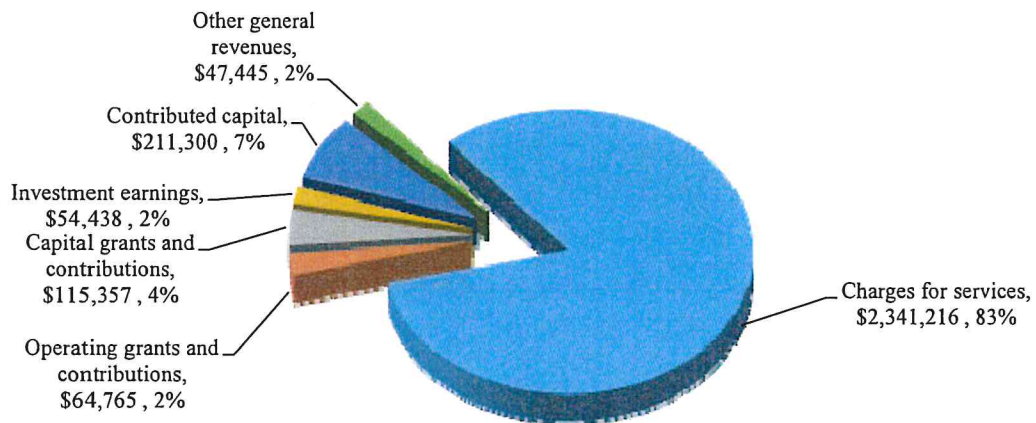
**Business-type Activities, continued**

The revenues by source for the business-type activities for the fiscal years ended June 30, 2021, and 2020, are as follows:

**Revenues by Source - Business-type Activities 2021**



**Revenues by Source - Business-type Activities 2020**



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Financial Analysis of the Government's Funds**

The City of Rio Dell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

**Governmental funds.** The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2021, the City's governmental funds reported combined fund balances of \$3,895,108. This is an increase of \$667,905 or 20% from last year. This primarily results from revenues exceeding expenditures in the various governmental funds.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2021, General Fund unassigned fund balance totaled \$2,557,017. This is an increase of \$363,467 or 16% from the prior year. This increase mainly resulted from higher than anticipated sales and cannabis tax revenues and capital projects not being completed.

The governmental funds allowed the City to undertake several capital and special projects in FY 2020-21. The State provided funds through the Active Transportation Program (ATP) for a project which will enhance non-motorized user safety on city streets. ATP funding is meant to encourage increased use of active modes of transportation. This project started construction in FY 2019-20 and was completed in FY 2020-21. Additionally, the city General Fund provided funding for a streets slurry seal project, asphalt street resurfacing, and three new police vehicles.

**Proprietary funds.** The City ended the fiscal year with \$4,916,088 reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of \$659,945 from 2020. The increase is a result of the change in net position in the water funds of \$438,171 and \$221,774 in the sewer funds.

**General Fund Budgetary Highlights**

The difference between the final budget and actual revenues differs favorably by \$781,699, or 62% over budgeted amounts. This was mainly due to increased sales tax and cannabis revenue. Actual expenditures were \$753,892, or 31% lower than final budgeted amounts. The lower expenditures were largely due to capital projects not being completed, unused contingency funds and vacant positions in the Police Department. There was a \$670,542 difference between the total original expenditure budget and the total final amended budget.



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amount to \$28,382,180. This investment in capital assets includes land, construction in progress, streets, medians, sidewalks, buildings, water and sewer infrastructure, machinery, equipment, and vehicles.

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amount to \$28,382,180. This investment in capital assets includes land, construction in progress, streets, medians, sidewalks, buildings, water and sewer infrastructure, machinery, equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 627,945	\$ 627,945	\$ 507,859	\$ 507,859	\$ 1,135,804	\$ 1,135,804
Construction in progress	1,812,740	1,107,729	-	-	1,812,740	1,107,729
Buildings and structures	279,783	290,970	14,876	11,896	294,659	302,866
Equipment	80,600	68,469	211,961	233,422	292,561	301,891
Vehicles	174,467	36,310	56,287	45,677	230,754	81,987
Streets and roads	1,897,964	1,712,651	-	-	1,897,964	1,712,651
Infrastructures	1,798,487	1,846,613	20,919,211	21,682,899	22,717,698	23,529,512
Total	\$ 6,671,986	\$ 5,690,687	\$ 21,710,194	\$ 22,481,753	\$ 28,382,180	\$ 28,172,440

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 49 for significant accounting policies and Note 5 on pages 59 – 60 for other capital asset information.

**Long-Term Debt**

At June 30, 2021, the City had \$6,688,059 in long-term liabilities. Additional information about the City's long-term debt can be found in Note 7 to the basic financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2020	2020	2020	2020	2020	2021
Compensated absences	\$ 65,541	\$ 36,759	\$ 44,269	\$ 40,092	\$ 109,810	\$ 76,851
Safe Drinking Water Loan	-	-	1,156,000	1,292,000	1,156,000	1,292,000
State of California Water Resources Control Board	-	-	5,422,249	5,601,940	5,422,249	5,601,940
Total	\$ 65,541	\$ 36,759	\$ 6,622,518	\$ 6,934,032	\$ 6,688,059	\$ 6,970,791

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Management's Discussion and Analysis, Continued**

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**Economic Outlook and Next Year's Budget and Rates**

The budget for Fiscal Year 2021-22, was adopted on June 1, 2021, is balanced and the economic outlook for the near term is uncertain but considered stable. The overall stabilization is a result of a diverse tax base due the passage of Measure J (1% sales tax) and Measure X (cannabis tax), a lack of pension debt and utility rates that currently meet operating and capital costs.

Tax revenues, particularly property and sales taxes, continue to be steady through economic cycles which provides stability to the City's financial position. These revenues have increased modestly and have seen minimal impacts from the pandemic. In addition, the City's tax revenue base was broadened with the passage of Measure U in 2014, the City's 1% add-on tax. Measure U expired in 2021 and thanks to community support Measure J was passed and extends the sales tax through 2024.

The City's business tax on medical and recreational marijuana, Measure X was voted in on November 7, 2017 and approved and permitted commercial cannabis activity within the City limits. Estimated cannabis tax revenues exceed property tax revenues for the first time in the FY 2021-22 budget. Cannabis is a volatile revenue source that can be negatively impacted by reductions in price and increased competition. Maintaining and growing the City's revenue base continues to be a high priority.

The City's traditional revenue base is not keeping up with expenses. Salary and benefits costs are the largest expense category and it has become a challenge to provide salaries that are competitive enough to recruit and retain qualified employees. Additionally, costs for other services continue to rise such as dispatch, information systems and animal control. It is anticipated that the cost of doing business will continue to increase.

It has been over five years since a rate study has been done for sewer and water services. The budget contains funding for a new rate study. Regulatory oversight, capital planning and replacement and employee retention are factors contributing to the need for a rate review and update. The City must go through the Proposition 218 process to continue to add an annual inflation factor to rates because the authority expires after five years. It is anticipated that new rates will go into effect in FY 2022-23.

In summary, the City enters FY 2021-22 in a strong financial position due to past efforts made to stabilize both revenues and expenditures. The budget reinvests in the city, maintains services and reserves and creates a positive path forward. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to create a sustainable financial future.

**Requests for Information**

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, or need additional financial information contact the City of Rio Dell Finance Department, 675, Rio Dell, CA 95562.

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**BASIC FINANCIAL STATEMENTS**

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**City of Rio Dell, California**  
**Statement of Net Position**  
**June 30, 2021**

ASSETS	Governmental Activities	Business-type Activities	Total
<b>Current assets:</b>			
Cash and investments	\$ 3,260,948	\$ 4,982,613	\$ 8,243,561
Receivables:			
Accounts	513,335	361,535	874,870
Intergovernmental	207,421	84,164	291,585
Interest	1,343	2,131	3,474
Loans/Notes receivable	807,419	-	807,419
Prepaid items	37,240	68,000	105,240
<b>Total current assets</b>	<u>4,827,706</u>	<u>5,498,443</u>	<u>10,326,149</u>
<b>Noncurrent assets:</b>			
Capital assets:			
Nondepreciable	2,440,685	507,895	2,948,580
Depreciable	4,231,301	21,202,299	25,433,600
<b>Total noncurrent assets</b>	<u>6,671,986</u>	<u>21,710,194</u>	<u>28,382,180</u>
<b>Total assets</b>	<u>\$ 11,499,692</u>	<u>\$ 27,208,637</u>	<u>\$ 38,708,329</u>
LIABILITIES			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 125,179	\$ 47,843	\$ 173,022
Interest payable	-	79,526	79,526
Deposits payable	-	91,073	91,073
Compensated absences - current portion	6,554	4,009	10,563
Due within one year	-	319,644	319,644
<b>Total current liabilities</b>	<u>131,733</u>	<u>542,095</u>	<u>673,828</u>
<b>Noncurrent liabilities:</b>			
Long-term liabilities:			
Compensated absences	58,987	40,260	99,247
Due after one year	-	6,258,605	6,258,605
<b>Total noncurrent liabilities</b>	<u>58,987</u>	<u>6,298,865</u>	<u>6,357,852</u>
<b>Total liabilities</b>	<u>190,720</u>	<u>6,840,960</u>	<u>7,031,680</u>
NET POSITION			
Net investment in capital assets	6,671,986	15,451,589	22,123,575
Restricted	732,218	-	732,218
Unrestricted	3,904,768	4,916,088	8,820,856
<b>Total net position</b>	<u>11,308,972</u>	<u>20,367,677</u>	<u>31,676,649</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 11,499,692</u>	<u>\$ 27,208,637</u>	<u>\$ 38,708,329</u>

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Statement of Activities**  
**For the year ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 336,910	91,486	66,012	\$ -
Public safety - Police	919,224	-	167,784	-
Public works	269,562	6,030	-	599,430
Planning and building	128,038	60,082	-	-
Recycling	6,349	4,346	5,000	-
Total governmental activities	<u>1,660,083</u>	<u>161,944</u>	<u>238,796</u>	<u>599,430</u>
Business-type activities:				
Sewer	1,615,712	1,341,331	133,111	-
Water	1,196,728	1,133,104	-	171,329
Total business-type activities	<u>2,812,440</u>	<u>2,474,435</u>	<u>133,111</u>	<u>171,329</u>
<b>Total primary government</b>	<u>\$ 4,472,523</u>	<u>\$ 2,636,379</u>	<u>\$ 371,907</u>	<u>\$ 770,759</u>

General revenues:

- Taxes:
  - Property taxes, levied for general purposes
  - Sales taxes
  - Cannabis taxes
  - Transient occupancy taxes
  - Gas taxes
  - Franchise taxes
- Intergovernmental:
  - State motor vehicle in-lieu tax (MVLFF)
  - Use of money and property
  - Contributed capital
  - Other general revenues
- Total general revenues
- Transfers
  - Total general revenues and transfers
- Change in net position
- Net position:
  - Beginning of year
  - End of year

The accompanying notes are an integral part of these basic financial statements.



**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (179,412)	\$ -	\$ (179,412)
(751,440)	-	(751,440)
335,898	-	335,898
(67,956)	-	(67,956)
2,997	-	2,997
(659,913)	-	(659,913)
-	(141,270)	(141,270)
-	107,705	107,705
-	(33,565)	(33,565)
(659,913)	(33,565)	(693,478)
148,127	-	148,127
809,947	-	809,947
347,772	-	347,772
20,597	-	20,597
142,803	-	142,803
93,626	-	93,626
424,496	-	595,825
102,187	16,197	118,384
-	222,344	222,344
16,249	3,054	19,303
2,105,804	241,595	2,347,399
-	-	-
2,105,804	241,595	2,347,399
1,445,891	208,030	1,653,921
9,863,081	20,159,647	30,022,728
\$ 11,308,972	\$ 20,367,677	\$ 31,676,649

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**FUND FINANCIAL STATEMENTS**  
**MAJOR FUNDS**

<b>Fund</b>	<b>Description</b>
<b>Governmental Funds:</b>	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
CDBG Housing Special Revenue	Accounts for activities related to housing and the related CDBG funding.

City of Rio Dell, California  
Balance Sheet  
Governmental Funds  
June 30, 2021

	Major Funds			Totals
	General Fund	CDBG Special Revenue	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 1,933,264	\$ 405,996	\$ 921,688	\$ 3,260,948
Receivables:				
Interest	1,196	-	147	1,343
Intergovernmental	-	-	207,421	207,421
Loans/Notes receivable	-	807,419	-	807,419
Other receivable	460,151	-	53,184	513,335
Due from other funds	269,037	-	-	269,037
Prepaid items	37,240	-	-	37,240
<b>Total assets</b>	<b>\$ 2,700,888</b>	<b>\$ 1,213,415</b>	<b>\$ 1,182,440</b>	<b>\$ 5,096,743</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 106,631	\$ -	\$ 18,548	\$ 125,179
Due to other funds	-	-	269,037	269,037
<b>Total liabilities</b>	<b>106,631</b>	<b>-</b>	<b>287,585</b>	<b>394,216</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	-	807,419	-	807,419
<b>Total deferred inflows of resources:</b>	<b>-</b>	<b>807,419</b>	<b>-</b>	<b>807,419</b>
<b>Total Liabilities and deferred inflows</b>	<b>106,631</b>	<b>807,419</b>	<b>287,585</b>	<b>1,201,635</b>
<b>Fund balances:</b>				
Nonspendable	37,240	-	-	37,240
Restricted	-	405,996	326,222	732,218
Assigned	-	-	572,719	572,719
Unassigned (Deficit)	2,557,017	-	(4,086)	2,552,931
<b>Total fund balances</b>	<b>2,594,257</b>	<b>405,996</b>	<b>894,855</b>	<b>3,895,108</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 2,700,888</b>	<b>\$ 1,213,415</b>	<b>\$ 1,182,440</b>	<b>\$ 5,096,743</b>

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2021**

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**Total fund balances - total governmental funds** \$ 3,895,108

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 6,671,986

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences (65,541)

Governmental funds notes receivable from various loan programs are deferred under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Position under the accrual basis of accounting. 807,419

**Net Position of governmental activities** \$ 11,308,972

The accompanying notes are an integral part of these basic financial statements.

# City of Rio Dell, California

## Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

### Governmental Activities

June 30, 2021

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current assets:</b>				
Cash and investments	\$ 3,260,948	\$ -	\$ -	\$ 3,260,948
Receivables:				
Interest	1,343	-	-	1,343
Intergovernmental	207,421	-	-	207,421
Loans/Notes receivable	807,419	-	-	807,419
Other receivable	513,335	-	-	513,335
Due from other funds	269,037	(269,037)	-	-
Prepaid items	37,240	-	-	37,240
<b>Total current assets</b>	<u>5,096,743</u>	<u>(269,037)</u>	<u>-</u>	<u>4,827,706</u>
<b>Noncurrent assets:</b>				
Capital assets, net	-	-	6,671,986	6,671,986
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>6,671,986</u>	<u>6,671,986</u>
<b>Total assets</b>	<u>5,096,743</u>	<u>(269,037)</u>	<u>6,671,986</u>	<u>11,499,692</u>
<b>Deferred outflows of resources:</b>				
Pension Plan	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<u>\$ 5,096,743</u>	<u>\$ (269,037)</u>	<u>\$ 6,671,986</u>	<u>\$ 11,499,692</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 125,179	\$ -	\$ -	\$ 125,179
Due to other funds	269,037	(269,037)	-	-
Compensated absences - current portion	-	-	6,554	6,554
<b>Total current liabilities</b>	<u>394,216</u>	<u>(269,037)</u>	<u>6,554</u>	<u>131,733</u>
<b>Noncurrent liabilities:</b>				
Long-term liabilities:				
Compensated absences	-	-	58,987	58,987
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>-</u>	<u>58,987</u>	<u>58,987</u>
<b>Total liabilities</b>	<u>394,216</u>	<u>(269,037)</u>	<u>65,541</u>	<u>190,720</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	807,419	-	(807,419)	-
<b>Total liabilities and deferred inflows of resources:</b>	<u>1,201,635</u>	<u>(269,037)</u>	<u>(741,878)</u>	<u>190,720</u>
<b>FUND BALANCES/NET POSITION</b>				
<b>Fund balances:</b>				
Nonspendable	37,240	(37,240)	-	-
Restricted	732,218	(732,218)	-	-
Assigned	572,719	(572,719)	-	-
Unassigned (deficit)	2,552,931	(2,552,931)	-	-
<b>Net position:</b>				
Net investment in capital assets	-	-	6,671,986	6,671,986
Restricted	-	-	732,218	732,218
Unrestricted	-	3,895,108	9,660	3,904,768
<b>Total fund balances/net position</b>	<u>3,895,108</u>	<u>-</u>	<u>7,413,864</u>	<u>11,308,972</u>
<b>Total liabilities, deferred inflows and net position</b>	<u>\$ 5,096,743</u>	<u>\$ (269,037)</u>	<u>\$ 6,671,986</u>	<u>\$ 11,499,692</u>

The accompanying notes are an integral part of these basic financial statements.



**City of Rio Dell, California**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2021**

	<u>Major Funds</u>			<u>Totals</u>
	<u>General Fund</u>	<u>CDBG Special Revenue</u>	<u>Other Governmental Funds</u>	
<b>REVENUES:</b>				
Property taxes	\$ 148,127	\$ -	\$ -	\$ 148,127
Sales taxes	809,947	-	-	809,947
Cannabis taxes	347,772	-	-	347,772
Occupancy taxes	20,597	-	-	20,597
Gas tax	-	-	142,803	142,803
Intergovernmental	474,496	174,531	788,216	1,437,243
Licenses, permits, and franchise fees	185,112	-	70,458	255,570
Interest and use of property	34,922	65,718	1,557	102,197
Miscellaneous	16,249	-	-	16,249
<b>Total revenues</b>	<u>2,037,222</u>	<u>240,249</u>	<u>1,003,034</u>	<u>3,280,505</u>
<b>EXPENDITURES:</b>				
Current:				
General government	262,915	3,248	17,760	283,923
Public safety - Police	751,480	-	134,056	885,536
Public works	143,191	-	201,504	344,695
Planning and building	37,706	-	90,332	128,038
Recycling	1	-	6,348	6,349
Capital outlay	482,923	-	481,136	964,059
<b>Total expenditures</b>	<u>1,678,216</u>	<u>3,248</u>	<u>931,136</u>	<u>2,612,600</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>359,006</u>	<u>237,001</u>	<u>71,898</u>	<u>667,905</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	10,389	-	-	10,389
Transfers out	-	(4,674)	(5,715)	(10,389)
<b>Total other financing sources (uses)</b>	<u>10,389</u>	<u>(4,674)</u>	<u>(5,715)</u>	<u>-</u>
<b>Net change in fund balances</b>	369,395	232,327	66,183	667,905
<b>FUND BALANCES:</b>				
Beginning of year	2,224,862	173,669	828,672	3,227,203
End of year	<u>\$ 2,594,257</u>	<u>\$ 405,996</u>	<u>\$ 894,855</u>	<u>\$ 3,895,108</u>

The accompanying notes are an integral part of these basic financial statements.

# City of Rio Dell, California

## Reconciliation of Fund Basis Statements to Government-wide Statement of Activities For the year ended June 30, 2021

Functions/Programs	Fund Based Totals	Compensated Absences/ Debt		Capital Asset	Government- wide Totals
		Service	Depreciation	(Additions)/ Retirements	
<b>Governmental activities:</b>					
General government	\$ 283,923	\$ 28,782	\$ 24,205	\$ -	\$ 336,910
Public safety - Police	885,536		33,688	-	919,224
Public works	344,695	-	100,464	(175,597)	269,562
Planning and building	128,038	-	-	-	128,038
Recycling	6,349	-	-	-	6,349
Capital outlay	964,059	-	-	(964,059)	-
<b>Total governmental activities</b>	<b>\$ 2,612,600</b>	<b>\$ 28,782</b>	<b>\$ 158,357</b>	<b>\$ (1,139,656)</b>	<b>\$ 1,660,083</b>

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2021**

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**Net change in fund balances - total governmental funds** \$ 667,905

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 1,139,656	
Depreciation expense	(158,357)	981,299

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued. (174,531)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(28,782)
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**Change in Net Position of governmental activities** \$ 1,445,891

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget to Actual - Major Funds**  
**For the year ended June 30, 2021**

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES:</b>				
Property taxes	132,110	132,110	148,127	\$ 16,017
Sales taxes	437,500	437,500	809,947	372,447
Cannabis taxes	110,000	110,000	347,772	237,772
Occupancy taxes	5,000	5,000	20,597	15,597
Intergovernmental	400,000	418,698	474,496	55,798
Licenses, permits, and franchise fees	128,020	128,020	185,112	57,092
Interest and use of property	22,445	22,445	34,922	12,477
Miscellaneous	1,750	1,750	16,249	14,499
<b>Total revenues</b>	<b>1,236,825</b>	<b>1,255,523</b>	<b>2,037,222</b>	<b>781,699</b>
<b>EXPENDITURES:</b>				
Current:				
General government	249,870	272,262	262,915	9,347
Public safety - Police	816,503	820,040	751,480	68,560
Planning and public works	263,740	269,251	143,191	126,060
Building	52,552	52,552	37,706	14,846
Capital outlay	378,900	1,018,002	482,923	535,079
<b>Total expenditures</b>	<b>1,761,565</b>	<b>2,432,107</b>	<b>1,678,216</b>	<b>753,892</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(524,740)</b>	<b>(1,176,584)</b>	<b>359,006</b>	<b>1,535,590</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	9,075	9,075	10,389	1,314
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>9,075</b>	<b>9,075</b>	<b>10,389</b>	<b>1,314</b>
<b>Net change in fund balances</b>	<b>(515,665)</b>	<b>(1,167,509)</b>	<b>369,395</b>	<b>1,536,904</b>
<b>FUND BALANCES:</b>				
Beginning of year	2,224,862	2,224,862	2,224,862	-
End of year	<b>\$ 1,709,197</b>	<b>\$ 1,057,353</b>	<b>\$ 2,594,257</b>	<b>\$ 1,536,904</b>

The accompanying notes are an integral part of these basic financial statements.

<b>CDBG Special Revenue Fund</b>			
Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)
-	-	-	\$ -
-	-	-	-
-	-	-	-
4,644	4,644	174,531	169,887
-	-	-	-
-	3,250	65,718	62,468
-	-	-	-
4,644	7,894	240,249	232,355
-	3,250	3,248	2
-	-	-	-
-	-	-	-
-	-	-	-
-	3,250	3,248	2
4,644	4,644	237,001	232,357
-	-	-	-
(4,644)	(4,644)	(4,674)	(30)
(4,644)	(4,644)	(4,674)	(30)
-	-	232,327	232,327
173,669	173,669	173,669	-
\$ 173,669	\$ 173,669	\$ 405,996	\$ 232,327

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## ENTERPRISE FUNDS

Fund	Description
<b>Major Funds:</b>	
Sewer Fund	Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities.
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.

City of Rio Dell, California  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 2,306,295	\$ 2,676,318	\$ 4,982,613
Receivables:			
Accounts	181,021	180,514	361,535
Intergovernmental	70,533	13,631	84,164
Interest	684	1,447	2,131
Prepaid	-	68,000	68,000
<b>Total current assets</b>	<u>2,558,533</u>	<u>2,939,910</u>	<u>5,498,443</u>
<b>Noncurrent assets:</b>			
Capital assets, net	12,439,794	9,270,400	21,710,194
<b>Total noncurrent assets</b>	<u>12,439,794</u>	<u>9,270,400</u>	<u>21,710,194</u>
<b>Total Assets</b>	<u>\$ 14,998,327</u>	<u>\$ 12,210,310</u>	<u>\$ 27,208,637</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 9,513	\$ 16,179	\$ 25,692
Accrued liabilities	11,096	11,055	22,151
Interest payable	79,526	-	79,526
Deposits payable	54,347	36,726	91,073
Compensated absences - current portion	2,005	2,004	4,009
Due within one year	183,644	136,000	319,644
<b>Total current liabilities</b>	<u>340,131</u>	<u>201,964</u>	<u>542,095</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	16,179	24,081	40,260
Due after one year	5,238,605	1,020,000	6,258,605
<b>Total noncurrent liabilities</b>	<u>5,254,784</u>	<u>1,044,081</u>	<u>6,298,865</u>
<b>Total liabilities</b>	<u>5,594,915</u>	<u>1,246,045</u>	<u>6,840,960</u>
<b>Net Position:</b>			
Net investment in capital assets	7,201,189	8,250,400	15,451,589
Unrestricted	2,202,223	2,713,865	4,916,088
<b>Total net position</b>	<u>9,403,412</u>	<u>10,964,265</u>	<u>20,367,677</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 14,998,327</u>	<u>\$ 12,210,310</u>	<u>\$ 27,208,637</u>

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2021**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES:</b>			
Charges for service	1,300,245	1,091,411	\$ 2,391,656
Connection fees	10,335	10,800	21,135
Late fees	30,751	30,893	61,644
<b>Total operating revenues</b>	<b>1,341,331</b>	<b>1,133,104</b>	<b>2,474,435</b>
<b>OPERATING EXPENSES:</b>			
Current operations:			
General government	229,797	209,391	439,188
Public works	692,095	732,477	1,424,572
Depreciation	573,213	254,860	828,073
<b>Total operating expenses</b>	<b>1,495,105</b>	<b>1,196,728</b>	<b>2,691,833</b>
<b>OPERATING INCOME</b>	<b>(153,774)</b>	<b>(63,624)</b>	<b>(217,398)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Miscellaneous	-	450	450
Intergovernmental revenues (expenses)	133,111	171,329	304,440
Bad debt recovery (expense)	969	1,635	2,604
Interest revenue	6,901	9,296	16,197
Interest expense	(120,607)	-	(120,607)
Contributed capital	-	222,344	222,344
<b>Total non-operating revenues, net</b>	<b>20,374</b>	<b>405,054</b>	<b>425,428</b>
<b>NET INCOME BEFORE TRANSFERS</b>	<b>(133,400)</b>	<b>341,430</b>	<b>208,030</b>
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(133,400)</b>	<b>341,430</b>	<b>208,030</b>
<b>NET POSITION:</b>			
Beginning of year	9,536,812	10,622,835	20,159,647
End of year	<b>\$ 9,403,412</b>	<b>\$ 10,964,265</b>	<b>\$ 20,367,677</b>

The accompanying notes are an integral part of these basic financial statements.

**City of Rio Dell, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2021**

	Sewer Fund	Water Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers/users for services provided	\$ 1,285,361	\$ 1,201,062	\$ 2,486,423
Cash payments to suppliers for goods and services	(614,982)	(809,564)	(1,424,546)
Cash payments to employees for services	(336,523)	(121,951)	(458,474)
Net cash provided by operating activities	<u>333,856</u>	<u>269,547</u>	<u>603,403</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>			
Receipts from miscellaneous	-	450	450
Other non-operating payments	969	172,964	173,933
Net cash used by noncapital financing activities	<u>969</u>	<u>173,414</u>	<u>174,383</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital grants received	133,111	222,344	355,455
Acquisition and construction of capital assets	(34,395)	(22,119)	(56,514)
Principal paid on long term debt	(179,691)	(136,000)	(315,691)
Interest paid on long term debt	(123,243)	-	(123,243)
Net cash (used) by capital and related financing activities	<u>(204,218)</u>	<u>64,225</u>	<u>(139,993)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income received	10,766	13,302	24,068
Net cash provided by investing activities	<u>10,766</u>	<u>13,302</u>	<u>24,068</u>
Net increase (decrease) in cash and cash equivalents	141,373	520,488	661,861
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	2,164,922	2,155,830	4,320,752
End of year	<u>\$ 2,306,295</u>	<u>\$ 2,676,318</u>	<u>\$ 4,982,613</u>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>			
Operating income	\$ (153,774)	\$ (63,624)	\$ (217,398)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	573,213	254,860	828,073
(Increase) decrease in current assets:			
Accounts receivable	(28,848)	(33,768)	(62,616)
Intergovernmental receivables	(27,122)	101,726	74,604
Increase (decrease) in liabilities:			
Accounts payable	(41,611)	(7,715)	(49,326)
Accrued liabilities	11,096	11,055	22,151
Deposits payable	1,610	2,128	3,738
Compensated absences	(708)	4,885	4,177
Net cash provided by operating activities	<u>\$ 333,856</u>	<u>\$ 269,547</u>	<u>\$ 603,403</u>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2021.

The accompanying notes are an integral part of these basic financial statements.

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## FIDUCIARY ACTIVITIES

Fund	Description
Custodial Fund	Used to account for assets held for distribution by the City as an agent for another entity.

**City of Rio Dell, California**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 31,442
Interest receivable	17
<b>Total assets</b>	<u>31,459</u>
<b>LIABILITIES</b>	
Accounts payable	-
<b>Total Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	31,459
<b>Total net position</b>	<u>\$ 31,459</u>

The accompanying notes are an integral part of these basic financial statements.



**City of Rio Dell, California**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Intergovernmental receivable	\$ 18,900
Interest earned	118
Donations	70
<b>Total additions</b>	<u>19,088</u>
<b>DEDUCTIONS</b>	
Administrative expense	-
<b>Total deductions</b>	<u>-</u>
Net increae (decreae) in fiduciary net postion	19,088
Net position - beginning	12,371
Net position - ending	<u>\$ 31,459</u>

The accompanying notes are an integral part of these basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**Index to Notes to Basic Financial Statements**

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**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Rio Dell (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

***Financial Reporting Entity***

The City is a general law City incorporated in the State of California on February 26, 1965. The City is governed by an elected, five-member City Council. The following services are provided by the City to its citizens: public safety (police); highways and streets; drinking water; wastewater collection, treatment and disposal; public improvements; parks and recreation; planning and zoning; and general administrative services.

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Rio Dell, Finance Department, 675 Wildwood Ave., Rio Dell, CA 95562.

***Description of Joint Powers Agreements***

The City participates in several joint power agreements (JPAs) as described in Note 11. The financial activities of the JPAs are not included in the accompanying basic financial statements because JPAs are administered by governing boards that are separate from and independent of the City.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***Basis of Presentation***

***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- CDBG Special Revenue Fund

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***Basis of Presentation, Continued***

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

**Governmental Funds**

***General Fund***

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

***Special Revenue Funds***

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

***Capital Project Funds***

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

**Proprietary Funds**

***Enterprise Funds***

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

**Fiduciary Funds**

***Custodial Funds***

Custodial Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***Measurement Focus***

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds and private purpose trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Custodial funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

The government-wide, proprietary and fiduciary funds financial statements required by GASB Statement No. 34 are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

The governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus, and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***Basis of Accounting, Continued***

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving value in exchange, include taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Assets, Liabilities, and Equity***

**Cash Deposits and Investments**

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City's investment policy and section 53601 of the California Government Code allow the following investments:

- a) Certificates of Deposit;
- b) Obligations of the State of California.

The City does not enter into reverse repurchase agreements.

The City's investments are carried at fair value instead of cost, as required by U.S. generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end if material, and it includes the effects of these adjustments in income for that fiscal year.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***Assets, Liabilities, and Equity, Continued***

The City places certain funds with the State of California's Local Agency Investment Fund (LAIF). The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the City's investment in this pool is reported in the accompanying financial statements based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. Included in LAIF's investments are collateralized mortgage obligations, mortgage backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

*Assets, Liabilities, and Equity, Continued*

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

**Inventory**

The City does not record and maintain inventory records of unused materials and supplies for the various funds. Inventories are considered immaterial and materials and supplies are currently expensed.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

**Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

*Government-Wide Statements*

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

*Assets, Liabilities, and Equity, Continued*

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5 – 50 years	Landscaping	30 years
Roadway improvements	50 years	Signage	25 years
Sidewalks, curbs, and gutters	50 years	Leasehold improvements	5 years
Storm drain pipes/structures	50 years	Machinery and equipment	3 – 5 years
Traffic signal devices	5 – 40 years	Vehicles	3 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, deferred inflows on the City’s CDBG loans reported in the governmental funds balance sheet.

**Compensated Absences**

Full time employees accumulate earned vacation, holiday and compensated leave of varying amounts dependent upon length of service with the City. These amounts are deemed fully vested with the employee when earned. The City also provides full time employees with sick leave that generally must be used for sickness and injury-related leave time.

The City does not currently provide post-employment benefits.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

*Assets, Liabilities, and Equity, Continued*

**Unearned Revenues**

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

**Equity Classification**

*Government-Wide Statements*

Equity is classified as net position and is displayed in three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

***Nonspendable Fund Balance*** –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Equity Classification, Continued**

*Fund Financial Statements, continued*

***Restricted Fund Balance –***

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

***Committed Fund Balance –***

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

***Assigned Fund Balance –***

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

***Unassigned Fund Balance –***

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

*Revenues, Expenditures, and Expenses*

**Property Tax**

The County of Humboldt (the County) assesses properties, bills for, collects, and distributes property taxes for the City per the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10, April 10	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the City does not levy a specific tax rate but receives a share of the property tax revenue based on a State formula. The City's tax rate is \$1.00/\$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, the State passed legislation which permanently shifted an additional amount of property taxes from cities to schools. This amount was partially offset by one-time payments by the State to cities from the State "Transportation Planning and Development" allocation. Also during 1993- 94, an alternate method of property tax allocation (the "Teeter Plan") was adopted. Under this plan, the City receives 100 percent of the secured property tax levied to which it is entitled, whether or not collected.

Unsecured delinquent taxes are considered fully collectible and no allowance for uncollectible taxes is provided. Property tax revenues are recognized when they become available. "Available" means due, or past due, and receivable within the current period and collected or expected to be collected soon enough thereafter to be used to pay liabilities for the current period. This period is 60 days from the end of the fiscal year.



**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Interfund Transfers**

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

***Budgetary Accounting***

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2021. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Implementation of New GASB Pronouncements**

**GASB Statement No. 84**

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

As a result of this Statement, certain funds previously classified as “agency funds” have been reclassified as custodial funds. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	<u>Custodial Fund</u>
Net Position, July 1, 2020, as previously reported	\$ -
Change in accounting principles	<u>12,371</u>
Net Position, July 1, 2020 as restated	<u>\$ 12,371</u>

**2. CASH AND INVESTMENTS**

**Pooled Cash and Investments**

The City pools cash from all sources and funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

**Categorization of Credit Risk of Securities Instruments**

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as custodian of all City managed investments, regardless of their form.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

**2. CASH AND INVESTMENTS, continued**

At June 30, 2021, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair Market Value
	<1	1 to 3	3 to 5		
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value					
Cash in bank	\$ -	\$ -	\$ -	\$ 6,591,398	\$ 6,591,398
Petty cash	-	-	-	1,250	1,250
Total pooled items	-	-	-	6,592,648	6,592,648
<u>Pooled investments, at fair value</u>					
State of California Local Agency Investment Fund	4,682,355	-	-	-	4,682,355
Total pooled investments - interest obligations	4,682,355	-	-	-	4,682,355
Total cash equivalents and investments pooled	\$ 4,682,355	\$ -	\$ -	\$ 6,592,648	\$ 11,275,003
<b>Amounts reported in:</b>					
Governmental activities					\$ 3,260,948
Business-type activities					7,982,613
Fiduciary activities					31,442
Total					\$ 11,275,003

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>
State of California Local Agency Investment Fund	\$ 4,682,355	-
Total fair value	\$ 4,682,355	-
Portfolio weighted average maturity		-

*Interest rate risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

*Credit risk* – Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments in LAIF and the fiscal agent money market funds are not evidenced by specific securities and, therefore, are not subject to custodial credit risk.

*Concentration of credit risk* – The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

**City of Rio Dell, California**  
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**2. CASH AND INVESTMENTS, *continued***

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 3.37% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

*Custodial credit risk – deposits.* For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2021, the carrying amount of the City's deposits was \$3,591,397 and the balances in financial institutions were \$4,079,389. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$3,829,389 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2021, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the City's name and places the City ahead of general creditors of the institution.

*Custodial credit risk – investments.* For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

**Investment in LAIF**

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2021 was \$37,066,592,514 of which the City had a balance of \$4,682,355. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2021 has a portfolio with market valuation of \$193,463,491 thousand. Of the total invested, 97.69% was invested in non-derivative financial products and 2.31% in structured notes and asset-backed securities. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2021:

	<u>Receivables</u>
Governmental Activities	
Accounts receivable	\$ 513,335
Intergovernmental	207,421
Interest	1,343
	<u>\$ 722,099</u>
Business-type activities	
Accounts receivable	\$ 361,535
Intergovernmental	84,164
Interest	2,131
	<u>\$ 447,830</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	24.89%
Individuals/Business	74.99%
Financial Institutions	0.11%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

**4. LOANS AND NOTES RECEIVABLE**

The City engages in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the City's terms.

Loans and notes receivable for the year ended June 30, 2021, consisted of the following:

	<u>Beginning</u>			<u>Ending</u>
	July 1, 2020	Additions	Deletions	June 30, 2021
Housing Rehabilitation and Affordable Housing Notes	\$ 981,950	\$ -	\$ (174,531)	\$ 807,419
Total loans receivable	<u>\$ 981,950</u>	<u>\$ -</u>	<u>\$ (174,531)</u>	<u>\$ 807,419</u>

Housing Rehabilitation, Business Enterprise and Affordable Housing

The City has provided loans to various homeowners and businesses for rehabilitation. The maximum loan amount is \$100,000, carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by deferred revenue. Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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**5. CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2021, was as follows:

	Balance 6/30/2020	Additions	Retirements	Balance 6/30/2021
Capital assets (Not Depreciated)				
Land	\$ 627,945	\$ -	\$ -	\$ 627,945
Construction in progress	1,107,729	790,668	(85,657)	1,812,740
Total capital assets (not depreciated)	<u>1,735,674</u>	<u>790,668</u>	<u>(85,657)</u>	<u>2,440,685</u>
Capital assets (being depreciated)				
Buildings and improvements	356,422	-	-	356,422
Equipment	584,682	26,611	-	611,293
Vehicles	187,811	171,774	-	359,585
Streets and roads	2,103,640	236,260	-	2,339,900
Infrastructures	2,406,317	-	-	2,406,317
Total capital assets (being depreciated)	<u>5,638,872</u>	<u>434,645</u>	<u>-</u>	<u>6,073,517</u>
Less accumulated depreciation:				
Buildings and improvements	65,452	11,187	-	76,639
Equipment	516,213	14,480	-	530,693
Vehicles	151,501	33,617	-	185,118
Streets and roads	390,989	50,947	-	441,936
Infrastructure	559,704	48,126	-	607,830
Total accumulated depreciation	<u>1,683,859</u>	<u>158,357</u>	<u>-</u>	<u>1,842,216</u>
Governmental activities capital assets, net	<u>\$ 5,690,687</u>			<u>\$ 6,671,986</u>

Depreciation expense for capital assets was charged to functions as follows:

<u>Governmental-Type Activities</u>	
General Government	\$ 24,205
Public Safety	33,688
Planning and public works	100,464
Total Governmental Activities	<u>\$ 158,357</u>

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**5. CAPITAL ASSETS, *continued***

Business-type capital asset activity for the year ended June 30, 2021, was as follows:

	Balance 6/30/2020	Additions	Retirements	Adjustments	Balance 6/30/2021
Capital assets (Not Depreciated)					
Land	\$ 507,859	\$ -	\$ -	\$ -	\$ 507,859
Construction in progress	-	-	-	-	-
Total capital assets (not depreciated)	<u>507,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,859</u>
Capital assets (being depreciated)					
Infrastructure	27,376,243	-	-	-	27,376,243
Buildings and Improvements	206,508	-	-	-	206,508
equipment	1,309,396	33,794	-	-	1,343,190
Vehicles	145,926	22,718	-	-	168,644
Total capital assets (being depreciated)	<u>29,038,073</u>	<u>56,512</u>	<u>-</u>	<u>-</u>	<u>29,094,585</u>
Less accumulated depreciation:					
Infrastructure	5,693,342	763,690	-	-	6,457,032
Buildings and Improvements	194,612	(2,980)	-	-	191,632
Equipment	1,075,974	55,255	-	-	1,131,229
Vehicles	100,249	12,108	-	-	112,357
Total accumulated depreciation	<u>7,064,177</u>	<u>828,073</u>	<u>-</u>	<u>-</u>	<u>7,892,250</u>
Net depreciable assets	<u>21,973,896</u>	<u>(771,561)</u>	<u>-</u>	<u>-</u>	<u>21,202,335</u>
Total net capital assets	<u>\$22,481,755</u>	<u>\$(771,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$21,710,194</u>

Depreciation expense for Business-type capital assets was charged to functions and programs based on their usage of related assets. The amount allocated to each function on program are as follows:

<u>Business-Type Activities</u>	
Sewer	\$ 573,213
Water	254,860
Total Business-Type Activities	<u>\$ 828,073</u>



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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2021:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 101,092	\$ 47,843	\$ 148,935
Accrued payroll and related liabilities	24,087	-	24,087
Total	<u>\$ 125,179</u>	<u>\$ 47,843</u>	<u>\$ 173,022</u>

These amounts resulted in the following concentrations in payables:

Vendors	86%
Employees	14%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

**7. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Original Issue Amount	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
<b>Governmental Activities:</b>						
Compensated absences	\$ -	\$ 36,759	\$ 28,782	\$ -	\$ 65,541	\$ 6,554
<b>Total governmental activities</b>	<u>\$ -</u>	<u>\$ 36,759</u>	<u>\$ 28,782</u>	<u>\$ -</u>	<u>\$ 65,541</u>	<u>\$ 6,554</u>
<b>Business-type activities</b>						
Safe Drinking Water Loan	\$ 2,720,000	\$ 1,292,000	\$ -	\$ (136,000)	\$ 1,156,000	\$ 136,000
State of California Water						
Resources Control Board	6,980,359	5,601,940	-	(179,691)	5,422,249	183,644
<b>Total business-type activity debt</b>	<u>10,236,159</u>	<u>6,893,940</u>	<u>-</u>	<u>(315,691)</u>	<u>6,578,249</u>	<u>319,644</u>
Compensated absences	-	40,092	4,177	-	44,269	4,009
<b>Total business-type activities</b>	<u>\$ -</u>	<u>\$ 6,934,032</u>	<u>\$ 4,177</u>	<u>\$ (315,691)</u>	<u>\$ 6,622,518</u>	<u>\$ 323,653</u>

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**7. LONG-TERM LIABILITIES, *continued***

*Governmental Activities*

**Compensated Absences**

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$65,541 at June 30, 2021, of that amount \$6,554 is expected to be paid within a year. The net changes of the compensated absences are allocated to the public safety department on the Statement of Activities.

*Business-type Activities*

**Safe Drinking Water State Revolving Fund Loan**

In August 2005, the City entered into a loan agreement with the California Department of Health Services, Drinking Water and Environmental Services Division, for a loan in an amount up to \$2,720,000. The loan was subsequently funded by the Safe Drinking Water State Revolving Fund. The proceeds from the loan were used to assist in financing construction of a project that will enable the City to meet safe drinking water standards established under the Health and Safety Code and California Code of Regulations. The non-interest-bearing loan calls for 50 equal semiannual payments due in July and January of each year, beginning in July 2009. At June 30, 2021, the balance of the note was \$1,156,000.

**State of California Water Resources Control Board**

The City has obtained a loan from the California Department of Water Resources to finance an upgrade of the wastewater treatment plant to comply with State wastewater standards. The debt is required to be serviced through wastewater system user charges. The maximum loan amount is \$6,980,359. Principal and interest are payable annually on October 31. The rate of interest is 2.20%. The annual principal and interest payments are \$302,933 and continue through the fiscal year 2044.

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**7. LONG-TERM LIABILITIES, *continued***

**Debt Service**

Future debt service for Business-Type Activities at June 30, 2021, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Business-type Activities					
	Safe Drinking Water Loan		State of California Water Resources Control Board		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 136,000	\$ -	\$ 183,644	\$ 119,289	\$ 319,644	\$ 119,289
2023	136,000	-	187,684	115,249	323,684	115,249
2024	136,000	-	191,813	111,120	327,813	111,120
2025	136,000	-	196,033	106,900	332,033	106,900
2026	136,000	-	200,346	102,588	336,346	102,588
2027 - 2031	476,000	-	1,069,814	444,853	1,545,814	444,853
2032 - 2036	-	-	1,192,787	321,880	1,192,787	321,880
2037 - 2041	-	-	1,329,895	184,772	1,329,895	184,772
2042 - 2046	-	-	870,233	38,568	870,233	38,568
2047 - 2051	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,156,000</b>	<b>\$ -</b>	<b>\$ 5,422,249</b>	<b>\$ 1,545,219</b>	<b>\$ 6,578,249</b>	<b>\$ 1,545,219</b>
Due within one year	\$ 136,000	\$ -	\$ 183,644	\$ 119,289	\$ 319,644	\$ 119,289
Due after one year	1,020,000	-	5,238,605	1,425,930	6,258,605	1,425,930
<b>Total</b>	<b>\$ 1,156,000</b>	<b>\$ -</b>	<b>\$ 5,422,249</b>	<b>\$ 1,545,219</b>	<b>\$ 6,578,249</b>	<b>\$ 1,545,219</b>

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**8. NET POSITION/ FUND BALANCES**

**Net position**

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 6,671,986	\$ 15,451,589	\$ 22,123,575
Restricted	732,218	-	732,218
Unrestricted	3,904,768	4,916,088	8,820,856
Total	<u>\$ 11,308,972</u>	<u>\$ 20,367,677</u>	<u>\$ 31,676,649</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

**Fund Balance**

Nonspendable and Restricted fund balance consisted of the following at June 30, 2021:

Nonspendable:	
Prepaid items	\$ 37,240
<b>Total Nonspendable</b>	<u>\$ 37,240</u>
Restricted:	
Governmental Funds:	
CDBG	\$ 405,996
Gas Tax	301,478
RSTP	24,744
<b>Total Restricted</b>	<u>\$ 732,218</u>

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

**Nonspendable**

- **Prepaid Items** – represents nonspendable amounts classified as prepaid items.

**Restricted**

- **CDBG**– represents amounts restricted for the City’s CDBG housing activities as these programs are supported by specific grants requiring the restriction.
- **Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code.
- **ISTEA** – represents amounts restricted in accordance with the Intermodal Surface Transportation Efficiency Act.

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**8. NET POSITION/ FUND BALANCES, continued**

**Fund Balance Deficits**

Deficit fund balances consisted of the following:

	<u>As of June 30, 2021</u>
<b>Nonmajor Special Revenue Funds:</b>	
STIP	\$ 4,086
<b>Total Nonmajor Funds</b>	<u>4,086</u>
<b>Total Fund Balance Deficits</b>	<u>\$ 4,086</u>

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

**Excess of Expenditures and Transfers over Appropriations:**

Expenditures and transfers exceeded appropriations for the year ended June 30, 2021, for the following funds:

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
<u>Major Funds</u>			
<u>Special Revenue Funds</u>			
CDBG	\$ 7,894	\$ 7,922	\$ (28)

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**9. INTERFUND TRANSACTIONS**

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2021:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b><u>Governmental Funds</u></b>		
<b>Major Funds:</b>		
General Fund	\$ 268,737	\$ -
Total Major Funds	<u>268,737</u>	<u>-</u>
<b>Nonmajor Funds:</b>		
RSTP	-	2,758
Measure Z	-	12,562
STIP	-	253,417
Total Nonmajor Funds	<u>-</u>	<u>268,737</u>
Total Governmental Funds	<u>268,737</u>	<u>268,737</u>
Total	<u>\$ 268,737</u>	<u>\$ 268,737</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**9. INTERFUND TRANSACTIONS, CONTINUED**

Transfers consisted of the following at June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b><u>Governmental Funds</u></b>		
<b>Major Funds:</b>		
General Fund	\$ 10,389	\$ -
CDBG Special Revenue	-	4,674
Total Major Funds	<u>10,389</u>	<u>4,674</u>
<b>Nonmajor Funds:</b>		
<b>Special Revenue Funds</b>		
Solid Waste	-	2,450
Building	-	3,265
Total Nonmajor Funds	<u>-</u>	<u>5,715</u>
Total Governmental Funds	<u>10,389</u>	<u>10,389</u>
<b>Total</b>	<b>\$ 10,389</b>	<b>\$ 10,389</b>

**10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Small Cities Organized Risk Effort Joint Powers Authority (SCORE). SCORE provides insurance coverage for general liability, property, and workers' compensation claims under the terms of a joint-powers agreement with the City and several other governmental municipalities.

SCORE is insured up to \$500,000 per general liability and \$1,000,000 per property claim and has purchased excess of loss insurance policies providing coverage above the self-insurance limit to a maximum of \$25,000,000. The City has a \$2,500 - \$50,000 deductible per claim for general liability, property and workers' compensation cases. When the deductible is met, SCORE becomes responsible for payment of the excess claim.

Payments for insurance claims are recorded as expenditures in the funds in which the liabilities were incurred. In accordance with GASB Statement No. 10, if the third party administrator, SCORE, does not insure the loss occurrence then the City shall accrue a loss, if probable and reasonably estimable. As of June 30, 2021, the City has no uninsured occurrences. The City has not used an actuary in determining the liability reserve if needed. Because the actual claim liabilities depend on such complex factors as inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

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**11. JOINT POWERS AGREEMENTS**

The City is a member of various joint powers authorities, which provide goods or services to the City and other authority members. Under the criteria established by GASB Statement No. 14, the City does not have sufficient authority, influence or accountability over these entities to incorporate them in this annual report. Additionally, the City has determined that it has no ongoing financial interest in or responsibility for any of these organizations as defined by GASB Statement No. 14. The names and general functions of these joint powers are as follows:

Humboldt Transit Authority

Humboldt Transit Authority (HTA) was created as a separate legal entity by a joint powers agreement between Humboldt County and the Cities of Fortuna, Eureka, Arcata, Trinidad, and Rio Dell. The governing board consists of a city council member and an alternate member appointed from each participating city, as well as two board members and up to two alternate members appointed by the Humboldt County Board of Supervisors. HTA is responsible for adopting its own budget and has the power to incur debts, liabilities, or other obligations. On commencement of operations of HTA, the County contributed 50 percent of the initial equity, and the participating cities jointly contributed 50 percent based upon population data. The participants do not have an ongoing equity interest in HTA.

However, the participants do share operating costs of HTA, and the current share of the City of Rio Dell is 2.8 percent. During the year ended June 30, 2021, the City paid HTA \$40,646. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received and property shall be divided in a manner agreed upon by the parties. Complete financial statements for Humboldt Transit Authority may be obtained at the offices of the Authority at 133 V Street, Eureka, California 95501.

Hazardous Materials Response Authority

Hazardous Materials Response Authority (HMRA) was created as a separate legal entity by a joint powers agreement between the County of Humboldt, the County of Del Norte, and Cities of Eureka, Crescent City, Arcata, Blue Lake, Fortuna, Trinidad, and Rio Dell. (The City of Ferndale withdrew from the agreement during 1994-1995). The purpose of this joint venture is to pool resources of the participants to provide a united, coordinated, orderly, positive, and more effective means of aiding and assisting in the formulation, administration, implementation and maintenance of an area-wide hazardous materials response team.

HMRA is governed by a board of directors comprised of one member and an alternate appointed by each participant. It adopts its own budget and has the powers to incur debts, liabilities, or obligations. The City of Eureka is responsible for directing the operations of Hazardous Materials Response Teams and for the accounting of HMRA, and in return HMRA reimburses the City of Eureka for the costs of operation and accounting services.



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**11. JOINT POWERS AGREEMENTS, CONTINUED**

Upon commencement of HMRA, the participants agreed to contribute a proportionate share of the cost of operations based on population. The participants do not have an ongoing equity interest in HMRA. However, the participants do share the operating costs of HMRA, and the current share of the City of Rio Dell is 1.9 percent, based on population. During the year ended June 30, 2021, the City paid HMRA \$717. At termination of the agreement, all surplus monies will be returned to the participants in proportion of the amounts received by HMRA; property shall be divided in a manner agreed upon by the participants. Complete financial statements of HMRA are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

Redwood Region Economic Development Commission

Redwood Region Economic Development Commission (RREDC) was established on November 1, 1977, under a Joint Exercise of Powers Agreement among the nineteen public agencies within Humboldt County, including the City of Rio Dell. RREDC is a separate public entity created to aid, assist, and coordinate the formulation, administration, and implementation of the Economic Development Action Plan and Strategy for Humboldt County, and to assist in the implementation of economic development projects and programs to improve the quality of life in the area. RREDC is governed by one member and an alternate appointed by each participant. Complete financial statements for RREDC are on file at the offices of RREDC at 520 E Street, Eureka, California 95001.

Humboldt Waste Management Authority (HWMA)

A JPA formed to administer solid waste, recycling and other material diversion programs and services. Formed in 1999 and comprised of the County of Humboldt, Arcata, Blue Lake, Eureka, Ferndale and Rio Dell.

Humboldt County Association of Governments (HCAOG)

A local JPA formed for regional transportation planning, responsible for programming State highway, local street and road improvements and public transportation resources. All seven cities and the County are participants.

Redwood Coast Energy Authority (RCEA):

A JPA formed to develop and implement regional measures that reduce energy demand, increase energy efficiency and advance the use of clean efficient renewable resources. Members include the County of Humboldt; the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell, and Trinidad; and the Humboldt Bay Municipal Water District.

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**12. DEFERRED COMPENSATION PLAN**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As explained previously, the City has adopted the provisions of GASB Statement No. 32 and, therefore, assets and liabilities of these plans have been excluded from the accompanying financial statements. For the fiscal year ended June 30, 2021, the City made contributions totaling \$137,439 to the plan.

**13. COMMITMENTS AND CONTINGENCIES**

*Litigation*

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

*Grants and Allocations*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

*Commitments*

The City had no significant unexpended contractual commitments as of June 30, 2021.

**14. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 87, "Leases." The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2021.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**14. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued Statement No. 87, "Leases." The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued statement No. 92, "*Omnibus 2020*". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued statement No. 93, "*Replacement of Interbank Offered Rates*". The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

**City of Rio Dell, California**  
**Basic Financial Statements**  
**For the year ended June 30, 2021**

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**14. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED**

The GASB has issued statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued statement No. 96, “*Subscription-Based Information Technology Arrangements*”. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**15. PANDEMIC EFFECTS**

The COVID-19 pandemic, whose effects first became known in January 2021, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The City is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the City’s employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the City’s financial position and changes in net position, fund balance and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Gas Tax	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2103, 2105, 2106, 2107, 2107.5 and 2032 (SB1) of the Streets and Highway Code.
TDA	Accounts for funds received and expended for transit, street, pedestrian and bike purposes in Accordance with the Transportation Development Act.
RSTP	Accounts for funds received and expended in accordance with the Regional Surface Transportation Act.
Solid Waste	Accounts for the City's portion of the Humboldt Waste Management Authority's tipping fees.
SLESF	Accounts for funds received to be used for public safety purposes.
Measure Z	Accounts for funds received and expended for Measure Z.
STIP	Accounts for funds received and expended in accordance with the State Transportation Improvement Program, a multi-year capital improvement program of transportation projects on and off the State Highway System.
Building	Accounts for funds received and expended for building maintenance inspection and permitting purposes.
Recycling	Accounts for funds received and expended for recycling purposes.
Economic Development	Accounts for funds received or designated by the City Council and expended for economic development purposes.

**City of Rio Dell, California**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2021**

ASSETS	Gas Tax	TDA	RSTP	Solid Waste
Cash and investments	\$ 295,530	\$ 62,339	\$ -	\$ 36,047
Receivables:				
Interest	94	-	-	21
Intergovernmental	-	-	-	-
Other receivable	11,378	-	28,135	1,109
<b>Total assets</b>	<b>\$ 307,002</b>	<b>\$ 62,339</b>	<b>\$ 28,135</b>	<b>\$ 37,177</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,524	\$ 4,676	\$ 333	\$ -
Due to other funds	-	-	3,058	-
<b>Total liabilities:</b>	<b>5,524</b>	<b>4,676</b>	<b>3,391</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted	301,478	-	24,744	-
Assigned	-	57,663	-	37,177
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>301,478</b>	<b>57,663</b>	<b>24,744</b>	<b>37,177</b>
<b>Total liabilities deferred inflows and fund balances</b>	<b>\$ 307,002</b>	<b>\$ 62,339</b>	<b>\$ 28,135</b>	<b>\$ 37,177</b>



<u>SLESF</u>	<u>Measure Z</u>	<u>STIP</u>	<u>Building</u>	<u>Recycling</u>	<u>Economic Development</u>	<u>Totals</u>
\$ 128,976	\$ -	\$ 43,197	\$ 25,560	\$ 30,039	\$ 300,000	\$ 921,688
-	-	-	16	16	-	147
-	-	207,421	-	-	-	207,421
-	12,562	-	-	-	-	53,184
<u>\$ 128,976</u>	<u>\$ 12,562</u>	<u>\$ 250,618</u>	<u>\$ 25,576</u>	<u>\$ 30,055</u>	<u>\$ 300,000</u>	<u>\$ 1,182,440</u>
\$ 3,746	\$ -	\$ 1,287	\$ 2,982	\$ -	\$ -	\$ 18,548
-	12,562	253,417	-	-	-	269,037
<u>3,746</u>	<u>12,562</u>	<u>254,704</u>	<u>2,982</u>	<u>-</u>	<u>-</u>	<u>287,585</u>
-	-	-	-	-	-	326,222
125,230	-	-	22,594	30,055	300,000	572,719
-	-	(4,086)	-	-	-	(4,086)
<u>125,230</u>	<u>-</u>	<u>(4,086)</u>	<u>22,594</u>	<u>30,055</u>	<u>300,000</u>	<u>894,855</u>
<u>\$ 128,976</u>	<u>\$ 12,562</u>	<u>\$ 250,618</u>	<u>\$ 25,576</u>	<u>\$ 30,055</u>	<u>\$ 300,000</u>	<u>\$ 1,182,440</u>

**City of Rio Dell, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2021**

	Gas Tax	TDA	RSTP	Solid Waste
<b>REVENUES:</b>				
Gas tax	\$ 142,803	\$ -	\$ -	\$ -
Intergovernmental	-	118,068	28,135	-
Licenses, permits, and franchise taxes	2,250	-	-	4,346
Interest and use of property	902	-	-	139
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>145,955</u>	<u>118,068</u>	<u>28,135</u>	<u>4,485</u>
<b>EXPENDITURES:</b>				
Current:				
General government	10,066	7,694	-	-
Public safety - Police	-	-	-	-
Public works	64,679	107,769	29,056	-
Planning and building	-	-	-	-
Recycling	-	-	-	1,348
Capital outlay	6,967	3,245	-	-
<b>Total expenditures</b>	<u>81,712</u>	<u>118,708</u>	<u>29,056</u>	<u>1,348</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>64,243</u>	<u>(640)</u>	<u>(921)</u>	<u>3,137</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(2,450)
<b>Total other financing sources and uses</b>	-	-	-	(2,450)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER FINANCING (USES)</b>	64,243	(640)	(921)	687
<b>FUND BALANCES (DEFICITS):</b>				
Beginning of year	237,235	58,303	25,665	36,490
End of year	<u>\$ 301,478</u>	<u>\$ 57,663</u>	<u>\$ 24,744</u>	<u>\$ 37,177</u>

SLESF	Measure Z	STIP	Building	Recycling	Economic Development	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,803
155,222	12,562	469,229	-	5,000	-	788,216
-	-	-	63,862	-	-	70,458
305	-	-	116	95	-	1,557
-	-	-	-	-	-	-
<u>155,527</u>	<u>12,562</u>	<u>469,229</u>	<u>63,978</u>	<u>5,095</u>	<u>-</u>	<u>1,003,034</u>
-	-	-	-	-	-	17,760
121,494	12,562	-	-	-	-	134,056
-	-	-	-	-	-	201,504
-	-	-	90,332	-	-	90,332
-	-	-	-	5,000	-	6,348
-	-	470,924	-	-	-	481,136
<u>121,494</u>	<u>12,562</u>	<u>470,924</u>	<u>90,332</u>	<u>5,000</u>	<u>-</u>	<u>931,136</u>
<u>34,033</u>	<u>-</u>	<u>(1,695)</u>	<u>(26,354)</u>	<u>95</u>	<u>-</u>	<u>71,898</u>
-	-	-	-	-	-	-
-	-	-	(3,265)	-	-	(5,715)
-	-	-	(3,265)	-	-	(5,715)
34,033	-	(1,695)	(29,619)	95	-	66,183
91,197	-	(2,391)	52,213	29,960	300,000	828,672
<u>\$ 125,230</u>	<u>\$ -</u>	<u>\$ (4,086)</u>	<u>\$ 22,594</u>	<u>\$ 30,055</u>	<u>\$ 300,000</u>	<u>\$ 894,855</u>

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Gas Tax Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Gas Tax	\$ 138,920	\$ 138,920	\$ 142,803	\$ 3,883
Licenses, permits, and franchise taxes	1,500	1,500	2,250	750
Use of money and property	-	-	902	902
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>140,420</b>	<b>140,420</b>	<b>145,955</b>	<b>5,535</b>
<b>EXPENDITURES:</b>				
Current:				
General government	13,685	13,685	10,066	3,619
Public works	110,131	120,833	64,679	56,154
Capital outlay	7,600	11,323	6,967	4,356
<b>Total expenditures</b>	<b>131,416</b>	<b>145,841</b>	<b>81,712</b>	<b>64,129</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,004</b>	<b>(5,421)</b>	<b>64,243</b>	<b>69,664</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>9,004</b>	<b>(5,421)</b>	<b>64,243</b>	<b>69,664</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	237,235	237,235	237,235	-
End of year	\$ 246,239	\$ 231,814	\$ 301,478	\$ 69,664

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**TDA Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 111,219	\$ 115,539	\$ 118,068	\$ 2,529
Interest and use of property	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>111,219</b>	<b>115,539</b>	<b>118,068</b>	<b>2,529</b>
<b>EXPENDITURES:</b>				
Current:				
General government	10,488	10,488	7,694	2,794
Public works	114,199	126,429	107,769	18,660
Capital outlay	7,600	7,600	3,245	4,355
<b>Total expenditures</b>	<b>132,287</b>	<b>144,517</b>	<b>118,708</b>	<b>25,809</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(21,068)</b>	<b>(28,978)</b>	<b>(640)</b>	<b>28,338</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(21,068)</b>	<b>(28,978)</b>	<b>(640)</b>	<b>28,338</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	58,303	58,303	58,303	-
End of year	\$ 37,235	\$ 29,325	\$ 57,663	\$ 28,338

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**RSTP Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 24,500	\$ 24,500	\$ 28,135	\$ 3,635
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>24,500</b>	<b>24,500</b>	<b>28,135</b>	<b>3,635</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	20,418	28,793	29,056	(263)
<b>Total expenditures</b>	<b>20,418</b>	<b>28,793</b>	<b>29,056</b>	<b>(263)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,082</b>	<b>(4,293)</b>	<b>(921)</b>	<b>3,372</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>4,082</b>	<b>(4,293)</b>	<b>(921)</b>	<b>3,372</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	25,665	25,665	25,665	-
End of year	\$ 29,747	\$ 21,372	\$ 24,744	\$ 3,372

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Solid Waste Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses, permits, and franchise taxes	\$ 4,000	\$ 4,000	\$ 4,346	\$ 346
Use of money and property	-	-	139	139
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>4,000</b>	<b>4,000</b>	<b>4,485</b>	<b>485</b>
<b>EXPENDITURES:</b>				
Current:				
Recycling	23,785	32,785	1,348	31,437
<b>Total expenditures</b>	<b>23,785</b>	<b>32,785</b>	<b>1,348</b>	<b>31,437</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(19,785)	(28,785)	3,137	31,922
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(2,450)	(2,450)	(2,450)	-
<b>Total other financing sources (uses)</b>	<b>(2,450)</b>	<b>(2,450)</b>	<b>(2,450)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(22,235)</b>	<b>(31,235)</b>	<b>687</b>	<b>31,922</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	36,490	36,490	36,490	-
End of year	\$ 14,255	\$ 5,255	\$ 37,177	\$ 31,922

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**SLESF Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 155,222	\$ 55,222
Use of money and property	-	-	305	305
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>155,527</b>	<b>55,527</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety - Police	130,941	130,941	121,494	9,447
<b>Total expenditures</b>	<b>130,941</b>	<b>130,941</b>	<b>121,494</b>	<b>9,447</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(30,941)</b>	<b>(30,941)</b>	<b>34,033</b>	<b>64,974</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(30,941)</b>	<b>(30,941)</b>	<b>34,033</b>	<b>64,974</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	91,197	91,197	91,197	-
End of year	\$ 60,256	\$ 60,256	\$ 125,230	\$ 64,974



**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Measure Z Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 12,563	\$ 12,562	\$ (1)
Use of money and property	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>12,563</b>	<b>12,562</b>	<b>(1)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety - Police	-	12,563	12,562	1
<b>Total expenditures</b>	<b>-</b>	<b>12,563</b>	<b>12,562</b>	<b>1</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

**City of Rio Dell, California**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**STIP Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 503,039	\$ 469,229	\$ (33,810)
<b>Total revenues</b>	<u>-</u>	<u>503,039</u>	<u>469,229</u>	<u>(33,810)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	23,712	-	23,712
Capital outlay	-	479,327	470,924	8,403
<b>Total expenditures</b>	<u>-</u>	<u>503,039</u>	<u>470,924</u>	<u>32,115</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(1,695)</u>	<u>(1,695)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(1,695)</u>	<u>(1,695)</u>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	(2,391)	(2,391)	(2,391)	-
End of year	<u>\$ (2,391)</u>	<u>\$ (2,391)</u>	<u>\$ (4,086)</u>	<u>\$ (1,695)</u>

**City of Rio Dell, California**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**Building Special Revenue Fund Budget**  
**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses, permits, and franchise taxes	\$ 44,900	\$ 44,900	\$ 63,862	\$ 18,962
Interest and use of property	-	-	116	116
Miscellaneous	-	-	0	-
<b>Total revenues</b>	<b>44,900</b>	<b>44,900</b>	<b>63,978</b>	<b>19,078</b>
<b>EXPENDITURES:</b>				
Current:				
Planning and building	90,484	90,484	90,332	152
<b>Total expenditures</b>	<b>90,484</b>	<b>90,484</b>	<b>90,332</b>	<b>152</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(45,584)</b>	<b>(45,584)</b>	<b>(26,354)</b>	<b>19,230</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(1,981)	(1,981)	(3,265)	(1,284)
<b>Total other financing sources (uses)</b>	<b>(1,981)</b>	<b>(1,981)</b>	<b>(3,265)</b>	<b>(1,284)</b>
<b>Net change in fund balances</b>	<b>(47,565)</b>	<b>(47,565)</b>	<b>(29,619)</b>	<b>17,946</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	52,213	52,213	52,213	-
End of year	\$ 4,648	\$ 4,648	\$ 22,594	\$ 17,946

**City of Rio Dell, California**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**Recycling Special Revenue Fund**  
**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 5,000	\$ 5,000	\$ -
Interest and use of property	-	-	95	95
<b>Total revenues</b>	<b>-</b>	<b>5,000</b>	<b>5,095</b>	<b>95</b>
<b>EXPENDITURES:</b>				
Current:				
Recycling	-	5,000	5,000	-
<b>Total expenditures</b>	<b>-</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>95</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>95</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	29,960	29,960	29,960	-
End of year	\$ 29,960	\$ 29,960	\$ 30,055	\$ 95

**City of Rio Dell, California**

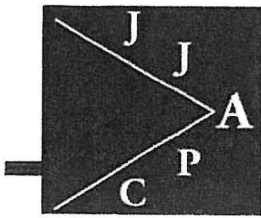
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**

**Economic Development Special Revenue Fund**

**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and use of property	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General government	52,000	52,000	-	52,000
<b>Total expenditures</b>	<u>52,000</u>	<u>52,000</u>	<u>-</u>	<u>52,000</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>	<u>52,000</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>	<u>52,000</u>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<u>\$ (52,000)</u>	<u>\$ (52,000)</u>	<u>\$ -</u>	<u>\$ 52,000</u>

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JJACPA, Inc.

A Professional Accounting Services Corp.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

The Honorable City Council  
City of Rio Dell  
Rio Dell, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Rio Dell, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 16, 2022

*JJACPA, Inc.*  
**JJACPA, Inc.**  
Dublin, CA



*Rio Dell City Hall  
675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532  
cityofriodell.ca.gov*



April 19, 2022

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Public Hearing and Presentation on Proposed Water and Wastewater Rate Study and Proposed Rates Through Fiscal Year 2026-2027 Pursuant to Proposition 218 with Possible Continuance of the Protest Ballot Tabulation to May 3<sup>rd</sup>, 2022.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Advise attendees to submit any remaining protest ballots to the City Clerk prior to the close of the public hearing.
2. Receive a presentation from the Water and Wastewater rate consultants.
3. Open the Proposition 218 public hearing, hear and consider all public comments received on the proposed water and wastewater rate adjustments having been noticed more than 45 days ago and sent to all property owners and residential occupants in the City of Rio Dell, and
4. Close the public hearing and commence tabulation of all protest ballots. Should the City Clerk report that an accurate tabulation cannot be obtained within thirty minutes, it is recommended that the Council move to Recommendation No. 5.
5. It is recommended that the Council continue the meeting to May 3<sup>rd</sup>, 2022 for final protest ballot tabulation and possible action on or withdrawal of a proposed authorizing rate Resolution.

BACKGROUND AND DISCUSSION

This item concludes a required 45 day public noticing process associated with the proposed adjustment in water and wastewater rates.

Wastewater system rate schedules were last adjusted on February 3<sup>rd</sup> 2015 via Resolution No. 1253-2015 and a Proposition 218 hearing was last conducted on April 15, 2014. Water system rate schedules were last adjusted on December 1, 2015 and a Proposition 218 hearing was last conducted on the same date.

On February 15, 2022 the City Council received a presentation on the Water and Sewer Rate Study and received public comment. The Council set a date of April 19, 2022 to consider rate adjustments and directed staff to mail notices in accordance to California Constitution, Proposition 218.

On April 21, 2021 the City Council of the City of Rio Dell approved the issuance of a Request for Proposal for a professional water and sewer rate study. This RFP was developed by an Ad Hoc Committee composed of Councilmember's Wilson and Johnson in conjunction with staff. On July 6, 2021 the City Council approved the firm Lechowicz and Tseng to conduct a Water and Wastewater Rate Study on behalf of the City. On January 4, 2022 the City Council received a presentation and update on the draft water and wastewater rate study.

The primary objective of the study is to develop a five-year rate schedule for water and wastewater services that equitably distributes costs to customers and adequately funds operations, debt service, reserves and capital projects.

Water and Wastewater customers in the City of Rio Dell enjoy the benefit of prior major capital improvements to the central processing plants associated with the systems, including a new main water plant and intake, new wastewater plant and new backup well system with filtration. Additionally, some improvements have been made over the past twenty years to the main distribution system and water storage. While much of the cost of these projects was funded through State grants, the city does have some debt (its only debt) related to the main water and wastewater processing facilities.

Significant unresolved infrastructure issues in both systems currently relate to the distribution and collection systems, which have both received significant state funds to study these deficiencies and prepare the City to acquire additional grants to resolve these problems. Additionally water storage, water seismic resiliency, strict wastewater environmental requirements and qualified employee recruitment and retention remain as important issues.

City of Rio Dell utility rates are based entirely on the City's cost of operating and maintaining its water and wastewater facilities and services. Each utility is operated as an independent enterprise and all expenses and revenues for each service are accounted for in separate funds that are audited annually. State law requires that all fees collected by each utility be used within that utility and are not allowed to be used for unrelated purposes.

Representatives from Lechowicz and Tseng will present the attached powerpoint. As of the date of agenda publication, the City has received two protest ballots and both have been verified as meeting the Proposition 218 requirements. Staff anticipates a significant number of protest ballots be received just prior to the opening of the public hearing. Should this occur, it is recommended that the meeting be continued to May 3<sup>rd</sup>, 2022 in order for a thorough verification and tabulation of the protest ballots take place. It is recommended that this continuance take place even if it is clear that the total number of protest ballots submitted does not meet the 50% +1 threshold even if all ballots submitted are found to be valid. This will ensure that the Council has an accurate protest ballot count at the time of a proposed vote for an authorizing Resolution.

///

Attachments:

Consultant Powerpoint  
Water and Sewer Rate Study Final Report  
Proposition 218 Notice

///



# CITY OF RIO DEL

## Water and Sewer Rate Study Proposition 218 Hearing



City Council Meeting  
April 19, 2022



LECHOWICZ + TSENG  
MUNICIPAL CONSULTANTS

Catherine Tseng  
Project Manager





# Background

## Water Rates

Rates have increased each year since 2015

Rate structure was last updated in 2015

## Wastewater Rates

Rates have increased annually by the change in the CPI since 2013

Rate structure was last updated in 2014

## Enterprise funds

Self supported from rates and charges

Separate from General Fund

No tax revenue received

## Rate study covers 5-year period (FY2023 through FY2027)

Presented rate options at the January 4 and February 15 City Council meetings

New rates effective July 1, 2022



# Proposition 218

Adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution

Governs how property-related charges are adopted

- Rates must be based on the reasonable cost of service

- Rates must proportionally recover costs based on how customers take service

- Revenues from rates can only be used for intended purpose

- Covers rates over a maximum 5-year period

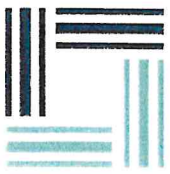
Procedural requirements:

- Conduct a rate study

- Mail a notice to property owners

- Hold a public hearing a minimum of 45 days after notice is mailed

- Rates cannot be adopted if more than 50% of ratepayers submit written protests



## Why Rate Increases Are Needed

Fund the cost of providing service:

Operating & maintenance costs

Debt service obligations

Debt service coverage covenants

1.20 times the annual payment

Capital improvement projects

Maintaining reserve funds for emergencies

Eliminate sewer operating deficit

Retain positive credit rating to obtain grants, loans, and/or other debt financing



# Water & Sewer Fund Objectives

## Meet debt service coverage (1.2x)

Financial measure of an agency's ability to repay outstanding debt

Net Operating Revenue/Total Annual Debt Service => 1.20

## Meet fund reserve targets

Operating Reserve Target = 30% of annual operating costs

Capital Reserve Target = \$1.0 million

Debt Service Reserve Target = Total debt service for one year

## Maintain positive net operating revenues

To ensure that each utility is covering its cost of service

To avoid an operating deficit and dipping into reserves



# WATER RATES





# Water System Overview

- Raw water is pumped from infiltration galleries under the Eel River to the treatment plant. The City completed an approximately \$8.5 million project to establish a new raw water intake which lifted a water emergency declaration that had been in place for over five years and dramatically improved the quality of water.
- In 2014, the City began the Metropolitan Wells project that provided a state-of-the-art filtration system upon the City's old well site and added an additional layer of water security for the City.
- Total Customer Accounts = 1,500
- Total Consumption = 100,000 ccf/year





# Historic and Current Monthly Water Rates

Calendar Year (1)	2016	2017	2018	2019	2020
<b>BASE RATE (2)</b> All Customers per EDU % Change	\$40.06	\$46.63 16.4%	\$47.57 2.0%	\$48.50 2.0%	\$49.48 2.0%
<b>CONSUMPTION RATE (3)</b> All Consumption per ccf % Change	\$2.61	\$3.04 16.5%	\$3.10 2.0%	\$3.17 2.3%	\$3.23 1.9%
<b>ADDITIONAL CHARGES</b> Dinsmore Zone (4) % Change	\$39.13	\$65.21 66.6%	\$65.36 0.2%	\$65.51 0.2%	\$65.66 0.2%

- 1 - Rates effective January 1 of each year
- 2 - EDU = Equivalent Dwelling Unit. For R.V. & Mobile Home Parks with significant R.V. Space parking, the Base Rate per rented R.V Space is 50% of current Base Rate.
- 3 - One unit = 1 ccf = 748 gallons
- 4 - Additional flat charge for Dinsmore area





# Water Rate Components

## **1. FIXED CHARGE:**

All customers are charged the same fixed charge per EDU

Levied regardless of water consumption and recognizes that even when a customer does not use any water the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection

Currently generates 73.6% of total water sales revenues

## **2. CONSUMPTION RATE PER CCF:**

All customer classes are billed at a single tier and pay the same charge per unit (1 CCF = 748 gallons)

Recovers costs that vary based on the amount of water used, such as utilities and chemicals

Currently generates 26.4% of total water sales revenues

## **3. DINSMORE ZONE CHARGE:**

Additional flat charge to pay for additional operating and capital costs the City incurs to provide water service to the area

27 customers



# Water Net Revenues

	Actual			Budget 2021/22
	2018/19	2019/20	2020/21	
<b>WATER REVENUES</b>				
Operating	\$977,624	\$857,184	\$905,773	\$797,500
Capital	\$190,643	\$186,466	\$183,906	\$239,400
Debt	\$115,193	\$181,163	\$185,608	\$136,000
Metro Wells	\$17,752	\$18,287	\$18,630	\$17,100
<u>Dinsmore</u>	<u>\$21,894</u>	<u>\$22,659</u>	<u>\$79,601</u>	<u>\$21,800</u>
Subtotal	\$1,323,106	\$1,265,759	\$1,373,518	\$1,211,800
<b>WATER EXPENSES</b>				
Operating	\$669,392	\$629,766	\$622,297	\$738,614
Capital	\$125,361	\$31,869	\$58,078	\$88,000
Debt	\$266,727	\$367,106	\$136,106	\$136,000
Metro Wells	\$9,180	\$4,349	\$3,873	\$22,050
<u>Dinsmore</u>	<u>\$2,035</u>	<u>\$3,237</u>	<u>\$2,170</u>	<u>\$155,100</u>
Subtotal	\$1,072,695	\$1,036,327	\$822,524	\$1,139,764
<b>NET REVENUES</b>				
Operating	\$308,232	\$227,418	\$283,476	\$58,886
Capital	\$65,282	\$154,597	\$125,828	\$151,400
Debt	(\$151,534)	(\$185,943)	\$49,502	\$0
Metro Wells	\$8,572	\$13,938	\$14,757	(\$4,950)
<u>Dinsmore</u>	<u>\$19,859</u>	<u>\$19,422</u>	<u>\$77,431</u>	<u>(\$133,300)</u>
<b>TOTAL NET REVENUES</b>	<b>\$250,411</b>	<b>\$229,432</b>	<b>\$550,994</b>	<b>\$72,036</b>



# Water Operating Expenses

	Budget		Projected														
	2021/22		2022/23			2023/24			2024/25			2025/26			2026/27		
	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	
<b>Operating Expenses</b>																	
Salaries & Benefits	\$417,679	5.0%	\$439,000	5.0%	\$461,000	5.0%	\$484,000	5.0%	\$508,000	5.0%	\$533,000	5.0%	\$508,000	5.0%	\$533,000	5.0%	
Chemicals	\$18,300	300.0%	\$73,000	3.0%	\$75,000	3.0%	\$77,000	3.0%	\$79,000	3.0%	\$81,000	3.0%	\$79,000	3.0%	\$81,000	3.0%	
Professional Services	\$70,927	3.0%	\$73,000	3.0%	\$75,000	3.0%	\$77,000	3.0%	\$79,000	3.0%	\$81,000	3.0%	\$79,000	3.0%	\$81,000	3.0%	
Maintenance - Repair	\$44,168	3.0%	\$45,000	3.0%	\$46,000	3.0%	\$47,000	3.0%	\$48,000	3.0%	\$49,000	3.0%	\$48,000	3.0%	\$49,000	3.0%	
Insurance	\$39,236	3.0%	\$40,000	3.0%	\$41,000	3.0%	\$42,000	3.0%	\$43,000	3.0%	\$44,000	3.0%	\$43,000	3.0%	\$44,000	3.0%	
Utilities	\$34,157	3.0%	\$35,000	3.0%	\$36,000	3.0%	\$37,000	3.0%	\$38,000	3.0%	\$39,000	3.0%	\$38,000	3.0%	\$39,000	3.0%	
Regulatory Fees & Other Fees	\$13,951	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	
Computer Maintenance & Software	\$17,566	3.0%	\$18,000	3.0%	\$19,000	3.0%	\$20,000	3.0%	\$21,000	3.0%	\$22,000	3.0%	\$21,000	3.0%	\$22,000	3.0%	
Other Operating Expenses	\$82,630	3.0%	\$85,000	3.0%	\$88,000	3.0%	\$91,000	3.0%	\$94,000	3.0%	\$97,000	3.0%	\$94,000	3.0%	\$97,000	3.0%	
Subtotal Operating Expenses	\$738,614		\$822,000		\$855,000		\$889,000		\$924,000		\$960,000		\$924,000		\$960,000		
% Change			11.3%		4.0%		4.0%		4.2%		3.9%		3.9%		3.9%		
<b>Metro Wells Expenses (063)</b>																	
Salaries & Benefits	\$10,684	5.0%	\$11,000	5.0%	\$12,000	5.0%	\$13,000	5.0%	\$14,000	5.0%	\$15,000	5.0%	\$14,000	5.0%	\$15,000	5.0%	
5150 Electricity	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	
Public Works	\$1,200	3.0%	\$1,200	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%	
Other Metro Wells Expenses	\$4,166	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	
Subtotal Metro Wells Expenses	\$22,050		\$22,200		\$23,000		\$24,000		\$24,000		\$25,000		\$24,000		\$26,000		
% Change			0.7%		3.6%		4.3%		4.2%		4.0%		4.2%		4.0%		
<b>Dinsmore Expenses (064)</b>																	
5115 Contract/Professional Services	\$7,500	3%	\$7,700	3%	\$7,900	3%	\$8,100	3%	\$8,300	3%	\$8,500	3%	\$8,300	3%	\$8,500	3%	
5150 Electricity	\$2,200	3%	\$2,300	3%	\$2,400	3%	\$2,500	3%	\$2,600	3%	\$2,700	3%	\$2,600	3%	\$2,700	3%	
Other Dinsmore Expenses	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%	
Subtotal Dinsmore Expenses	\$10,100		\$10,400		\$10,700		\$11,000		\$11,300		\$11,600		\$11,300		\$11,600		
% Change			3.0%		2.9%		2.8%		2.7%		2.7%		2.7%		2.7%		
<b>TOTAL WATER EXPENSES</b>	\$770,764		\$854,600		\$888,700		\$924,000		\$960,300		\$997,600		\$960,300		\$997,600		
% Change			10.9%		4.0%		4.0%		3.9%		3.9%		3.9%		3.9%		

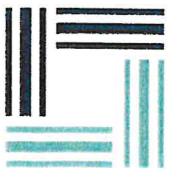




# Water CIP

Project Title	Current 2021/22	Projected				Total CIP	Funding	
		2022/23	2023/24	2024/25	2025/26		2026/27	Local Funding
<b>Citywide Projects</b>								
SCADA Upgrades	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	
Water Meter Replacement	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$60,000	\$60,000	
Meter Reading Equipment Replacement	\$26,000	\$0	\$0	\$0	\$0	\$0	\$0	
Backwash Flow Meter	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	
<u>Turbidity Meter Replacement</u>	<u>\$30,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Subtotal	\$88,000	\$12,000	\$12,000	\$12,000	\$12,000	\$60,000	\$60,000	
<b>Other Major Projects</b>								
Distribution System Upgrade	\$0	\$4,750,000	\$4,750,000	\$0	\$0	\$9,500,000	\$0	\$9,500,000 SWRCB
Eel River Crossing Pipeline Retrofit	\$0	\$0	\$0	\$0	\$1,750,000	\$3,500,000	\$875,000	\$2,625,000 HMGP-FEMA
Douglas Tank Seismic Retrofit	\$0	\$0	\$0	\$0	\$950,000	\$1,900,000	\$475,000	\$1,425,000 HMGP-FEMA
Subtotal	\$0	\$4,750,000	\$4,750,000	\$0	\$2,700,000	\$14,900,000	\$1,350,000	\$13,550,000
<b>TOTAL WATER CIP</b>	<b>\$88,000</b>	<b>\$4,762,000</b>	<b>\$4,762,000</b>	<b>\$12,000</b>	<b>\$2,712,000</b>	<b>\$14,960,000</b>	<b>\$1,410,000</b>	<b>\$13,550,000</b>

Water Utility needs \$15 million in capital improvements over the next 5 years.



# Eel River Crossing Pipeline & Douglas Tank Seismic Retrofit Financing Scenarios

	Eel River Crossing Pipeline Retrofit	Douglas Tank Seismic Retrofit
<b>Total Project Cost</b>	\$3,500,000	\$1,900,000
<b>Amount Grant Funded (75%)</b>	<u>\$2,625,000</u>	<u>\$1,425,000</u>
<b>Total Amount of Loan (25%)</b>	\$875,000	\$475,000
<b>Loan Terms</b>		
Term (years)	30	30
Interest Rate	3.0%	3.0%
<b>Annual Loan Payment (1)</b>	\$45,000	\$24,000
<b>Reserve Fund Requirement (2) Equal to Annual Debt Service</b>	\$45,000	\$24,000

1 - Estimates for financial planning purposes. Assumes first payment is due one year after project completion (2027/28).

2 - Assumes the City must set aside 1 year of debt service for reserve requirement





# Distribution System Project Financing Scenarios

	Scenario 1: 100% Loan	Scenario 2: 90% Grant/10% Loan	Scenario 3: 100% Grant
Total Project Cost	\$9,500,000	\$9,500,000	\$9,500,000
<u>Amount Grant Funded</u>	\$0	<del>\$8,550,000</del>	<u>\$9,500,000</u>
Total Amount of Loan	\$9,500,000	\$950,000	\$0
<b>Loan Terms</b>			
Term (years)	20	20	-
Interest Rate	0.0%	0.0%	-
<b>Annual Loan Payment (1)</b>	\$475,000	\$48,000	-
<b>Reserve Fund Requirement (2) Equal to Annual Debt Service</b>	\$475,000	\$48,000	-

1 - Estimates for financial planning purposes. Assumes first payment is due one year after project completion (2025/26).

2 - Agencies must set aside 1 year of debt service for reserve requirement at least 90 days prior to project completion date.



# Water Scenario Comparison

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	-	0.0%	0.0%	0.0%	0.0%	0.0%
Scenario #1: 100% Loan	-	12.0%	12.0%	12.0%	4.0%	4.0%
Scenario #2: 90% Grant/10% Loan	-	3.0%	3.0%	3.0%	3.0%	3.0%
Scenario #3: 100% Grant	-	2.0%	2.0%	2.0%	2.0%	2.0%

## GOAL 1 : MEET DEBT SERVICE COVERAGE

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
<i>Debt Service Coverage Ratio Required</i>	1.20	1.20	1.20	1.20	1.20	1.20
No Rate Increases	3.16	2.64	2.40	2.15	1.40	1.18
Scenario #1: 100% Loan	3.16	3.46	4.35	5.38	1.24	1.29
Scenario #2: 90% Grant/10% Loan	3.16	2.70	2.71	2.73	2.03	2.04
Scenario #3: 100% Grant	3.16	2.62	2.54	2.46	2.38	2.29

## GOAL 2: MEET WATER RESERVE FUND TARGETS

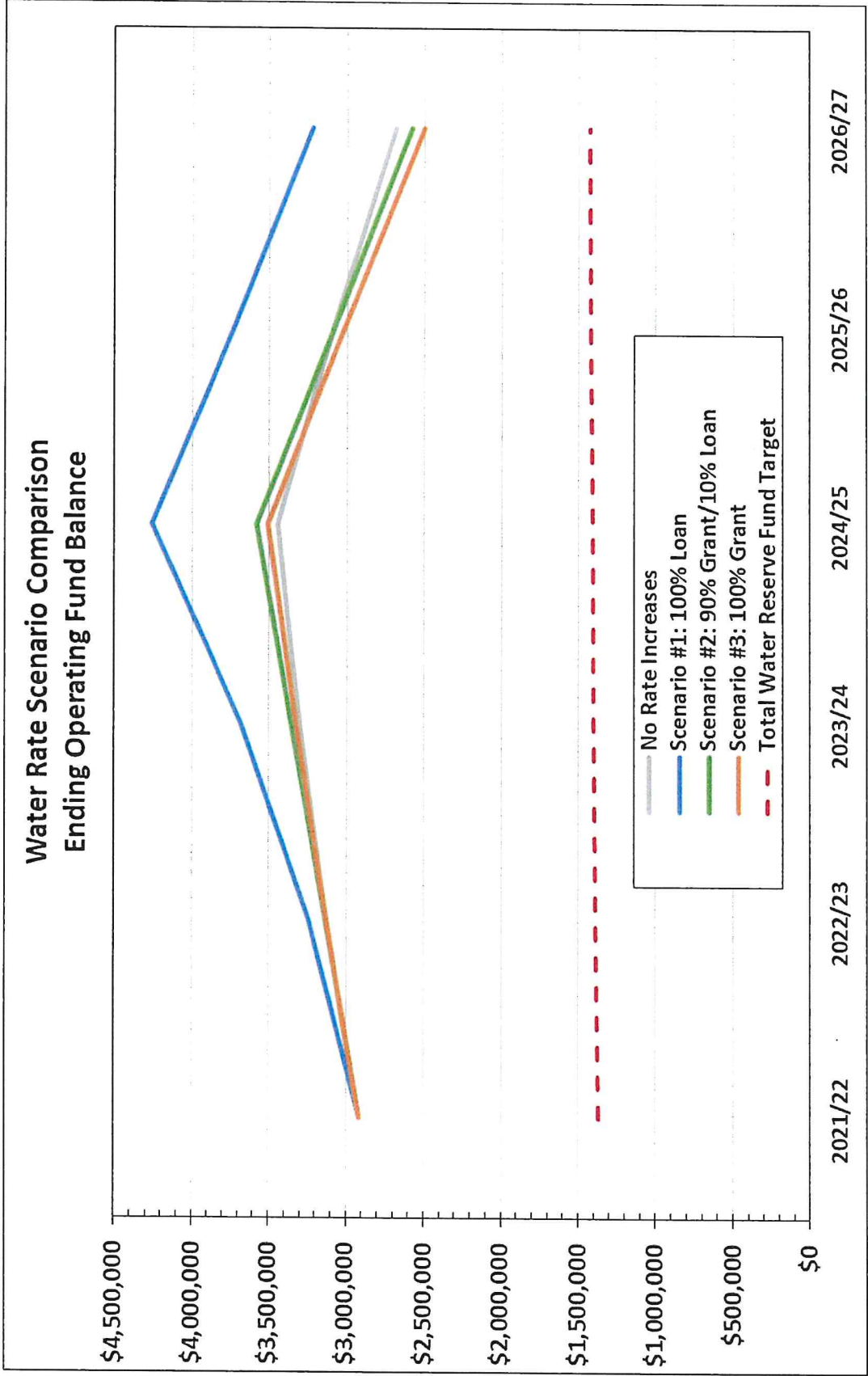
	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	yes	yes	yes	yes	yes	yes
Scenario #1: 100% Loan	yes	yes	yes	yes	yes	yes
Scenario #2: 90% Grant/10% Loan	yes	yes	yes	yes	yes	yes
Scenario #3: 100% Grant	yes	yes	yes	yes	yes	yes

## GOAL 3: MAINTAIN POSITIVE NET OPERATING REVENUES

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	\$429,336	\$358,800	\$326,000	\$292,000	\$257,000	\$221,000
Scenario #1: 100% Loan	\$429,336	\$470,800	\$592,000	\$731,000	\$760,000	\$790,000
Scenario #2: 90% Grant/10% Loan	\$429,336	\$366,800	\$369,000	\$371,000	\$373,000	\$375,000
Scenario #3: 100% Grant	\$429,336	\$355,800	\$346,000	\$335,000	\$324,000	\$312,000



# Water Reserve Fund Balance







# Proposed Water Rates

PROPOSED MONTHLY WATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>BASE RATE</b>	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
<b>CONSUMPTION RATE per ccf (1)</b>	\$3.23	\$3.33	\$3.37	\$3.41	\$3.46	\$3.50
<b>DINSMORE ZONE CHARGE</b>	\$65.66	\$67.63	\$69.66	\$71.75	\$73.90	\$76.12

1 - One hundred cubic feet (ccf) = 748 gallons

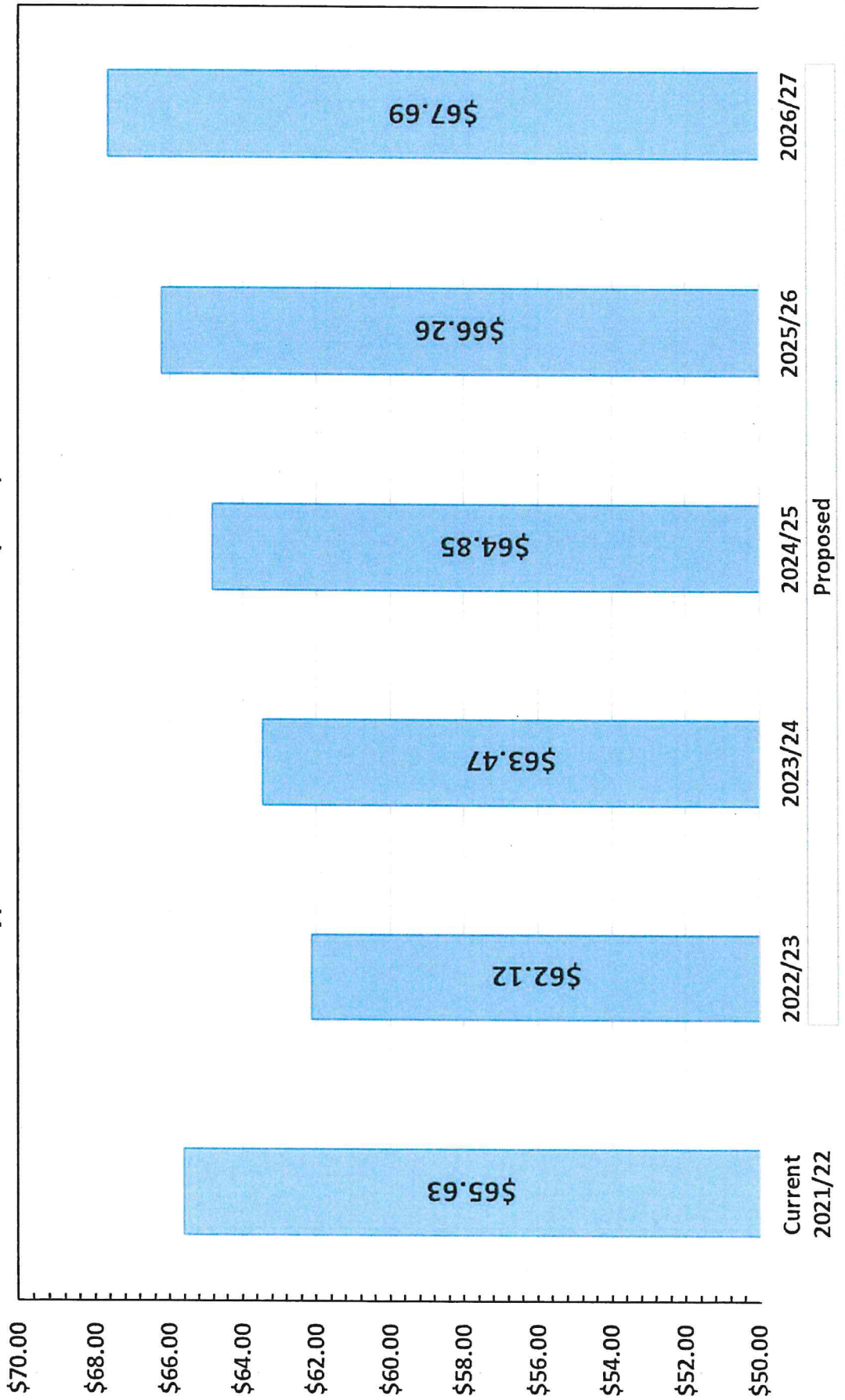


# Sample Water Bill Impacts

Due to the updated cost of service allocation, the bill impact for the first year will vary based on a customer's actual monthly usage.

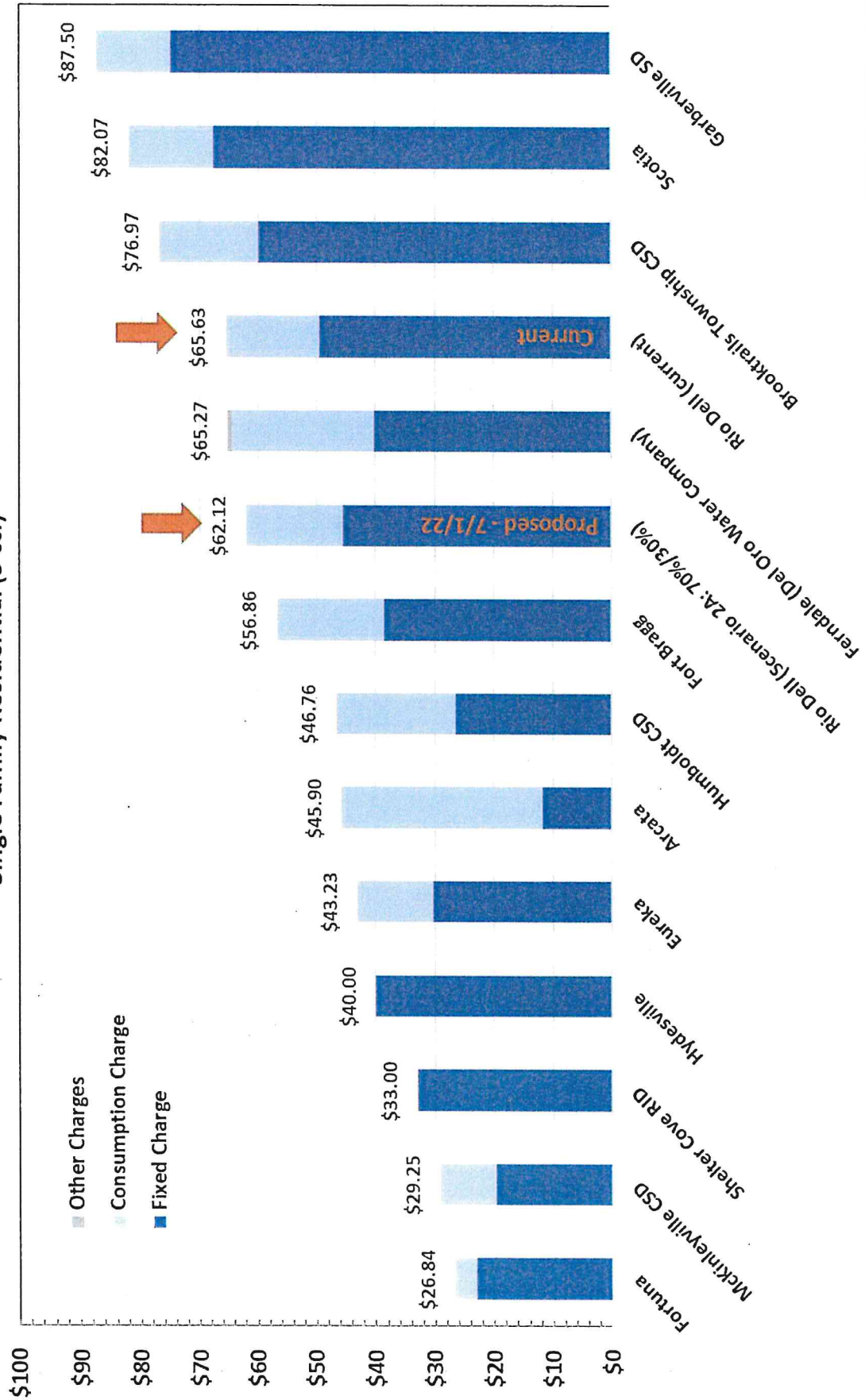
	Monthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>Monthly Use = 3 ccf</b>	3	Base Rate	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
Consumption Charge		\$9.99	\$10.11	\$10.24	\$10.37	\$10.49	
Total Monthly Water Bill		\$55.46	\$56.73	\$58.03	\$59.35	\$60.69	
\$ Change		(\$3.71)	\$1.27	\$1.30	\$1.32	\$1.35	
% Change		-6.3%	2.3%	2.3%	2.3%	2.3%	
<b>Monthly Use = 5 ccf (Residential Avg Use)</b>	5	Base Rate	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
Consumption Charge		\$16.65	\$16.86	\$17.07	\$17.28	\$17.49	
Total Monthly Water Bill		\$62.12	\$63.47	\$64.85	\$66.26	\$67.69	
\$ Change		(\$3.51)	\$1.35	\$1.38	\$1.41	\$1.43	
% Change		-5.3%	2.2%	2.2%	2.2%	2.2%	
<b>Monthly Use = 20 ccf</b>	20	Base Rate	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
Consumption Charge		\$66.59	\$67.43	\$68.27	\$69.11	\$69.96	
Total Monthly Water Bill		\$112.06	\$114.04	\$116.05	\$118.10	\$120.16	
\$ Change		(\$2.02)	\$1.98	\$2.01	\$2.04	\$2.07	
% Change		-1.8%	1.8%	1.8%	1.8%	1.8%	
<b>Monthly Use = 40 ccf</b>	40	Base Rate	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
Consumption Charge		\$133.18	\$134.85	\$136.54	\$138.23	\$139.93	
Total Monthly Water Bill		\$178.65	\$181.47	\$184.32	\$187.21	\$190.13	
\$ Change		(\$0.03)	\$2.82	\$2.85	\$2.89	\$2.92	
% Change		0.0%	1.6%	1.6%	1.6%	1.6%	

**Proposed Monthly Water Bill for  
Typical Residential Customer (5 ccf)**





Monthly Water Bill Survey - October 2021  
Single Family Residential (5 ccf)







# Water Low Income Discount

- To comply with Prop 218, water rate revenues from one group of customers cannot be used to subsidize the rates of another group
- Instead, the City can utilize non-rate revenues, such as General Fund revenues, interest earnings, or late fees to fund a low income discount program
- To ease administrative burden, qualification can be based on the PG&E's CARE program requirements
- Program should be reviewed annually to determine whether the water fund has adequate non-rate revenues to fund the program

Total Number of Customers Eligible per PG&E	700
Total 2020/21 Water Late Fee Revenue	\$25,000
Annual Discount per Customer (1)	\$35.70
Monthly Discount per Customer (1)	\$3.00
Proposed 7/1/22 Average Water Bill	\$62.12
Proposed 7/1/22 Average Water Bill with Discount	\$59.12
% of Discount	4.8%

1 - Rounded

# SEWER RATES



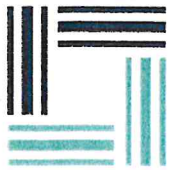


# Sewer System Overview

- Sewer system includes network of collection pipes, manholes, clean outs, and pumps that convey wastewater to the treatment plant
- City utilizes an aerated activated sludge process to provide secondary treatment of wastewater
- In 2013, the City completed a major plant upgrade which replaced the old conventional wastewater plant with the new activated sludge process to address nutrient removal. This project also included construction of the flood irrigation field located in Metropolitan.
- Total Customer Accounts = 1,470
- Total Sewer Flow = 79,000 ccf/year







# Historic and Current Sewer Rates

Calendar Year (1)	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fixed Monthly Charge per EDU (2)</b>	\$47.01	\$47.76	\$47.76	\$48.43	\$49.64	\$50.68	\$51.49	\$52.78
<b>% Change</b>		1.6%	0.0%	1.4%	2.5%	2.1%	1.6%	2.5%
<b>Volume Rate per ccf (3)</b>								
<b>Customer Class</b>								
<b>Low</b>	\$3.29	\$3.34	\$3.34	\$3.39	\$3.48	\$3.55	\$3.61	\$3.66
<b>% Change</b>		1.5%	0.0%	1.5%	2.7%	2.0%	1.7%	1.4%
<b>Domestic Strength</b>	\$4.11	\$4.18	\$4.18	\$4.24	\$4.35	\$4.44	\$4.51	\$4.58
<b>% Change</b>		1.7%	0.0%	1.4%	2.6%	2.1%	1.6%	1.6%
<b>Medium</b>	\$6.17	\$6.27	\$6.27	\$6.36	\$6.52	\$6.66	\$6.77	\$6.87
<b>% Change</b>		1.6%	0.0%	1.4%	2.5%	2.1%	1.7%	1.5%
<b>High</b>	\$7.19	\$7.31	\$7.31	\$7.41	\$7.60	\$7.76	\$7.88	\$8.01
<b>% Change</b>		1.7%	0.0%	1.4%	2.6%	2.1%	1.5%	1.6%

1 - Rates effective January 1 of each year

2 - EDU = Equivalent Dwelling Unit.

3 - One ccf = hundred cubic feet = 748 gallons

Volume Rate is based on three-month average of winter (Dec, Jan, & Feb) water use. Single family & multi-family residential consumption is capped at 15 ccf per month.

4 Customer Classes based on Strength:

Low Strength: Car wash, office, retail store, school w/o cafeteria, laundromat

Domestic: Residential, hotel, school with cafeteria, motel, mobile home park, churches, auto shop, gas station, bars without dining

Medium: Beauty shop, medical office, dental office

High: Restaurant, market with food prep, bakery



# Sewer Rate Components

## 1. FIXED CHARGE:

All customer classes are charged the same fixed charge per EDU

Minimum charge for all customers

Currently generates 70.5% of total Sewer Service Revenues

## 2. VOLUME RATE PER CCF

Rate varies based on customer strength

Based on average consumption during the winter months of December, January and February

Residential customers are considered domestic strength and consumption is capped at 15 ccf per month

Currently generates 29.5% of total Sewer Service Revenues



# Sewer Net Revenues

	Actual			Budget 2021/22
	2018/19	2019/20	2020/21	
<b>SEWER REVENUES</b>				
Operating	\$984,695	\$898,340	\$900,469	\$892,066
Capital	\$145,527	\$120,644	\$109,782	\$110,000
<u>Debt</u>	<u>\$334,082</u>	<u>\$332,884</u>	<u>\$338,949</u>	<u>\$302,934</u>
Subtotal	\$1,464,304	\$1,351,868	\$1,349,200	\$1,305,000
<b>SEWER EXPENSES</b>				
Operating	\$823,989	\$827,171	\$839,048	\$1,036,555
Capital	\$438,497	\$631,652	\$40,480	\$160,000
<u>Debt</u>	<u>\$304,162</u>	<u>\$303,639</u>	<u>\$304,730</u>	<u>\$302,934</u>
Subtotal	\$1,566,648	\$1,762,462	\$1,184,258	\$1,499,489
<b>NET REVENUES</b>				
Operating	\$160,706	\$71,169	\$61,421	(\$144,489)
Capital	(\$292,970)	(\$511,008)	\$69,302	(\$50,000)
<u>Debt</u>	<u>\$29,920</u>	<u>\$29,245</u>	<u>\$34,219</u>	<u>\$0</u>
<b>TOTAL NET REVENUES</b>	<b>(\$102,344)</b>	<b>(\$410,594)</b>	<b>\$164,942</b>	<b>(\$194,489)</b>

Without rate increases, the Sewer Utility will continue to miss debt service coverage and will not meet its operating fund reserve target beginning in 2023/2024



# Sewer Operating Expenses

	Budget 2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor
Operating Expenses (050)												
Salaries & Benefits	\$510,733	5%	\$536,000	5%	\$563,000	5%	\$591,000	5%	\$621,000	5%	\$652,000	5%
5109 Chemicals	\$25,000	300%	\$100,000	3%	\$103,000	3%	\$106,000	3%	\$109,000	3%	\$112,000	3%
Professional Services	\$97,647	3%	\$101,000	3%	\$104,000	3%	\$107,000	3%	\$110,000	3%	\$113,000	3%
5135 Maintenance - Repair	\$34,343	3%	\$35,000	3%	\$36,000	3%	\$37,000	3%	\$38,000	3%	\$39,000	3%
Insurance	\$36,729	3%	\$38,000	3%	\$39,000	3%	\$40,000	3%	\$41,000	3%	\$42,000	3%
Utilities	\$182,987	3%	\$188,000	3%	\$194,000	3%	\$200,000	3%	\$206,000	3%	\$212,000	3%
Regulatory Fees & Other Fees	\$16,270	3%	\$17,000	3%	\$18,000	3%	\$19,000	3%	\$20,000	3%	\$21,000	3%
Computer Software & Maintenance	\$10,851	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%
Public Works	\$39,000	3%	\$40,000	3%	\$41,000	3%	\$42,000	3%	\$43,000	3%	\$44,000	3%
Other Operating Expenses (1)	\$82,995	3%	\$85,000	3%	\$88,000	3%	\$91,000	3%	\$94,000	3%	\$97,000	3%
<b>Total Sewer Operating Expenses</b>	<b>\$1,036,555</b>		<b>\$1,151,000</b>		<b>\$1,197,000</b>		<b>\$1,244,000</b>		<b>\$1,293,000</b>		<b>\$1,393,000</b>	
% Change			11%		4%		4%		4%		8%	

1 - Includes additional \$50,000 beginning in 2026/27 for operating expenses related to UV Disinfection





# Sewer CIP

Project Title	CURRENT 2021/22	PROJECTED - RATE STUDY PERIOD					Five-Year Total
		2022/23	2023/24	2024/25	2025/26	2026/27	
<b>Planned Projects</b>							
Generator & Transfer Switch Replacement	\$65,000	-	-	-	-	-	\$0
SCADA Upgrades	\$10,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
Boiler	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
I&I Reductions	\$45,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
Chloramine System	\$25,000	-	-	-	-	-	\$0
<b>Subtotal Planned Projects</b>	<b>\$160,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$375,000</b>
<b>Future Projects</b>							
UV Disinfection	-	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
<b>Subtotal Future Projects</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$150,000</b>
<b>TOTAL SEWER CIP</b>	<b>\$160,000</b>	<b>\$105,000</b>	<b>\$105,000</b>	<b>\$105,000</b>	<b>\$105,000</b>	<b>\$105,000</b>	<b>\$525,000</b>



# Sewer Scenario Comparison

## PROPOSED RATE INCREASES

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	-	0.0%	0.0%	0.0%	0.0%	0.0%
Scenario #1: 4% Inflationary Rate Increases	-	4.0%	4.0%	4.0%	4.0%	4.0%
Scenario #2: 8% Increases to Meet Goals by 2026/27	-	8.0%	8.0%	8.0%	8.0%	8.0%

## GOAL 1 : MEET DEBT SERVICE COVERAGE

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
Debt Service Coverage Ratio Required	1.20	1.20	1.20	1.20	1.20	1.20
No Rate Increases	0.89	0.43	0.28	0.12	-0.04	-0.37
Scenario #1: 4% Inflationary Rate Increases	0.89	0.60	0.62	0.65	0.67	0.54
Scenario #2: 8% Increases to Meet Goals by 2026/27	0.89	0.77	0.98	1.21	1.48	1.60

## GOAL 2: MEET SEWER RESERVE FUND TARGETS

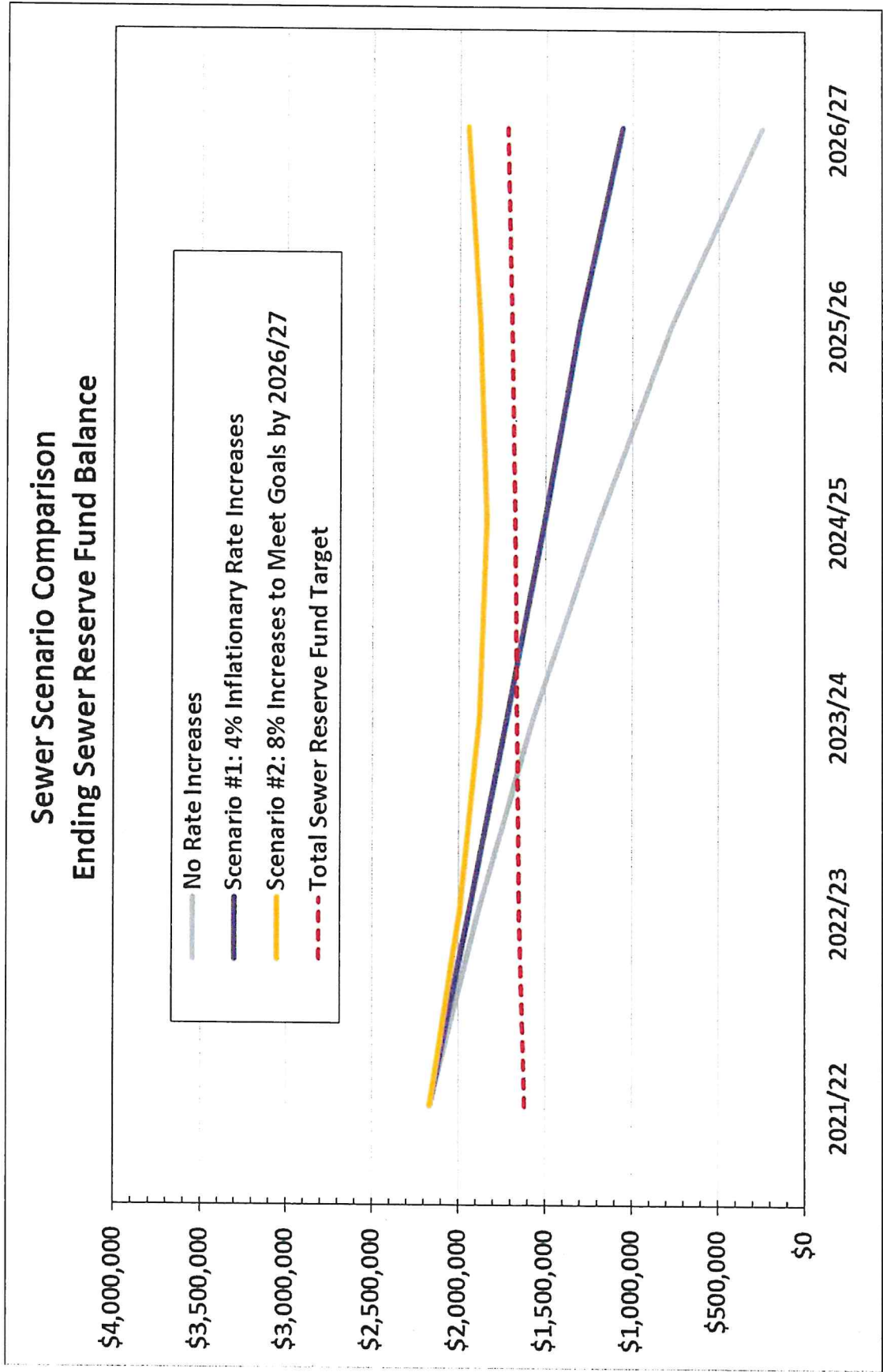
	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	yes	yes	no	no	no	no
Scenario #1: 4% Inflationary Rate Increases	yes	yes	yes	no	no	no
Scenario #2: 8% Increases to Meet Goals by 2026/27	yes	yes	yes	yes	yes	yes

## GOAL 3: MAINTAIN POSITIVE NET REVENUES

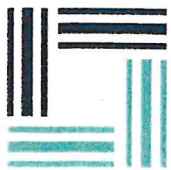
	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
No Rate Increases	(194,489)	(278,000)	(324,000)	(371,000)	(420,000)	(520,000)
Scenario #1: 4% Inflationary Rate Increases	(\$194,489)	(\$227,000)	(\$220,000)	(\$212,000)	(\$204,000)	(\$245,000)
Scenario #2: 8% Increases to Meet Goals by 2026/27	(\$194,489)	(\$176,000)	(\$112,000)	(\$40,000)	\$39,000	\$77,000



# Sewer Reserve Fund Balance







# Proposed Sewer Rates

PROPOSED MONTHLY WASTEWATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>FIXED MONTHLY CHARGE per EDU (1)</b>	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<b>VOLUME RATE per ccf (2)</b>						
Low Strength	\$3.66	\$4.15	\$4.49	\$4.85	\$5.24	\$5.66
Domestic Strength	\$4.58	\$5.18	\$5.59	\$6.04	\$6.52	\$7.04
Medium Strength	\$6.87	\$7.73	\$8.35	\$9.02	\$9.74	\$10.52
High Strength	\$8.01	\$9.01	\$9.73	\$10.51	\$11.35	\$12.26

1 - EDU = Equivalent Dwelling Unit.

2 - One hundred cubic feet (ccf) = 748 gallons. Volume Rate is based on three-month average of winter (Dec, Jan, & Feb) water use.

Single family & multi-family residential consumption is capped at 15 ccf per month.

Customer Strength Classes:

- Low Strength: Car wash, office, retail store, school w/o cafeteria, laundromat
- Domestic Strength : Residential, hotel, school with cafeteria, motel, mobile home park, churches, auto shop, gas station, bars without dining
- Medium Strength: Beauty shop, medical office, dental office
- High Strength: Restaurant, market with food prep, bakery

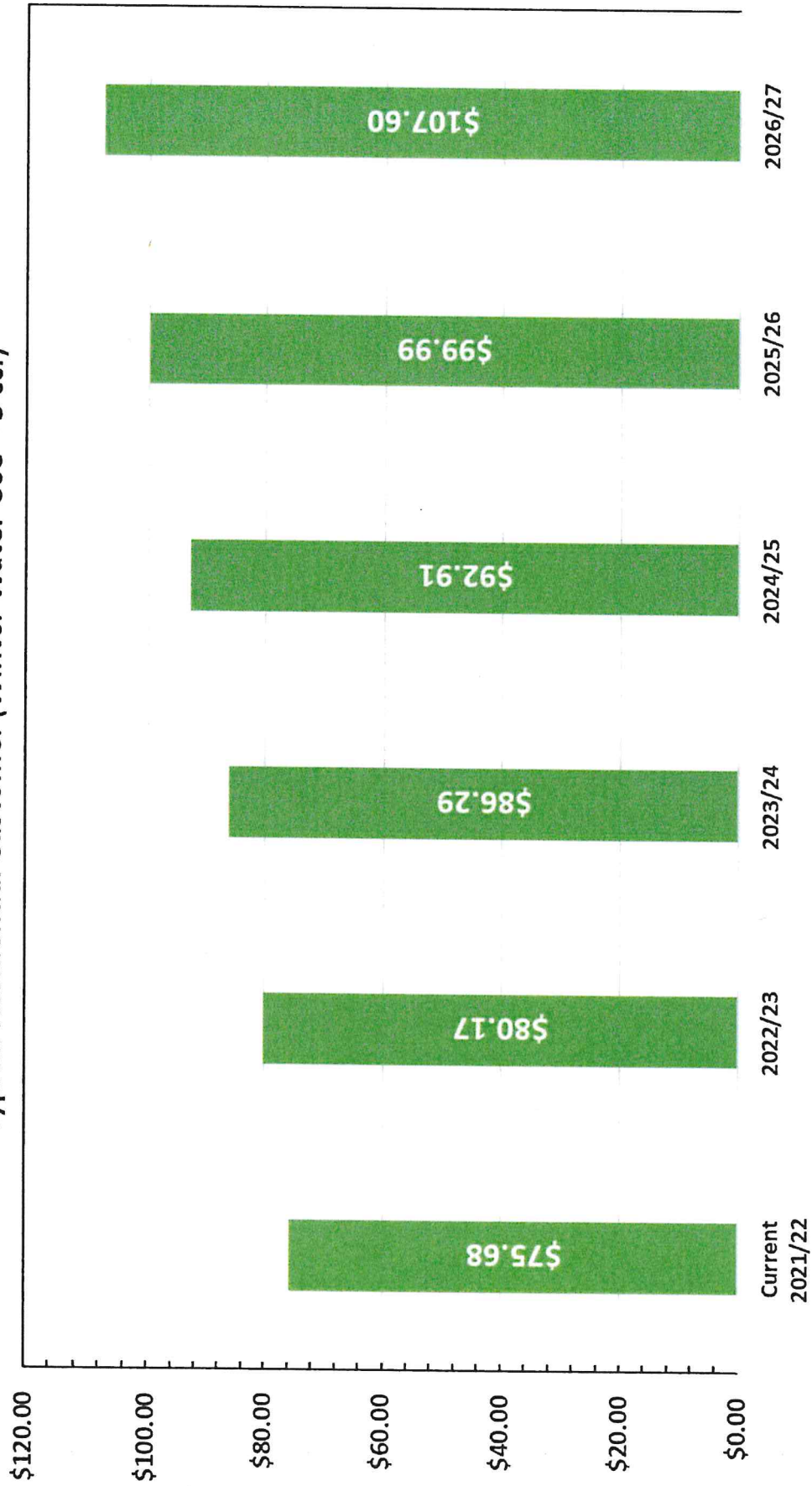


# Sample Sewer Bill Impacts

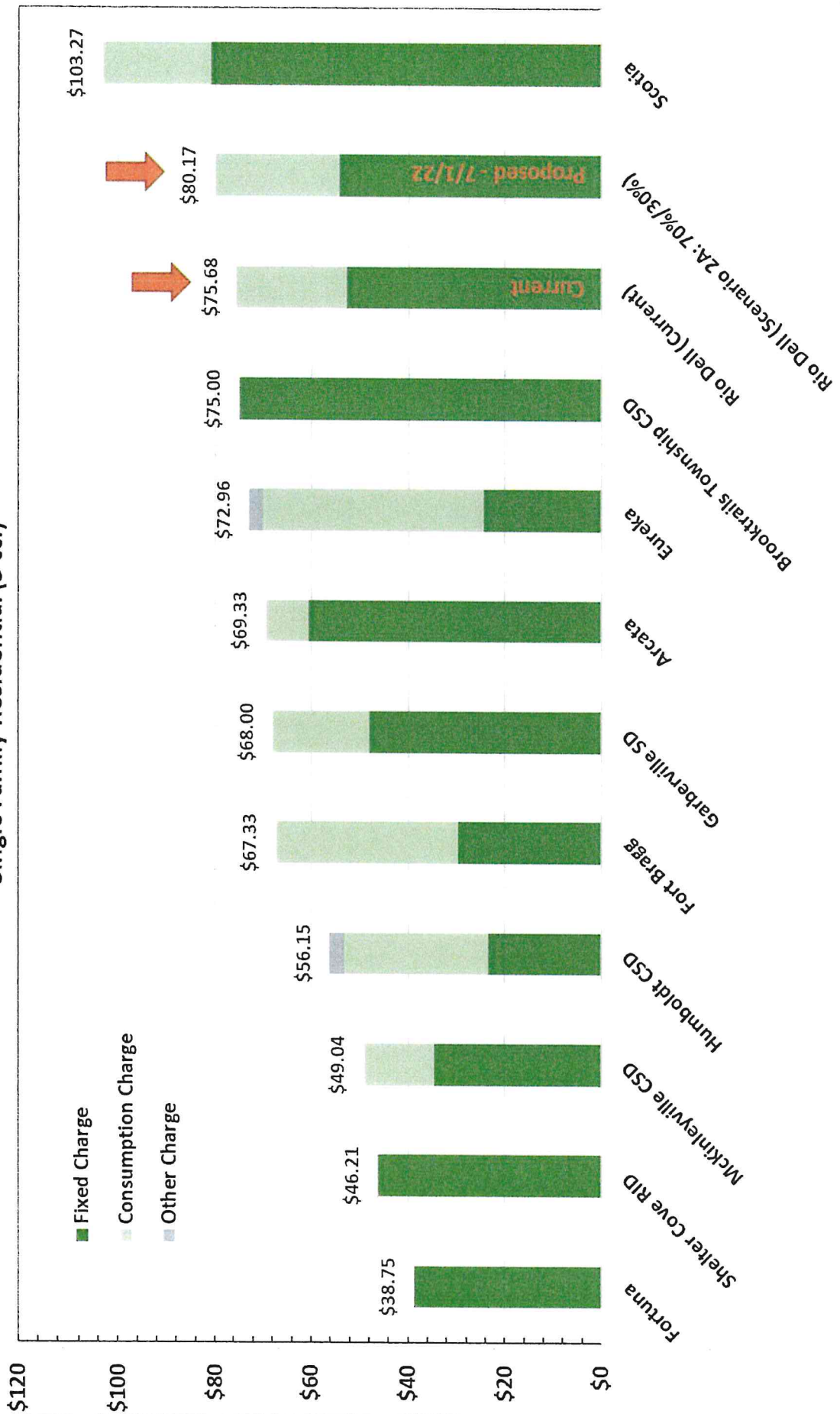
	Monthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>Residential/Domestic Strength - Low User (3 ccf)</b>							
Fixed Charge	3	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$13.74</u>	<u>\$15.53</u>	<u>\$16.77</u>	<u>\$18.12</u>	<u>\$19.56</u>	<u>\$21.12</u>
Total Monthly Sewer Bill		\$66.52	\$69.81	\$75.11	\$80.83	\$86.95	\$93.52
\$ Change		\$3.29	\$5.30	\$5.72	\$6.12	\$6.12	\$6.57
% Change		4.9%	7.6%	7.6%	7.6%	7.6%	7.6%
<b>Residential/Domestic Strength - Average User (5 ccf)</b>							
Fixed Charge	5	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$22.90</u>	<u>\$25.89</u>	<u>\$27.95</u>	<u>\$30.20</u>	<u>\$32.60</u>	<u>\$35.20</u>
Total Monthly Sewer Bill		\$75.68	\$80.17	\$86.29	\$92.91	\$99.99	\$107.60
\$ Change		\$4.49	\$6.12	\$6.62	\$6.62	\$7.08	\$7.61
% Change		5.9%	7.6%	7.7%	7.7%	7.6%	7.6%
<b>Residential/Domestic Strength - High User (15 ccf)</b>							
Fixed Charge	15	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$68.70</u>	<u>\$77.66</u>	<u>\$83.85</u>	<u>\$90.60</u>	<u>\$97.80</u>	<u>\$105.60</u>
Total Monthly Sewer Bill		\$121.48	\$131.94	\$142.19	\$153.31	\$165.19	\$178.00
\$ Change		\$10.46	\$10.25	\$11.12	\$11.12	\$11.88	\$12.81
% Change		8.6%	7.8%	7.8%	7.8%	7.7%	7.8%

Due to the updated cost of service allocation, the bill impact for the first year will vary based on your winter water use and customer strength class.

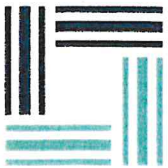
Proposed Monthly Sewer Bill for  
 Typical Residential Customer (Winter Water Use = 5 ccf)



Monthly Sewer Bill Survey - October 2021  
Single Family Residential (5 ccf)







# Sewer Low Income Discount

- To comply with Prop 218, sewer rate revenues from one group of customers cannot be used to subsidize the rates of another group
- Instead, the City can utilize non-rate revenues, such as General Fund revenues, interest earnings, or late fees to fund a low income discount program
- To ease administrative burden, qualification can be based on the PG&E's CARE program requirements
- Program should be reviewed annually to determine whether the water fund has adequate non-rate revenues to fund the program

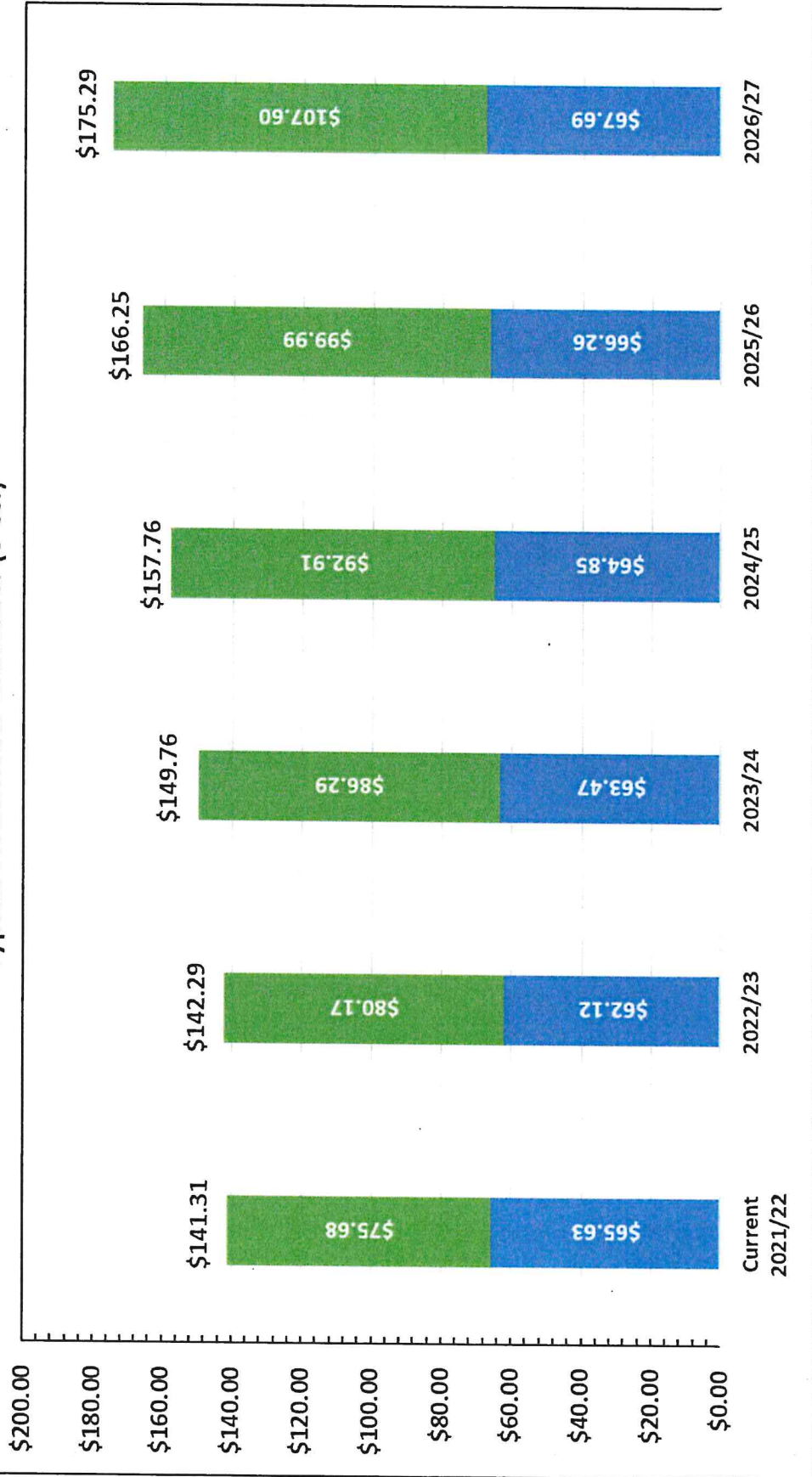
Total Number of Customers Eligible per PG&E	700
Total 2020/21 Sewer Late Fee Revenue	\$25,000
Annual Discount per Customer (1)	\$35.70
Monthly Discount per Customer (1)	\$3.00
Proposed 7/1/22 Average Sewer Bill	\$80.17
Proposed 7/1/22 Average Sewer Bill with Discount	\$77.17
% of Discount	3.7%

1 - Rounded



# Proposed Combined Monthly Bill

Total Proposed Monthly Utility Bill for  
Typical Residential Customer (5 ccf)





# Proposition 218

XXXX notices mailed on March 1, 2022

XXXX protests received as of this City Council meeting

City cannot revise rates if the City received protests from at least 50% of property owners



## Next Steps

If rates are approved:

Rates will be increased on July 1 of each year, beginning 2022 through 2026

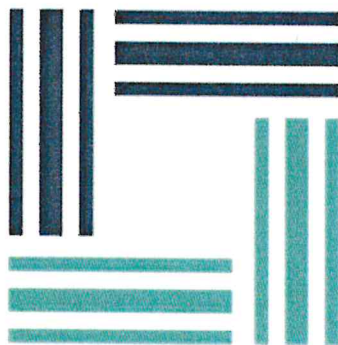
The City will review each utility's financial standing annually prior to implementing any rate increases.







# Questions?

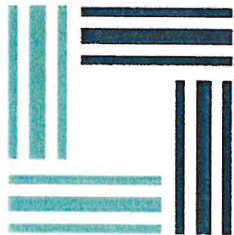




# **CITY OF RIO DELL**

## **Water and Sewer Rate Study**

**FINAL REPORT**  
**April 5, 2022**



**LECHOWICZ + TSENG**  
MUNICIPAL CONSULTANTS

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Alameda, CA 94501  
(510) 545-3182  
[www.LTmunicconsultants.com](http://www.LTmunicconsultants.com)





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## SECTION 1: EXECUTIVE SUMMARY

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### 1.1 Background

The City of Rio Dell (City) engaged Lechowicz & Tseng Municipal Consultants in July 2021 to complete a comprehensive water and wastewater (sewer) rate study to recommend utility rates which ensure the continued financial health and stability of the City's enterprise funds, while minimizing the impact of any proposed rates changes on customers. The study period covers the five-year period beginning in 2022/23 through 2026/27.

The City provides water and wastewater (sewer) service to about 1,300 customers, serving a total population of about 3,600 people. Both water and sewer rates are billed monthly on the same bill. The sewer rates have increased each year since 2013, and the water rates have increased annually since 2015.

### 1.2 Requirements of Proposition 218

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

1. **Noticing Requirement** – The City must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The City 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 or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and 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.

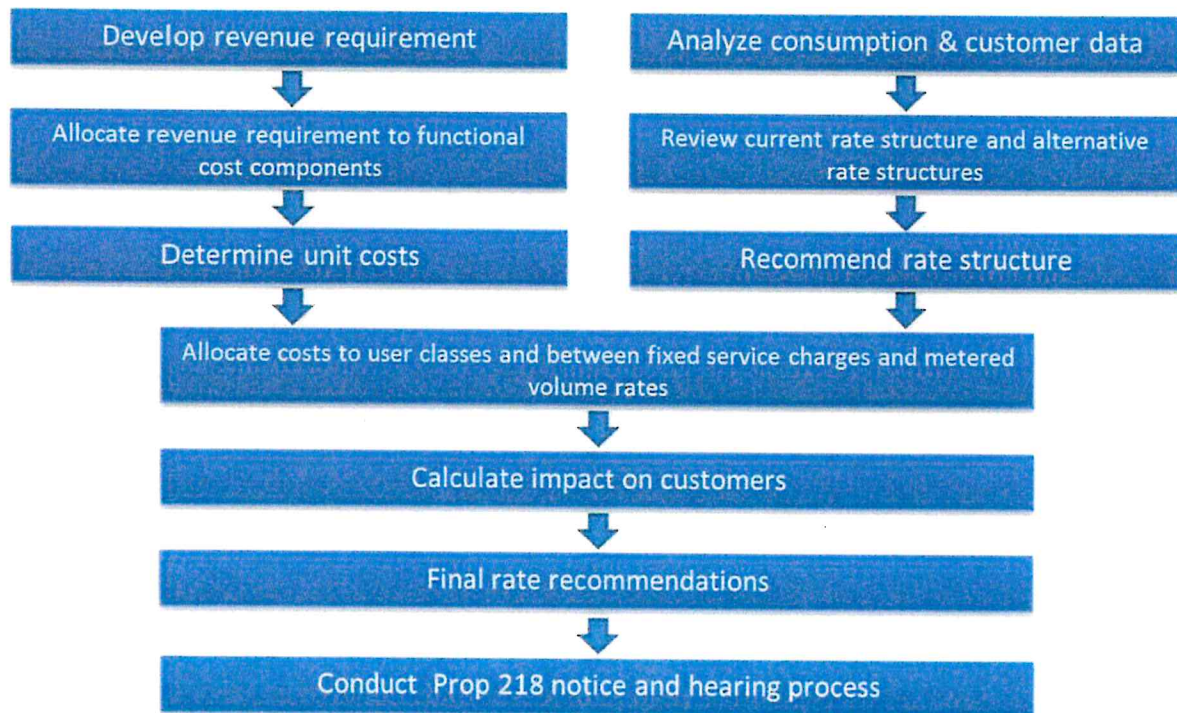
3. **Proportional Cost Recovery** – The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water, sewer, and refuse collection are exempt from additional voting requirements of Proposition 218, 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

This section details the development of the City’s water and sewer rates via the Proposition 218 process as shown in the following figure.

**Figure 1: Comprehensive Cost of Service Study Process**





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

- **Revenue Requirements** - Revenue requirements are analyzed via financial plans developed from the Water and Sewer Fund budgets. Based on the best information currently available, the financial plans incorporate projected operation and maintenance costs, capital expenditures, debt service, and growth to estimate annual revenue requirements. The plans serve as a roadmap for funding the City’s future operating and capital programs while maintaining long-term fiscal stability.
- **Cost of Service Allocation** - The cost of service process builds on the financial plan analysis and assigns water and sewer system costs to functional cost components: *metering and customer service, base, and extra* for water, and *customer service, capital, and treatment/disposal* for sewer.
- **Rate Design** - Rate design involves developing a rate structure that proportionately recovers costs from customers. Final rate recommendations are designed to (a) fund the utilities’ short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

The rates developed in this report were based on the best available information gathered from City budgets, audits, and input from staff. The cost allocations proposed herein are based on American Water Works Association methodologies and industry standard practice. The proposed rates are based on the reasonable cost of providing service and are proportional to the benefits received by each customer.

## 1.4 Proposed Water Rates

L&T presented three water rate scenarios at the February 15, 2022 City Council Meeting. Information for all three rate scenarios is detailed in the *City of Rio Dell Water and Sewer Rate Study Draft Report February 8, 2022*. The City Council elected to move forward with the proposed rate increases for *Scenario #2: 90% Grant, 10% Loan*. The proposed water rates are shown below.

PROPOSED MONTHLY WATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>BASE RATE</b>	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
<b>CONSUMPTION RATE per ccf (1)</b>	\$3.23	\$3.33	\$3.37	\$3.41	\$3.46	\$3.50
<b>DINSMORE ZONE CHARGE</b>	\$65.66	\$67.63	\$69.66	\$71.75	\$73.90	\$76.12

1 - One hundred cubic feet (ccf) = 748 gallons

## 1.5 Proposed Sewer Rates

L&T presented both sewer rate scenarios at the February 15, 2022 City Council Meeting. Information for all both rate scenarios is detailed in the *City of Rio Dell Water and Sewer Rate Study Draft Report February 8, 2022*. The City Council elected to move forward with the proposed rate increases for *Scenario #2: Meet Goals by 2026/27*. The proposed sewer rates are shown below.

PROPOSED MONTHLY WASTEWATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>FIXED MONTHLY CHARGE per EDU (1)</b>	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<b>VOLUME RATE per ccf (2)</b>						
Low Strength	\$3.66	\$4.15	\$4.49	\$4.85	\$5.24	\$5.66
Domestic Strength	\$4.58	\$5.18	\$5.59	\$6.04	\$6.52	\$7.04
Medium Strength	\$6.87	\$7.73	\$8.35	\$9.02	\$9.74	\$10.52
High Strength	\$8.01	\$9.01	\$9.73	\$10.51	\$11.35	\$12.26

1 - EDU = Equivalent Dwelling Unit.

2 - One hundred cubic feet (ccf) = 748 gallons. Volume Rate is based on three-month average of winter (Dec, Jan, & Feb) water use.

Single family & multi-family residential consumption is capped at 15 ccf per month.

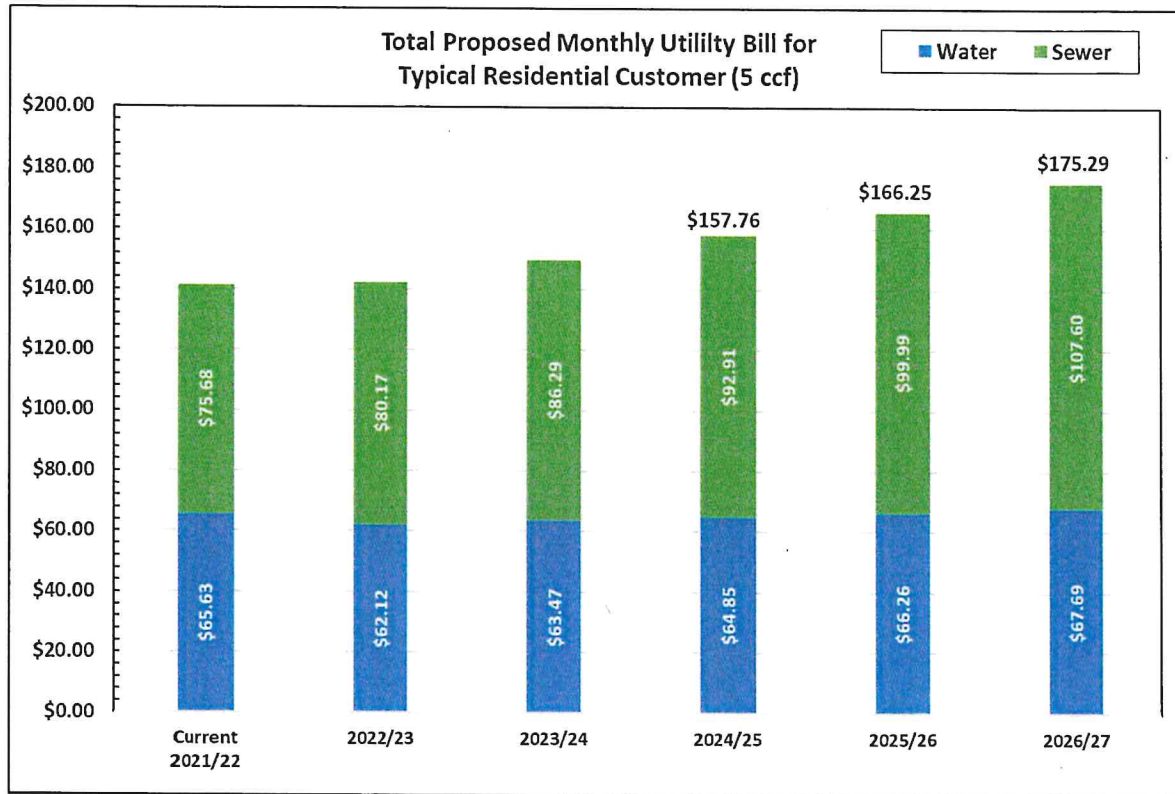
Customer Strength Classes:

- Low Strength: Car wash, office, retail store, school w/o cafeteria, laundromat
- Domestic Strength: Residential, hotel, school with cafeteria, motel, mobile home park, churches, auto shop, gas station, bars without dining
- Medium Strength: Beauty shop, medical office, dental office
- High Strength: Restaurant, market with food prep, bakery

## 1.6 Proposed Typical Monthly Single Family Residential Bill

Figure 2 below shows the estimated monthly bill for an average single family residential customer that consumes 5 ccf of water per month and has an average winter water use of 5 ccf per month. Under the current rates, the typical residential customer pays \$141.31 per month for water and sewer service. Under the July 1, 2022 proposed rates, the average bill would increase to \$142.29 per month, about a 1.0% increase. For future years, the total average residential bill will increase approximately 5.0% each year.

Figure 2: Proposed Typical Monthly Single Family Residential Bill for Average User (5 ccf)



## **SECTION 2: WATER RATE STUDY**

---

The City of Rio Dell provides water service to approximately 1,300 water accounts. On average, the City consumes roughly 100,000 ccf (hundred cubic feet) of water each year. The last water rate study was conducted in 2015 in which the City adopted water rates through 2020. Based on City billing records, the current average monthly residential water use is 5 ccf per month. The average water bill is currently \$65.63 per month.

### **2.1 Historic and Current Water Rates**

A schedule of historic and current monthly water rates for the past 5 years is provided in Table 1. Water rate increases are effective on January 1 of each year. The City's current rate structure includes two components: (a) a Base Rate and (b) a Consumption Rate.

#### **2.1.1 Base Rate**

All customers are charged the same Base Rate regardless of water consumption to reflect that even when a customer does not use any water, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection.

The Base Fixed charges currently are designed to recover the City's fixed expenses and currently generate about 73.6% of total water rate revenues. Fixed costs include staffing, customer service, debt service, system maintenance, and repairs.

In addition to the Base Rate, customers in the Dinsmore Zone service area pay an additional monthly flat charge to pay for the additional operating and capital costs the City incurs to provide water service to the Dinsmore area.

#### **2.1.2 Consumption Rate**

In addition to the base rate, all customers pay a Consumption Rate per ccf of water consumption per month. One ccf is equal to 748 gallons of water. The Consumption Rate is a uniform tier, meaning that all customers pay the same charge for each unit of water.

The Consumption Rate is intended to recover costs that vary based on the amount of water consumed and currently generate roughly 26.4% of total water rate revenues. Variable expenses include utilities and chemicals.

**Table 1: Historic and Current Monthly Water Rates (1)**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

Calendar Year	2016	2017	2018	2019	2020
<b>BASE RATE (2)</b>					
All Customers per EDU	\$40.06	\$46.63	\$47.57	\$48.50	\$49.48
<i>% Change</i>		16.4%	2.0%	2.0%	2.0%
<b>CONSUMPTION RATE (3)</b>					
All Consumption per ccf	\$2.61	\$3.04	\$3.10	\$3.17	\$3.23
<i>% Change</i>		16.5%	2.0%	2.3%	1.9%
<b>ADDITIONAL CHARGES</b>					
Dinsmore Zone (4)	\$39.13	\$65.21	\$65.36	\$65.51	\$65.66
<i>% Change</i>		66.6%	0.2%	0.2%	0.2%

1 - Rates effective January 1 of each year

2 - EDU = Equivalent Dwelling Unit. For R.V. & Mobile Home Parks with significant R.V. Space parking, the Base Rate per rented R.V. Space is 50% of current Base Rate.

3 - One unit = 1 ccf = 748 gallons

4 - Additional flat charge for Dinsmore area

## 2.2 Water System Overview

### 2.2.1 Water System

Raw water is pumped from infiltration galleries under the Eel River to the City of Rio Dell treatment plant. The City has completed an approximately \$8.5 million project to establish a new raw water intake at this location. The completion of this project lifted a water emergency declaration within the City that had been in place for over five years. This project also dramatically improved the quality of water delivered to residents. In 2014, work began on redeveloping a second source of water in light of the 2011-2017 drought. The Metropolitan Wells project provided a state-of-the-art filtration system upon the City's old well site and added an additional layer of water security for the City.

### 2.2.2 Water Customers

Table 2 includes a three-year history of equivalent dwelling units (EDUs) by customer class based on the City's billing data. The water utility has about 1,300 active accounts, representing about 1,500 equivalent dwelling units (EDUs). An EDU represents the usage of a typical single family residential customer. In total, single family residential customers account for the majority of all customers at roughly 76.2%. The Dinsmore Zone has 27 customers as of 2020/21.

**Table 2: Water EDUs by Customer Class**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	2018/19	2019/20	2020/21	Three-Year Avg	% of Total
<b>CITY ACCOUNTS</b>					
Single Family Residential	1,106	1,128	1,154	1,129	76.0%
Multi-Family Residential	188	190	190	189	12.7%
Commercial	153	151	152	152	10.2%
Institutional	4	4	4	4	0.3%
Irrigation	10	10	10	10	0.7%
<u>Special Projects</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0.1%</u>
Total City Accounts	1,461	1,483	1,512	1,485	100.0%
<b>DINSMORE ACCOUNTS</b>					
Single Family Residential	22	22	24	23	88.3%
Multi-Family Residential	1	1	1	1	3.9%
Irrigation	1	1	1	1	3.9%
<u>Special Projects</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3.9%</u>
Total Dinsmore Accounts	25	25	27	26	100.0%
<b>TOTAL ACCOUNTS</b>					
Single Family Residential	1,128	1,150	1,178	1,152	76.2%
Multi-Family Residential	189	191	191	190	12.6%
Commercial	153	151	152	152	10.1%
Institutional	4	4	4	4	0.3%
Irrigation	11	11	11	11	0.7%
<u>Special Projects</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>0.1%</u>
<b>TOTAL WATER ACCOUNTS</b>	<b>1,486</b>	<b>1,508</b>	<b>1,539</b>	<b>1,511</b>	<b>100.0%</b>

### 2.2.3 Water Consumption

Table 3 summarizes water consumption by customer class for the past three years. On average, the City sells approximately 100,000 ccf of water each year. In 2020/21, overall water consumption increased about 8.0% from the prior year. Single family residential customers account for the majority of all usage at approximately 73.1%, followed by the commercial class which represents 14.0% of total consumption. Although total water consumption increased over the last year, the total number of accounts has only increased slightly.



**Table 3: Water Consumption by Customer Class**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	2018/19	2019/20	2020/21	Three-Year Avg	% of Total
<b>CITY CONSUMPTION (ccf)</b>					
Single Family Residential	69,214	70,803	75,135	71,717	73.2%
Multi-Family Residential	8,200	8,575	8,620	8,465	8.6%
Commercial	17,885	11,406	12,933	14,075	14.4%
Institutional	251	235	252	246	0.3%
Irrigation	2,953	2,908	4,556	3,472	3.5%
<u>Special Projects</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total City Consumption	98,503	93,927	101,496	97,975	100.0%
<i>% Change</i>		-4.6%	8.1%		
<b>DINSMORE CONSUMPTION (ccf)</b>					
Single Family Residential	1,593	1,839	1,856	1,763	70.1%
Multi-Family Residential	122	153	163	146	5.8%
Irrigation	584	243	280	369	14.7%
<u>Special Projects</u>	<u>193</u>	<u>62</u>	<u>452</u>	<u>236</u>	<u>9.4%</u>
Total Dinsmore Consumption	2,492	2,297	2,751	2,513	100.0%
<i>% Change</i>		-7.8%	19.8%		
<b>TOTAL CONSUMPTION (ccf)</b>					
Single Family Residential	70,807	72,642	76,991	73,480	73.1%
Multi-Family Residential	8,322	8,728	8,783	8,611	8.6%
Commercial	17,885	11,406	12,933	14,075	14.0%
Institutional	251	235	252	246	0.2%
Irrigation	3,537	3,151	4,836	3,841	3.8%
<u>Special Projects</u>	<u>193</u>	<u>62</u>	<u>452</u>	<u>236</u>	<u>0.2%</u>
<b>TOTAL CONSUMPTION</b>	<b>100,995</b>	<b>96,224</b>	<b>104,247</b>	<b>100,489</b>	<b>100.0%</b>
<i>% Change</i>		-4.7%	8.3%		

## 2.3 Water Financial Plan

### 2.3.1 Water Reserves

As of the beginning of 2021/22, the water utility had operating fund reserves of approximately \$2.9 million. Table 4 shows the reserve amounts by each sub-fund at the beginning of the two most recent

fiscal years. Total reserves increased nearly 24.0% over the last year as the City began setting aside funds for capital projects.

Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the City to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the City takes action to attain the target over the longer run.

The City’s current and proposed water reserve fund targets are as follows:

- *Operating Reserve:* The fund balance target is equal to 30% of annual operating expenses per City policy. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases to comply with Proposition 218.
- *Debt Service Reserve:* The fund balance target is equal to one year’s debt service payments.
- *Capital Reserve:* L&T also included a Water Capital Reserve fund reserve with a target of \$1 million to fund infrastructure projects and emergency repairs on a cash basis.

**Table 4: Water Reserves**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

Fund #	Enterprise Fund	Beginning Fund Balance		Percent Change
		July 1, 2020	July 1, 2021	
060	Water Operations Fund	\$943,523	\$1,225,156	29.8%
061	Water Restricted Reserve	\$136,000	\$136,000	0.0%
061	Water Debt Service Fund	\$210,322	\$259,930	23.6%
062	Water Capital Fund	\$906,740	\$1,032,568	13.9%
063	Water Metro Wells Fund	\$42,892	\$57,651	34.4%
064	Water Dinsmore Zone	<u>\$67,208</u>	<u>\$143,974</u>	<u>114.2%</u>
	<b>TOTAL WATER RESERVES</b>	<b>\$2,306,685</b>	<b>\$2,855,279</b>	<b>23.8%</b>

### 2.3.2 Water Revenues

Table 8 summarizes revenues by each water sub-fund since 2018/19. In total, the City expects to collect about \$1.21 million in total water revenues in 2021/22. Though the majority of revenues are collected

from water sales, other revenue sources include Dinsmore Zone charges, late fees, delinquent fees, and connection fees.

**Table 5: Water Revenues**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Actual			Budget 2021/22
	2018/19	2019/20	2020/21	
<b>Operating Revenues (060)</b>				
4310 Interest Income	\$7,295	\$11,724	\$4,061	\$0
4480 Insurance Premium	\$0	\$4,876	\$0	\$0
4610 Water - Service	\$766,264	\$787,423	\$859,859	\$767,500
4620 Water - Connection	\$70,400	\$15,900	\$8,800	\$0
4630 Water - Service Late Fees	\$26,126	\$27,482	\$30,773	\$25,000
4635 Delinquent Fees	\$10,050	\$8,040	\$120	\$5,000
4640 Water - Damage Replacement	\$400	\$0	\$0	\$0
4641 Water - After Hours Call	\$0	\$0	\$75	\$0
4920 Misc-Public Works Revenue	\$130	\$36	\$0	\$0
4936 Bad Debt Recovery	\$2,249	\$1,478	\$1,635	\$0
<u>4990 Misc - Other</u>	<u>\$94,710</u>	<u>\$225</u>	<u>\$450</u>	<u>\$0</u>
Subtotal Operating Revenues	\$977,624	\$857,184	\$905,773	\$797,500
% Change		-12.3%	5.7%	-12.0%
<b>Capital Revenues (062)</b>				
4310 Interest Income	\$7,017	\$11,738	\$3,610	\$0
4610 Water - Service	\$35	\$35	\$0	\$0
4620 Water - Connection/Capital	\$16,000	\$3,000	\$2,000	\$5,400
4650 Water Capital	\$168,591	\$171,693	\$178,296	\$234,000
<u>4763 Grant Rest.- Prop. 84/NCIRWMP</u>	<u>(\$1,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Capital Revenues	\$190,643	\$186,466	\$183,906	\$239,400
% Change		-2.2%	-1.4%	30.2%
<b>Debt Revenues (061)</b>				
4310 Interest Income	\$2,137	\$3,529	\$1,128	\$0
4615 Water - Debt Service	\$174,414	\$177,634	\$184,461	\$136,000
<u>4616 Water - Debt Service Restricted</u>	<u>(\$61,358)</u>	<u>\$0</u>	<u>\$19</u>	<u>\$0</u>
Subtotal Debt Revenues	\$115,193	\$181,163	\$185,608	\$136,000
% Change		57.3%	2.5%	-26.7%
<b>Metro Wells Revenue (063)</b>				
4310 Interest Income	\$301	\$516	\$182	\$0
<u>4653 Water - Metro Wells</u>	<u>\$17,451</u>	<u>\$17,771</u>	<u>\$18,448</u>	<u>\$17,100</u>
Subtotal Wells Revenues	\$17,752	\$18,287	\$18,630	\$17,100
% Change		3.0%	1.9%	-8.2%
<b>Dinsmore Revenue (064)</b>				
4310 Interest Income	\$465	\$823	\$311	\$0
<u>4654 Water - Dinsmore Zone</u>	<u>\$21,429</u>	<u>\$21,836</u>	<u>\$79,290</u>	<u>\$21,800</u>
Subtotal Dinsmore Revenues	\$21,894	\$22,659	\$79,601	\$21,800
% Change		3.5%	251.3%	-72.6%
<b>TOTAL WATER REVENUES</b>	<b>\$1,323,106</b>	<b>\$1,265,759</b>	<b>\$1,373,518</b>	<b>\$1,211,800</b>
% Change		-4.3%	8.5%	-11.8%

Sources: Water Budget Worksheets by Dept 4 Year Budget Variance, June 30, 2022

### 2.3.3 Water Expenses

Table 6 summarizes expenses by each water sub-fund since 2018/19. For 2021/22, total expenses are projected to increase by roughly 39.0% in large part due to capital costs for the Dinsmore Zone.

**Table 6: Water Expenses**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Actual			Budget
	2018/19	2019/20	2020/21	2021/22
<b>Operating Expenses (060)</b>				
Salaries & Benefits	\$392,706	\$385,171	\$401,116	\$417,679
Chemicals	\$13,981	\$18,253	\$14,231	\$18,300
Professional Services	\$21,499	\$19,700	\$23,444	\$70,927
Maintenance - Repair	\$34,674	\$31,774	\$30,821	\$44,168
Insurance	\$34,292	\$37,867	\$44,098	\$39,236
Utilities	\$71,328	\$48,091	\$29,761	\$34,157
Regulatory Fees & Other Fees	\$9,568	\$11,047	\$11,089	\$13,951
Computer Maintenance & Software	\$6,981	\$9,495	\$9,525	\$17,566
<u>Other Operating Expenses</u>	<u>\$84,363</u>	<u>\$68,368</u>	<u>\$58,212</u>	<u>\$82,630</u>
Subtotal Operating Expenses	\$669,392	\$629,766	\$622,297	\$738,614
% Change		-5.9%	-1.2%	18.7%
<b>Capital Expenses (062)</b>				
5115 Contract/Professional Services	\$0	\$31,193	\$26,169	\$10,000
Fixed Asset	\$23,818	\$0	\$22,119	\$66,000
6500 Infrastructure	\$97,257	\$0	\$4,457	\$12,000
<u>Other Capital Expenses</u>	<u>\$4,286</u>	<u>\$676</u>	<u>\$5,333</u>	<u>\$0</u>
Subtotal Capital Expenses	\$125,361	\$31,869	\$58,078	\$88,000
% Change		-74.6%	82.2%	51.5%
<b>Debt Expenses (061)</b>				
5400 Retirement of Principle	\$136,000	\$136,000	\$136,000	\$0
6700 Fixed Asset- Debt Service	\$0	\$0	\$0	\$136,000
Depreciation	\$248,198	\$259,927	\$0	\$0
5610 Bad Debt	\$978	\$839	\$106	\$0
<u>7010 Fixed Asset Transfer</u>	<u>(\$118,449)</u>	<u>(\$29,660)</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Debt Expenses	\$266,727	\$367,106	\$136,106	\$136,000
% Change		37.6%	-62.9%	-0.1%
<b>Metro Wells Expenses (063)</b>				
Salaries & Benefits	\$0	\$0	\$2	\$10,684
5150 Electricity	\$8,390	\$4,279	\$3,473	\$6,000
Public Works	\$0	\$0	\$0	\$1,200
<u>Other Metro Wells Expenses</u>	<u>\$790</u>	<u>\$70</u>	<u>\$398</u>	<u>\$4,166</u>
Subtotal Metro Wells Expenses	\$9,180	\$4,349	\$3,873	\$22,050
% Change		-52.6%	-10.9%	469.3%
<b>Dinsmore Expenses (064)</b>				
5115 Contract/Professional Services	\$0	\$0	\$0	\$7,500
5150 Electricity	\$2,035	\$2,203	\$2,170	\$2,200
6500 Infrastructure - Monument Water Line Replacement	\$0	\$0	\$0	\$145,000
<u>Other Dinsmore Expenses</u>	<u>\$0</u>	<u>\$1,034</u>	<u>\$0</u>	<u>\$400</u>
Subtotal Dinsmore Expenses	\$2,035	\$3,237	\$2,170	\$155,100
% Change		59.1%	-33.0%	7047.5%
<b>TOTAL WATER EXPENSES</b>	<b>\$1,072,695</b>	<b>\$1,036,327</b>	<b>\$822,524</b>	<b>\$1,139,764</b>
% Change		-3.4%	-20.6%	38.6%

Sources: Water Budget Worksheets by Dept 4 Year Budget Variance, June 30, 2022

Table 7 includes a projection of future water operating expenses over the next five years through 2026/27. All expenses except for Salaries & Benefits and Chemicals are anticipated to increase 3.0% each year. Salaries & Benefits are escalated by 5.0% annually. Per staff recommendation, Chemicals are escalated by 600% for 2022/23 and then increase by 3.0% thereafter. Overall, expenses are projected to increase approximately 4.0% every year.

**Table 7: Projection of Future Water Operating Expenses  
City of Rio Dell  
Water and Sewer Rate Study**

	Budget 2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor
<b>Operating Expenses</b>												
Salaries & Benefits	\$417,679	5.0%	\$439,000	5.0%	\$461,000	5.0%	\$484,000	5.0%	\$508,000	5.0%	\$533,000	5.0%
Chemicals	\$18,300	600.0%	\$128,000	3.0%	\$132,000	3.0%	\$136,000	3.0%	\$140,000	3.0%	\$144,000	3.0%
Professional Services	\$70,927	3.0%	\$73,000	3.0%	\$75,000	3.0%	\$77,000	3.0%	\$79,000	3.0%	\$81,000	3.0%
Maintenance - Repair	\$44,168	3.0%	\$45,000	3.0%	\$46,000	3.0%	\$47,000	3.0%	\$48,000	3.0%	\$49,000	3.0%
Insurance	\$39,236	3.0%	\$40,000	3.0%	\$41,000	3.0%	\$42,000	3.0%	\$43,000	3.0%	\$44,000	3.0%
Utilities	\$34,157	3.0%	\$35,000	3.0%	\$36,000	3.0%	\$37,000	3.0%	\$38,000	3.0%	\$39,000	3.0%
Regulatory Fees & Other Fees	\$13,951	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%	\$14,000	3.0%
Computer Maintenance & Software	\$17,566	3.0%	\$18,000	3.0%	\$19,000	3.0%	\$20,000	3.0%	\$21,000	3.0%	\$22,000	3.0%
<b>Other Operating Expenses</b>	\$82,630	3.0%	\$85,000	3.0%	\$88,000	3.0%	\$91,000	3.0%	\$94,000	3.0%	\$97,000	3.0%
Subtotal Operating Expenses	\$738,614		\$877,000		\$912,000		\$948,000		\$985,000		\$1,023,000	
% Change			18.7%		4.0%		3.9%		3.9%		3.9%	
<b>Metro Wells Expenses (063)</b>												
Salaries & Benefits	\$10,684	5.0%	\$11,000	5.0%	\$12,000	5.0%	\$13,000	5.0%	\$14,000	5.0%	\$15,000	5.0%
5150 Electricity	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%	\$6,000	3.0%
Public Works	\$1,200	3.0%	\$1,200	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%	\$1,000	3.0%
<b>Other Metro Wells Expenses</b>	\$4,166	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%	\$4,000	3.0%
Subtotal Metro Wells Expenses	\$22,050		\$22,200		\$25,000		\$24,000		\$25,000		\$26,000	
% Change			0.7%		3.6%		4.3%		4.2%		4.0%	
<b>Dismore Expenses (064)</b>												
5115 Contract/Professional Services	\$7,500	3%	\$7,700	3%	\$7,900	3%	\$8,100	3%	\$8,300	3%	\$8,500	3%
5150 Electricity	\$2,200	3%	\$2,300	3%	\$2,400	3%	\$2,500	3%	\$2,600	3%	\$2,700	3%
<b>Other Dismore Expenses</b>	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%	\$400	3%
Subtotal Dismore Expenses	\$10,100		\$10,400		\$10,700		\$11,000		\$11,300		\$11,600	
% Change			3.0%		2.9%		2.8%		2.7%		2.7%	
<b>TOTAL WATER EXPENSES</b>	\$770,764		\$909,600		\$945,700		\$983,000		\$1,021,300		\$1,060,600	
% Change			18.0%		4.0%		3.9%		3.9%		3.8%	



### 2.3.4 Water Net Revenues

The water utility has been doing well for the past few years, fully covering costs while building reserves. For 2021/22, total net revenues are projected at approximately \$72,000, as detailed below in Table 8 which shows net revenues by each sub-fund.

**Table 8: Water Net Revenues  
City of Rio Dell  
Water and Sewer Rate Study**

	Actual			Budget 2021/22
	2018/19	2019/20	2020/21	
<b>WATER REVENUES</b>				
Operating	\$977,624	\$857,184	\$905,773	\$797,500
Capital	\$190,643	\$186,466	\$183,906	\$239,400
Debt	\$115,193	\$181,163	\$185,608	\$136,000
Metro Wells	\$17,752	\$18,287	\$18,630	\$17,100
<u>Dinsmore</u>	<u>\$21,894</u>	<u>\$22,659</u>	<u>\$79,601</u>	<u>\$21,800</u>
Subtotal	\$1,323,106	\$1,265,759	\$1,373,518	\$1,211,800
<b>WATER EXPENSES</b>				
Operating	\$669,392	\$629,766	\$622,297	\$738,614
Capital	\$125,361	\$31,869	\$58,078	\$88,000
Debt	\$266,727	\$367,106	\$136,106	\$136,000
Metro Wells	\$9,180	\$4,349	\$3,873	\$22,050
<u>Dinsmore</u>	<u>\$2,035</u>	<u>\$3,237</u>	<u>\$2,170</u>	<u>\$155,100</u>
Subtotal	\$1,072,695	\$1,036,327	\$822,524	\$1,139,764
<b>NET REVENUES</b>				
Operating	\$308,232	\$227,418	\$283,476	\$58,886
Capital	\$65,282	\$154,597	\$125,828	\$151,400
Debt	(\$151,534)	(\$185,943)	\$49,502	\$0
Metro Wells	\$8,572	\$13,938	\$14,757	(\$4,950)
<u>Dinsmore</u>	<u>\$19,859</u>	<u>\$19,422</u>	<u>\$77,431</u>	<u>(\$133,300)</u>
<b>TOTAL NET REVENUES</b>	<b>\$250,411</b>	<b>\$229,432</b>	<b>\$550,994</b>	<b>\$72,036</b>

### **2.3.5 Water Capital Improvement Plan**

Table 9 details the water capital projects for the next five years. The projects are broken out between Citywide infrastructure needs and projects specific to the Dinsmore Zone. The current total for Citywide projects is \$148,000. In addition, the Water Fund has three major potential projects totaling \$14.9 million for which the City is applying for grants to cover some costs. The projects include: 1) Distribution System Upgrade, 2) Eel River Crossing Pipeline Retrofit, and 3) Douglas Tank Seismic Retrofit. The feasibility of these projects will depend on the City's ability to obtain either grant or loan funding assistance.

**Table 9: Water Capital (062) Improvement Program (CIP)  
City of Rio Dell  
Water and Sewer Rate Study**

Project Title	Current 2021/22	Projected					Total CIP	Funding		Fund Source
		2022/23	2023/24	2024/25	2025/26	2026/27		Local Funding	Grant Funding	
<b>Citywide Projects</b>										
SCADA Upgrades	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000	\$10,000		
Water Meter Replacement	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$72,000	\$72,000		
Meter Reading Equipment Replacement	\$26,000	\$0	\$0	\$0	\$0	\$0	\$26,000	\$26,000		
Backwash Flow Meter	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000	\$10,000		
<u>Turbidity Meter Replacement</u>	\$30,000	\$0	\$0	\$0	\$0	\$0	\$30,000	\$30,000		
Subtotal	\$88,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$148,000	\$148,000		
<b>Other Major Projects</b>										
Distribution System Upgrade (1)	\$0	\$4,750,000	\$4,750,000	\$0	\$0	\$0	\$9,500,000	\$0	\$9,500,000	SWRCB
Eel River Crossing Pipeline Retrofit (2)	\$0	\$0	\$0	\$0	\$1,750,000	\$1,750,000	\$3,500,000	\$875,000	\$2,625,000	HMGP-FEMA
<u>Douglas Tank Seismic Retrofit (3)</u>	\$0	\$0	\$0	\$0	\$950,000	\$950,000	\$1,900,000	\$475,000	\$1,425,000	HMGP-FEMA
Subtotal	\$0	\$4,750,000	\$4,750,000	\$0	\$2,700,000	\$2,700,000	\$14,900,000	\$1,350,000	\$13,550,000	
<b>TOTAL WATER CIP</b>	\$88,000	\$4,762,000	\$4,762,000	\$12,000	\$2,712,000	\$2,712,000	\$15,048,000	\$1,498,000	\$13,550,000	
<b>DINSMORE CIP</b>										
Monument Water Line Replacement	\$45,000	\$0	\$0	\$0	\$0	\$0	\$45,000	\$45,000		
<u>Dinmore Replacement/Upgrades</u>	\$100,000	\$250,000	\$0	\$0	\$0	\$0	\$350,000	\$350,000		
<b>TOTAL DINSMORE CIP</b>	\$145,000	\$250,000	\$0	\$0	\$0	\$0	\$395,000	\$395,000		

1 - City will most likely receive State Grant

2 - City would only fund this project if they received grant funding

3 - Priority project. City has applied for grant but will fund with reserves if they do not receive grant funding

### **2.3.6 Debt Service**

The water utility currently has one outstanding debt obligation – a 2005 State Revolving Fund (SRF) Loan for \$2.72 million. Total annual debt service is \$136,000 and will be paid off in 2030.

#### **Debt Service Coverage**

A chief covenant for the City to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency's ability to repay outstanding debt. For the Water Fund, the debt service coverage ratio means that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.20 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement.

### **2.3.7 Water Cash Flow Projection with No Rate Increases**

Table 10 forecasts the financial health of the water utility over the next 10 years if the City does not implement any rate increases. Aside from the Water Meter Replacement project, no additional capital projects and/or loans and grants have been included. Using 2021/22 as the base year, the cash flow shows that the water fund will likely miss debt service coverage (line 56) beginning in 2026/27 and will have negative net operating revenues beginning in 2027/28 (line 43).

**Table 10: Water Cash Flow Projection – No Rate Increases  
City of Rio Dell  
Water and Sewer Rate Study**

	Budget 2021/22	Years 1-5: Proposition 218					Years 6-10: Extended Projection				
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
3											
4 BEGINNING FUND BALANCE	\$2,711,305	\$2,916,641	\$3,127,441	\$3,305,441	\$3,449,441	\$3,510,441	\$3,535,441	\$3,435,441	\$3,295,441	\$3,112,441	\$2,884,441
5											
6 REVENUES											
7 Operating Revenues											
8 Water Service	1,154,600	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000	1,155,000
9 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
10 Water - Connection	0	0	0	0	0	0	0	0	0	0	0
11 Water - Service Late Fees	25,000	25,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
12 Delinquent Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13 Water - Connection/Capital	5,400	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
14 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
15 Subtotal Operating Revenues	1,190,000	1,203,000	1,204,000	1,205,000	1,206,000	1,207,000	1,208,000	1,209,000	1,210,000	1,211,000	1,212,000
16											
17 Loan Proceeds	0	0	0	0	0	0	0	0	0	0	0
18											
19 TOTAL REVENUES	1,190,000	1,203,000	1,204,000	1,205,000	1,206,000	1,207,000	1,208,000	1,209,000	1,210,000	1,211,000	1,212,000
20											
21 EXPENSES											
22 Operating Expenses											
23 Operating	738,614	822,000	855,000	889,000	924,000	960,000	998,000	1,038,000	1,081,000	1,126,000	1,172,000
24 Metro Wells	22,050	22,200	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000
25 Subtotal Operating Expenses	760,664	844,200	878,000	913,000	949,000	986,000	1,025,000	1,066,000	1,110,000	1,156,000	1,203,000
26											
27 Net Operating Revenues	429,336	358,800	326,000	292,000	257,000	221,000	183,000	143,000	100,000	55,000	9,000
28											
29 Debt Service											
30 Current Debt Service	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	0
31 Distribution System Upgrade Debt Service	0	0	0	0	48,000	48,000	48,000	48,000	48,000	48,000	48,000
32 Eel River Crossing Pipeline Retrofit Debt Service	0	0	0	0	0	0	45,000	45,000	45,000	45,000	45,000
33 Douglas Tank Seismic Retrofit Debt Service	0	0	0	0	0	0	24,000	24,000	24,000	24,000	24,000
34 Subtotal Debt Service	136,000	136,000	136,000	136,000	184,000	184,000	253,000	253,000	253,000	253,000	117,000
35											
36 Capital Improvement Plan											
37 Citywide Projects	88,000	12,000	12,000	12,000	12,000	12,000	30,000	30,000	30,000	30,000	30,000
38 Other Major Projects	0	0	0	0	0	0	0	0	0	0	0
39 Subtotal CIP	88,000	12,000	12,000	12,000	12,000	12,000	30,000	30,000	30,000	30,000	30,000
40											
41 TOTAL EXPENSES	984,664	992,200	1,026,000	1,061,000	1,145,000	1,182,000	1,308,000	1,349,000	1,393,000	1,439,000	1,350,000
42											
43 TOTAL NET REVENUES	205,336	210,800	178,000	144,000	61,000	25,000	(100,000)	(140,000)	(183,000)	(228,000)	(138,000)
44											
45 ENDING FUND BALANCE	2,916,641	3,127,441	3,305,441	3,449,441	3,510,441	3,535,441	3,435,441	3,295,441	3,112,441	2,884,441	2,746,441
46											
47											
48 RESERVE FUND TARGETS											
49 Operating Reserve Target (30% of O&M)	228,200	253,300	263,400	273,900	284,700	295,800	307,500	319,800	333,000	346,800	360,900
50 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
51 Debt Service (Annual Debt Service)	136,000	136,000	136,000	136,000	184,000	184,000	253,000	253,000	253,000	253,000	117,000
52 Total Water Reserve Target	1,364,200	1,389,300	1,399,400	1,409,900	1,468,700	1,479,800	1,560,500	1,572,800	1,586,000	1,599,800	1,477,900
53 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
54											
55 DEBT SERVICE COVERAGE											
56 Target - 1.20x (1)	3.16	2.64	2.40	2.15	1.40	1.18	0.72	0.57	0.40	0.22	0.08
57 Target Met?	yes	yes	yes	yes	yes	no	no	no	no	no	no
58											
59 1 - Net Operating Revenues divided by Total Debt Service											

### 2.3.8 Water Cash Flow Goals

With input from City Staff and the State Water Resources Control Board (SWRCB), L&T developed three water cash flow scenarios based on various funding options for the \$9.5 million Distribution System Upgrade Project. The following three goals are indicators of the overall fiscal health of the water utility,

and the proposed rate adjustments for the rate scenarios have been designed to meet these objectives each year of the rate study.

1. Meet debt service coverage (1.2x)
  - a. The Safe Water Drinking loan requires the City to maintain a ratio of 1.2x
2. Meet Water Fund reserve targets
  - a. Operating Reserve Target = 30.0% of annual operating costs
  - b. Capital Reserve Target = \$1.0 million
  - c. Debt Service Reserve = Total debt service for one year
3. Maintain positive net operating revenues
  - a. To ensure that the Water Fund is covering its cost of service
  - b. To avoid an operating deficit and dipping into reserves

### 2.3.9 Capital Project Financing

The three water cash flow scenarios to fund the \$9.5 million Distribution System Upgrade Project are provided in Table 13, Table 14, and Table 15. The financing assumptions for the three scenarios are summarized below:

- **Scenario #1: 100% Loan**
  - Assumes the City will borrow \$9.5 million in 2023
  - Loan terms: 0.0% interest rate with a payback term of 20 years
  - Construction will take 2 years and will be completed in 2025
  - Debt service is estimated at \$475,000 each year
  - First debt service payment in due in 2026 (one year after construction is complete)
  
- **Scenario #2: 90% Grant/10% Loan**
  - Assumes the City will receive \$8,550,000 in grant funding and will borrow \$950,000 in 2023
  - Loan terms: 0.0% interest rate with a payback term of 20 years
  - Construction will take 2 years and will be completed in 2025
  - Debt service is estimated at \$48,000 each year
  - First debt service payment in due in 2026 (one year after construction is complete)
  
- **Scenario #3: 100% Grant**
  - Assumes the City will receive \$9.5 million in grant funding and will not need to borrow any money for the Distribution System Upgrade Project
  - Construction will take 2 years and will be completed in 2025



Table 11 summarizes the assumptions for cash flow financing scenarios for the Distribution System Upgrade project as recommended by the SWRCB.

**Table 11: Distribution System Upgrade Water Financing Scenarios**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	<b>Scenario 1: 100% Loan</b>	<b>Scenario 2: 90% Grant/10% Loan</b>	<b>Scenario 3: 100% Grant</b>
<b>Total Project Cost</b>	\$9,500,000	\$9,500,000	\$9,500,000
<b>Amount Grant Funded</b>	\$0	<u>\$8,550,000</u>	<u>\$9,500,000</u>
<b>Total Amount of Loan</b>	\$9,500,000	\$950,000	\$0
<b>Loan Terms</b>			
Term (years)	20	20	-
Interest Rate	0.0%	0.0%	-
<b>Annual Loan Payment (1)</b>	\$475,000	\$48,000	-
<b>Reserve Fund Requirement (2)</b>			
Equal to Annual Debt Service	\$475,000	\$48,000	-

1 - Estimates for financial planning purposes.

2 - Agencies must set aside 1 year of debt service for reserve requirement at least 90 days prior to project completion date.

In addition to the Distribution System Upgrade Project, the water utility's other major capital projects include the Eel River Crossing Pipeline Retrofit (\$3.5 million) and the Douglas Tank Seismic Retrofit (\$1.9 million). For both projects, the City has submitted applications with the Hazard Mitigation Grant Program through the Federal Emergency Management Agency (HGMP-FEMA). The program is based on 75% grant funding with a 25% local match. Table 12 summarizes the funding assumptions for the Eel River Crossing Pipeline and Douglas Tank Seismic Retrofit projects assuming that the City receives grant funding from the HGMP-FEMA program. The City's local share of the project cost is assumed to be funded with USDA loans with borrowing terms of 3.0% interest rate for 30 years. The assumptions for the Eel River Crossing Pipeline Retrofit and the Douglas Tank Seismic Retrofit projects are summarized below:

➤ **Eel River Crossing Pipeline Retrofit**

- Assumes the City will receive \$2,625,000 in grant funding (75% of total project costs) in 2025
- City's share of project costs is \$875,000 (25% of total project costs) & will be funded with USDA loan
- USDA Loan Terms: 3.0%, 30 years
- Construction will take 2 years and will be completed in 2027
- First debt service payment is due in 2028 (one year after construction is complete)

➤ **Douglas Tank Seismic Retrofit**

- Assumes the City will receive \$1,425,000 in grant funding (75% of total project costs) in 2025
- City's share of project costs is \$475,000 (25% of total project costs) & will be funded with USDA loan
- USDA Loan Terms: 3.0%, 30 years
- Construction will take 2 years and will be completed in 2027
- First debt service payment is due in 2028 (one year after construction is complete)

**Table 12: USDA Financing Scenarios for Eel River Crossing Pipeline & Douglas Tank Seismic Retrofit  
City of Rio Dell  
Water and Sewer Rate Study**

	<b>Eel River Crossing Pipeline Retrofit</b>	<b>Douglas Tank Seismic Retrofit</b>
<b>Total Project Cost</b>	\$3,500,000	\$1,900,000
<b>Amount Grant Funded (75%)</b>	<u>\$2,625,000</u>	<u>\$1,425,000</u>
<b>Total Amount of Loan (25%)</b>	\$875,000	\$475,000
<b>Loan Terms</b>		
Term (years)	30	30
Interest Rate	3.0%	3.0%
<b>Annual Loan Payment (1)</b>	\$45,000	\$24,000
<b>Reserve Fund Requirement (2)</b>		
Equal to Annual Debt Service	\$45,000	\$24,000

1 - Estimates for financial planning purposes.

2 - Assumes the City must set aside 1 year of debt service for reserve requirement

### 2.3.10 Cash Flow Projection for Scenario #1: 100% Loan

Table 13 shows the cash flow projection for *Scenario #1: 100% Loan*. This scenario assumes that the City will borrow the entire \$9.5 million project cost for the Distribution System Upgrade Project. The cash flow is based on the 2021/22 budget and is based on the following assumptions:

#### Distribution System Upgrade Project

- Assumes City will borrow \$9.5 million in 2023
- Loan terms: 0.0% interest rate with a payback term of 20 years
- Construction will take 2 years and will be completed in 2025
- Debt service is estimated at \$475,000 each year
- First debt service payment is in due in 2026 (one year after construction is complete)

#### Revenues

- The beginning Water Operating Reserve fund balance is estimated at \$2.7 million as shown on Table 4 and does not include the Dinsmore Zone reserve.
- Water Service revenues are based on the FY 2021/22 budget and estimated at \$1.15 million.
- Water Connection Fees, Service Late Fees, Delinquent Fees, Connection/Capital and all Other Revenues are increased by 3.0% each year.
- Dinsmore Zone revenues are not included.
- Service Late Fees have been cancelled out to fund a Low Income Discount.
- Interest is estimated at \$10,000 beginning in 2022/23 and increases by 1% each year.
- Minimal growth has been included at 0.5% increase per year.

#### Expenses

- Salaries & Benefits are increased by 5.0% annually.
- Chemicals have been increased by 600.0% for 2022/23.
- All other expenses are increased by 3.0% each year.
- The only current debt obligation is the 2005 SRF Loan for \$2.72 million. Total annual debt service is \$136,000 and will be paid off in 2030.
- Debt service coverage target is estimated at 1.20x and is calculated by dividing Net Revenues by Total Debt Service.
- Dinsmore Zone expenses are not included.
- Capital projects are based on the Water CIP (2021/22 through 2026/27), totaling \$148,000.
- The Eel River Crossing Pipeline Retrofit and the Douglas Tank Seismic Retrofit projects are included and are based on the assumptions in Table 12.

**Table 13: Water Cash Flow Projection - Scenario #1: 100% Loan**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Budget	Years 1-5: Proposition 218					Years 6-10: Extended Projection				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		12.0%	12.0%	12.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
4 BEGINNING FUND BALANCE	\$2,711,305	\$2,916,641	\$3,239,441	\$3,683,441	\$4,266,441	\$3,728,441	\$3,220,441	\$3,331,441	\$3,456,441	\$3,593,441	\$3,742,441
6 REVENUES											
7 Operating Revenues											
8 Water Service	1,154,600	1,293,000	1,448,000	1,622,000	1,687,000	1,754,000	1,824,000	1,879,000	1,935,000	1,993,000	2,053,000
9 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
10 Water - Connection	0	0	0	0	0	0	0	0	0	0	0
11 Water - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
12 Delinquent Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13 Water - Connection/Capital	5,400	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
14 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
15 Less: Low Income Rate Assistance	0	(26,000)	(27,000)	(28,000)	(29,000)	(30,000)	(31,000)	(32,000)	(33,000)	(34,000)	(35,000)
16 Subtotal Operating Revenues	1,190,000	1,315,000	1,470,000	1,644,000	1,709,000	1,776,000	1,846,000	1,901,000	1,957,000	2,015,000	2,075,000
18 Loan Proceeds (1)	0	0	4,750,000	4,750,000	2,025,000	2,025,000	0	0	0	0	0
20 TOTAL REVENUES	1,190,000	1,315,000	6,220,000	6,394,000	3,734,000	3,801,000	1,846,000	1,901,000	1,957,000	2,015,000	2,075,000
22 EXPENSES											
23 Operating Expenses											
24 Operating	738,614	822,000	855,000	889,000	924,000	960,000	998,000	1,038,000	1,081,000	1,126,000	1,172,000
25 Metro Wells	22,050	22,200	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000
26 Subtotal Operating Expenses	760,664	844,200	878,000	913,000	949,000	986,000	1,025,000	1,066,000	1,110,000	1,156,000	1,203,000
28 Net Operating Revenues	429,336	470,800	592,000	731,000	760,000	790,000	821,000	835,000	847,000	859,000	872,000
30 Debt Service											
31 Current Debt Service	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	0
32 Distribution System Upgrade Debt Service	0	0	0	0	475,000	475,000	475,000	475,000	475,000	475,000	475,000
33 Eel River Crossing Pipeline Retrofit Debt Service	0	0	0	0	0	0	45,000	45,000	45,000	45,000	45,000
34 Douglas Tank Seismic Retrofit Debt Service	0	0	0	0	0	0	24,000	24,000	24,000	24,000	24,000
35 Subtotal Debt Service	136,000	136,000	136,000	136,000	611,000	611,000	680,000	680,000	680,000	680,000	544,000
37 Capital Improvement Plan											
38 Citywide Projects	88,000	12,000	12,000	12,000	12,000	12,000	30,000	30,000	30,000	30,000	30,000
39 Other Major Projects	0	0	4,750,000	4,750,000	2,700,000	2,700,000	0	0	0	0	0
40 Subtotal CIP	88,000	12,000	4,762,000	4,762,000	2,712,000	2,712,000	30,000	30,000	30,000	30,000	30,000
42 TOTAL EXPENSES	984,664	992,200	5,776,000	5,811,000	4,272,000	4,309,000	1,735,000	1,776,000	1,820,000	1,866,000	1,777,000
44 TOTAL NET REVENUES	205,336	322,800	444,000	583,000	(538,000)	(508,000)	111,000	125,000	137,000	149,000	298,000
46 ENDING FUND BALANCE	2,916,641	3,239,441	3,683,441	4,266,441	3,728,441	3,220,441	3,331,441	3,456,441	3,593,441	3,742,441	4,040,441
49 RESERVE FUND TARGETS											
50 Operating Reserve Target (30% of O&M)	228,200	253,300	263,400	273,900	284,700	295,800	307,500	319,800	333,000	346,800	360,900
51 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
52 Debt Service (Annual Debt Service)	136,000	136,000	136,000	136,000	611,000	611,000	680,000	680,000	680,000	680,000	544,000
53 Total Water Reserve Target	1,364,200	1,389,300	1,399,400	1,409,900	1,895,700	1,906,800	1,987,500	1,999,800	2,013,000	2,026,800	1,904,900
54 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
56 DEBT SERVICE COVERAGE											
57 Target - 1.20x (2)	3.16	3.46	4.35	5.38	1.24	1.29	1.21	1.23	1.25	1.26	1.60
58 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

60 1 - Total loan amount is \$9.5 million. Project will most likely be completed in 2 years.

61 2 - Net Operating Revenues divided by Total Debt Service

### **2.3.11 Cash Flow Projection for Scenario #2: 90% Grant, 10% Loan**

*Scenario #2* assumes the City will receive \$8,550,000 in grant funding and will borrow \$950,000 in 2023.

The cash flow is based on the 2021/22 budget and is based on the following assumptions:

#### Distribution System Upgrade Project

- Assumes City will receive \$8,550,000 in grant funding and will borrow \$950,000 in 2023
- Loan terms: 0.0% interest rate with a payback term of 20 years
- Construction will take 2 years and will be completed in 2025
- Debt service is estimated at \$48,000 each year
- First debt service payment is in due in 2026 (one year after construction is complete)

The assumptions for the Revenues and Expenses are the same as Table 13 (*Scenario #1*).



**Table 14: Water Cash Flow Projection - Scenario #2: 90% Grant, 10% Loan**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Budget	Years 1-5: Proposition 218					Years 6 - 10: Extended Projection				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
4 BEGINNING FUND BALANCE	\$2,711,305	\$2,916,641	\$3,135,441	\$3,356,441	\$3,579,441	\$3,081,441	\$2,585,441	\$2,678,441	\$2,771,441	\$2,863,441	\$2,953,441
6 REVENUES											
7 Operating Revenues											
8 Water Service	1,154,600	1,189,000	1,225,000	1,262,000	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000	1,507,000	1,552,000
9 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
10 Water - Connection	0	0	0	0	0	0	0	0	0	0	0
11 Water - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
12 Delinquent Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13 Water - Connection/Capital	5,400	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
14 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
15 <u>Less: Low Income Rate Assistance</u>	<u>0</u>	<u>(26,000)</u>	<u>(27,000)</u>	<u>(28,000)</u>	<u>(29,000)</u>	<u>(30,000)</u>	<u>(31,000)</u>	<u>(32,000)</u>	<u>(33,000)</u>	<u>(34,000)</u>	<u>(35,000)</u>
16 Subtotal Operating Revenues	1,190,000	1,211,000	1,247,000	1,284,000	1,322,000	1,361,000	1,401,000	1,442,000	1,485,000	1,529,000	1,574,000
17											
18 Loan Proceeds (1)	0	0	4,750,000	4,750,000	2,025,000	2,025,000	0	0	0	0	0
19											
20 TOTAL REVENUES	1,190,000	1,211,000	5,997,000	6,034,000	3,347,000	3,386,000	1,401,000	1,442,000	1,485,000	1,529,000	1,574,000
21											
22 EXPENSES											
23 Operating Expenses											
24 Operating	738,614	822,000	855,000	889,000	924,000	960,000	998,000	1,038,000	1,081,000	1,126,000	1,172,000
25 <u>Metro Wells</u>	<u>22,050</u>	<u>22,200</u>	<u>23,000</u>	<u>24,000</u>	<u>25,000</u>	<u>26,000</u>	<u>27,000</u>	<u>28,000</u>	<u>29,000</u>	<u>30,000</u>	<u>31,000</u>
26 Subtotal Operating Expenses	760,664	844,200	878,000	913,000	949,000	986,000	1,025,000	1,066,000	1,110,000	1,156,000	1,203,000
27											
28 Net Operating Revenues	429,336	366,800	369,000	371,000	373,000	375,000	376,000	376,000	375,000	373,000	371,000
29											
30 Debt Service											
31 Current Debt Service	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	0
32 Distribution System Upgrade Debt Service	0	0	0	0	48,000	48,000	48,000	48,000	48,000	48,000	48,000
33 Eel River Crossing Pipeline Retrofit Debt Service	0	0	0	0	0	0	45,000	45,000	45,000	45,000	45,000
34 <u>Douglas Tank Seismic Retrofit Debt Service</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
35 Subtotal Debt Service	136,000	136,000	136,000	136,000	184,000	184,000	253,000	253,000	253,000	253,000	117,000
36											
37 Capital Improvement Plan											
38 Citywide Projects	88,000	12,000	12,000	12,000	12,000	12,000	30,000	30,000	30,000	30,000	30,000
39 <u>Other Major Projects</u>	<u>0</u>	<u>0</u>	<u>4,750,000</u>	<u>4,750,000</u>	<u>2,700,000</u>	<u>2,700,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
40 Subtotal CIP	88,000	12,000	4,762,000	4,762,000	2,712,000	2,712,000	30,000	30,000	30,000	30,000	30,000
41											
42 TOTAL EXPENSES	984,664	992,200	5,776,000	5,811,000	3,845,000	3,882,000	1,308,000	1,349,000	1,393,000	1,439,000	1,350,000
43											
44 TOTAL NET REVENUES	205,336	218,800	221,000	223,000	(498,000)	(496,000)	93,000	93,000	92,000	90,000	224,000
45											
46 ENDING FUND BALANCE	2,916,641	3,135,441	3,356,441	3,579,441	3,081,441	2,585,441	2,678,441	2,771,441	2,863,441	2,953,441	3,177,441
47											
48											
49 RESERVE FUND TARGETS											
50 Operating Reserve Target (30% of O&M)	228,200	253,300	263,400	273,900	284,700	295,800	307,500	319,800	333,000	346,800	360,900
51 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
52 <u>Debt Service (Annual Debt Service)</u>	<u>136,000</u>	<u>136,000</u>	<u>136,000</u>	<u>136,000</u>	<u>184,000</u>	<u>184,000</u>	<u>253,000</u>	<u>253,000</u>	<u>253,000</u>	<u>253,000</u>	<u>117,000</u>
53 Total Water Reserve Target	1,364,200	1,389,300	1,399,400	1,409,900	1,468,700	1,479,800	1,560,500	1,572,800	1,586,000	1,599,800	1,477,900
54 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
55											
56 DEBT SERVICE COVERAGE											
57 Target - 1.20x (2)	3.16	2.70	2.71	2.73	2.03	2.04	1.49	1.49	1.48	1.47	3.17
58 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
59											

60 1 - Total loan amount is \$9.5 million. Project will most likely be completed in 2 years.  
61 2 - Net Operating Revenues divided by Total Debt Service



### **2.3.12 Cash Flow Projection for Scenario #3: 100% Grant**

*Scenario #3* assumes the City will receive \$9.5 million in grant funding and will not need to borrow any money for the Distribution System Upgrade Project. The cash flow is based on the FY 2021/22 budget and is based on the following assumptions:

#### Distribution System Upgrade Project

- Assumes the City will not need to borrow any money for the Distribution System Upgrade Project
- Construction will take 2 years and will be completed in 2025

The assumptions for the Revenues and Expenses are the same as Table 13 (*Scenario #1*).

**Table 15: Water Cash Flow Projection – Scenario #3: 100% Grant**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Budget 2021/22	Years 1-5: Proposition 218					Years 6-10: Extended Projection				
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
3											
4 BEGINNING FUND BALANCE	\$2,711,305	\$2,916,641	\$3,124,441	\$3,322,441	\$3,509,441	\$3,010,441	\$2,499,441	\$2,563,441	\$2,612,441	\$2,644,441	\$2,657,441
5											
6 REVENUES											
7 Operating Revenues											
8 Water Service	1,154,600	1,178,000	1,202,000	1,226,000	1,251,000	1,276,000	1,302,000	1,328,000	1,355,000	1,382,000	1,410,000
9 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
10 Water - Connection	0	0	0	0	0	0	0	0	0	0	0
11 Water - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
12 Delinquent Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
13 Water - Connection/Capital	5,400	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
14 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
15 Less: Low Income Rate Assistance	0	(26,000)	(27,000)	(28,000)	(29,000)	(30,000)	(31,000)	(32,000)	(33,000)	(34,000)	(35,000)
16 Subtotal Operating Revenues	1,190,000	1,200,000	1,224,000	1,248,000	1,273,000	1,298,000	1,324,000	1,350,000	1,377,000	1,404,000	1,432,000
17											
18 Loan Proceeds (1)	0	0	4,750,000	4,750,000	2,025,000	2,025,000	0	0	0	0	0
19											
20 TOTAL REVENUES	1,190,000	1,200,000	5,974,000	5,998,000	3,298,000	3,323,000	1,324,000	1,350,000	1,377,000	1,404,000	1,432,000
21											
22 EXPENSES											
23 Operating Expenses											
24 Operating	738,614	822,000	855,000	889,000	924,000	960,000	998,000	1,038,000	1,081,000	1,126,000	1,172,000
25 Metro Wells	22,050	22,200	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000
26 Subtotal Operating Expenses	760,664	844,200	878,000	913,000	949,000	986,000	1,025,000	1,066,000	1,110,000	1,156,000	1,203,000
27											
28 Net Operating Revenues	429,336	355,800	346,000	335,000	324,000	312,000	299,000	284,000	267,000	248,000	229,000
29											
30 Debt Service											
31 Current Debt Service	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	0
32 Distribution System Upgrade Debt Service	0	0	0	0	0	0	0	0	0	0	0
33 Eel River Crossing Pipeline Retrofit Debt Service	0	0	0	0	0	0	45,000	45,000	45,000	45,000	45,000
34 Douglas Tank Seismic Retrofit Debt Service	0	0	0	0	0	0	24,000	24,000	24,000	24,000	24,000
35 Subtotal Debt Service	136,000	136,000	136,000	136,000	136,000	136,000	205,000	205,000	205,000	205,000	69,000
36											
37 Capital Improvement Plan											
38 Citywide Projects	88,000	12,000	12,000	12,000	12,000	12,000	30,000	30,000	30,000	30,000	30,000
39 Other Major Projects	0	0	4,750,000	4,750,000	2,700,000	2,700,000	0	0	0	0	0
40 Subtotal CIP	88,000	12,000	4,762,000	4,762,000	2,712,000	2,712,000	30,000	30,000	30,000	30,000	30,000
41											
42 TOTAL EXPENSES	984,664	992,200	5,776,000	5,811,000	3,797,000	3,834,000	1,260,000	1,301,000	1,345,000	1,391,000	1,302,000
43											
44 TOTAL NET REVENUES	205,336	207,800	198,000	187,000	(499,000)	(511,000)	64,000	49,000	32,000	13,000	130,000
45											
46 ENDING FUND BALANCE	2,916,641	3,124,441	3,322,441	3,509,441	3,010,441	2,499,441	2,563,441	2,612,441	2,644,441	2,657,441	2,787,441
47											
48											
49 RESERVE FUND TARGETS											
50 Operating Reserve Target (30% of O&M)	228,200	253,300	263,400	273,900	284,700	295,800	307,500	319,800	333,000	346,800	360,900
51 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
52 Debt Service (Annual Debt Service)	136,000	136,000	136,000	136,000	136,000	136,000	205,000	205,000	205,000	205,000	69,000
53 Total Water Reserve Target	1,364,200	1,389,300	1,399,400	1,409,900	1,420,700	1,431,800	1,512,500	1,524,800	1,538,000	1,551,800	1,429,900
54 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
55											
56 DEBT SERVICE COVERAGE											
57 Target - 1.20x (2)	3.16	2.62	2.54	2.46	2.38	2.29	1.46	1.39	1.30	1.21	3.32
58 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
59											

60 1 - Total loan amount is \$9.5 million. Project will most likely be completed in 2 years.  
61 2 - Net Operating Revenues divided by Total Debt Service

### 2.3.13 Water Scenario Comparison

Table 16 includes a summary of the proposed rate adjustments and the three financial goals for all three scenarios. Based on the proposed rate adjustments, all scenarios are projected to meet the financial goals throughout the 5-year rate study period.

L&T presented all three water rate scenarios at the February 15, 2022 City Council Meeting. The City Council elected to move forward with the proposed rate increases set forth in *Scenario #2: 90% Grant, 10% Loan*.

**Table 16: Water Scenario Comparison**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

**PROPOSED RATE INCREASES**

	Current	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: 100% Loan	-	12.0%	12.0%	12.0%	4.0%	4.0%
Scenario #2: 90% Grant/10% Loan	-	3.0%	3.0%	3.0%	3.0%	3.0%
Scenario #3: 100% Grant	-	2.0%	2.0%	2.0%	2.0%	2.0%

**GOAL 1 : MEET DEBT SERVICE COVERAGE**

	Current	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Debt Service Coverage Ratio Required	1.20	1.20	1.20	1.20	1.20	1.20
Scenario #1: 100% Loan	3.16	3.46	4.35	5.38	1.24	1.29
Scenario #2: 90% Grant/10% Loan	3.16	2.70	2.71	2.73	2.03	2.04
Scenario #3: 100% Grant	3.16	2.62	2.54	2.46	2.38	2.29

**GOAL 2: MEET WATER RESERVE FUND TARGETS**

	Current	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: 100% Loan	yes	yes	yes	yes	yes	yes
Scenario #2: 90% Grant/10% Loan	yes	yes	yes	yes	yes	yes
Scenario #3: 100% Grant	yes	yes	yes	yes	yes	yes

**GOAL 3: MAINTAIN POSITIVE NET OPERATING REVENUES**

	Current	Proposed				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: 100% Loan	\$429,336	\$470,800	\$592,000	\$731,000	\$760,000	\$790,000
Scenario #2: 90% Grant/10% Loan	\$429,336	\$366,800	\$369,000	\$371,000	\$373,000	\$375,000
Scenario #3: 100% Grant	\$429,336	\$355,800	\$346,000	\$335,000	\$324,000	\$312,000

### **2.3.14 Dinsmore Water Cash Flow Projection**

Table 17 includes a cash flow projection for the Dinsmore Zone with 3.0% annual rate increases to cover annual operating cost inflation. The assumptions for the Dinsmore Zone are:

- The beginning reserve fund balance is \$143,974 as shown on Table 4.
- All operating expenses are increased by 3.0% per year.
- The \$250,000 Dinsmore Replacement/Upgrades project will be paid by developer contributions.
- No growth is included.

**Table 17: Dinsmore Water Cash Flow Projection  
City of Rio Dell  
Water and Sewer Rate Study**

	Budget 2021/22	Years 1 - 5: Proposition 218					Years 6 - 10: Extended Projection						
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32		
1 Overall Rate Adjustment													
2 Rate Increase Effective													
3 Dinsmore Zone Monthly Charge	\$65.66	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4 \$ Change		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031	Jul 1, 2032	
		\$67.63	\$69.66	\$71.75	\$73.90	\$76.12	\$78.40	\$80.75	\$83.17	\$85.67	\$88.24	\$90.82	
		\$1.97	\$2.03	\$2.09	\$2.15	\$2.22	\$2.28	\$2.35	\$2.42	\$2.50	\$2.57	\$2.64	
5													
6 BEGINNING FUND BALANCE	\$143,974	\$12,074	\$24,274	\$36,974	\$50,274	\$64,074	\$78,374	\$93,274	\$108,674	\$124,674	\$141,174	\$157,674	
7													
8 REVENUES													
9 Water - Dinsmore Zone	21,800	22,500	23,200	23,900	24,600	25,300	26,100	26,900	27,700	28,500	29,400	30,300	
10 Interest Income	1,400	100	200	400	500	600	800	900	1,100	1,200	1,400	1,600	
11 Developer Contributions	0	250,000	0	0	0	0	0	0	0	0	0	0	
12 TOTAL REVENUES	23,200	272,600	23,400	24,300	25,100	25,900	26,900	27,800	28,800	29,700	30,800	31,900	
13													
14 EXPENSES													
15 Operating Expenses													
16 Contract/Professional Services	7,500	7,700	7,900	8,100	8,300	8,500	8,800	9,100	9,400	9,700	10,000	10,300	
17 Electricity	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	
18 Other Dinsmore Expenses	400	400	400	400	400	400	400	400	400	400	400	400	
19 Subtotal Operating Expenses	10,100	10,400	10,700	11,000	11,300	11,600	12,000	12,400	12,800	13,200	13,600	14,000	
20													
21 Capital Expenses													
22 Monument Water Line Replacement	45,000	0	0	0	0	0	0	0	0	0	0	0	
23 Dinsmore Replacement/Upgrades	100,000	250,000	0	0	0	0	0	0	0	0	0	0	
24 Subtotal Capital Expenses	145,000	250,000	0	0	0	0	0	0	0	0	0	0	
25													
26 TOTAL EXPENSES	155,100	260,400	10,700	11,000	11,300	11,600	12,000	12,400	12,800	13,200	13,600	14,000	
27													
28 TOTAL NET REVENUES	(131,900)	12,200	12,700	13,300	13,800	14,300	14,900	15,400	16,000	16,500	17,200	17,900	
29													
30 ENDING FUND BALANCE	12,074	24,274	36,974	50,274	64,074	78,374	93,274	108,674	124,674	141,174	157,674	174,174	
31													
32													
33 RESERVE FUND	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	4,000	4,100	4,200	
34 Operating Reserve Target (30% of O&M)	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	
35 Target Met?													
36													



## 2.4 Water Cost Allocation

The water revenue requirement detailed in the previous section determines the amount of revenue to be recovered from water rates, and the cost of service allocation determines how revenues will be recovered from customers based on how they use the water system. Proposition 218 requires that agencies providing “property-related services” (including water utility service) set rates and charges that are based on the cost of providing those services and are proportional to how customers use the system.

### 2.4.1 Current Water Rate Revenues - Fixed vs. Consumption Revenue Recovery

Table 18 summarizes the percentage of service charge revenues derived from the Base Rate versus the Consumption Charge over the past three years. On average, the City collects roughly 73.6% of revenues from the Base Rate and 26.4% from the Consumption Charge. Based on input from staff, the City would like to maintain the current 70% fixed / 30% variable revenue recovery because the majority of the water system expenses are fixed. Moreover, maintaining a higher fixed revenue recovery percentage provides added stability from fluctuations in revenues due to a drought and reductions in water consumption.

**Table 18: Fixed vs. Variable Water Service Revenue  
City of Rio Dell  
Water and Sewer Rate Study**

	2018/19	2019/20	2020/21	Three-Year Avg
Base Rate (Fixed)	\$862,077	\$891,875	\$919,039	\$890,997
<u>Consumption Rate (Variable)</u>	<u>\$316,269</u>	<u>\$307,730</u>	<u>\$336,718</u>	<u>\$320,239</u>
Total Water Sales	\$1,178,345	\$1,199,605	\$1,255,757	\$1,211,236
Base Rate (Fixed)	73.2%	74.3%	73.2%	73.6%
<u>Consumption Rate (Variable)</u>	<u>26.8%</u>	<u>25.7%</u>	<u>26.8%</u>	<u>26.4%</u>
Total Water Sales	100.0%	100.0%	100.0%	100.0%

Source: UB Activity with Consumption FY 2018 2019, FY 2019 2020, FY 2020 2021

## 2.4.2 Overview of Water Cost of Service Methodology

The purpose of the cost allocation is to classify costs and to determine the amount of revenue that will be recovered from base rates and from consumption charges. The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Metering and Services, and (d) Customer Service. The *Base* and *Extra* categories are intended to recover variable (consumption) costs, while the *Customer Service* and *Metering and Services* categories are intended to recover fixed expenses that are incurred regardless of water used.

- *Base*: Base costs include the expenses related to providing water under average, “base” demand conditions.
- *Extra*: The extra category includes costs related to providing water above the system average demand (ie. related to peak, “extra” usage).
- *Metering and Services*: These include costs related to maintaining and replacing water meters.
- *Customer Service*: This category contains costs associated with serving customers, such as billing and answering customer inquiries.

## 2.4.3 70% Fixed/30% Variable Cost Allocation

The *Customer Service* and *Metering and Services* have been combined to calculate the Base Charge because the City has the same fixed charge for all customers. Because the City has a single tier for water consumption for all customers, the *Base* and *Extra* categories are combined to calculate the Consumption Rate. Table 19 provides the proposed cost allocation if 70.0% of costs are recovered from the Base Charge while the remaining 30.0% are recovered from the Consumption Rate.

**Table 19: 70% Fixed / 30% Variable Water Cost Allocation  
City of Rio Dell  
Water and Sewer Rate Study**

Expenses	Budget FY2022/23	FIXED CHARGES	CONSUMPTION CHARGES	Total	Notes
		Meters & Services + Customer Service	Base + Extra		
<i><u>Operating Expenses</u></i>					
Salaries & Benefits	\$439,000	75%	25%	100%	Peaking
Chemicals	\$73,000	5%	95%	100%	Staff Estimate
Professional Services	\$73,000	75%	25%	100%	Peaking
Maintenance - Repair	\$45,000	75%	25%	100%	Peaking
Insurance	\$40,000	75%	25%	100%	Peaking
Utilities	\$35,000	5%	95%	100%	Staff Estimate
Regulatory Fees & Other Fees	\$14,000	50%	50%	100%	Peaking
Computer Maintenance & Software	\$18,000	75%	25%	100%	Peaking
<u>Other Operating Expenses</u>	<u>\$85,000</u>	<u>75%</u>	<u>25%</u>	<u>100%</u>	Peaking
Subtotal Operating Expenses	\$822,000	\$537,400	\$284,600	\$822,000	
<i><u>Metro Wells Expenses</u></i>					
Salaries & Benefits	\$11,000	75%	25%	100%	Peaking
5150 Electricity	\$6,000	5%	95%	100%	Staff Estimate
Public Works	\$1,200	75%	25%	100%	Peaking
<u>Other Metro Wells Expenses</u>	<u>\$4,000</u>	<u>75%</u>	<u>25%</u>	<u>100%</u>	Peaking
Subtotal Metro Wells Expenses	\$22,200	\$12,500	\$9,800	\$22,200	
<i><u>Non-Operating Expenses</u></i>					
Debt Service	\$136,000	5%	95%	100%	Staff Estimate
<u>Capital Improvement Plan (5-Year Avg)</u>	<u>\$2,992,000</u>	<u>75%</u>	<u>25%</u>	<u>100%</u>	Peaking
Subtotal Non-Operating Expenses	\$3,128,000	\$2,250,800	\$877,200	\$3,128,000	
<b>TOTAL EXPENSES</b>	<b>\$3,972,200</b>	<b>\$2,800,700</b>	<b>\$1,171,600</b>	<b>\$3,972,200</b>	
<b>PROPOSED COST ALLOCATION %</b>		<b>70.0%</b>	<b>30.0%</b>	<b>100.0%</b>	

## **2.5 Water Rate Design**

Following the allocation of costs, the next step is to derive the total cost responsibility for each customer class by developing unit costs of service for each cost function and then assigning those costs to the customer classes based on the respective service requirements of each.

### **2.5.1 Projected Customer Growth & Water Consumption**

Table 20 presents a projection of customer counts and meter equivalents over the 5-year rate study period. Growth is estimated at 0.5% each year while consumption is anticipated to increase by 1.0% annually. Beginning in 2022/23, the City anticipates that there will be a 4,010 ccf (3,000,000 gallons) increase in consumption in the Dinsmore area, resulting in an overall increase in consumption of nearly 5.0%. To smooth out the water rates, L&T leveled out the projected water use and is projecting an increase of almost 2.0% in total annual consumption.

**Table 20: Projected Customer Growth & Water Consumption**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED - RATE STUDY PERIOD				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>NUMBER OF EDUs</b>							
Growth Increase %		0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
Total Water EDUs	1,539	1,539	1,547	1,554	1,562	1,570	1,578
<b>WATER CONSUMPTION (ccf)</b>							
Consumption Increase %		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>City Accounts</u>							
Residential	75,135	75,886	76,645	77,412	78,186	78,968	79,757
Multiple Family Residence	8,620	8,706	8,793	8,881	8,970	9,060	9,150
Commercial	12,933	13,062	13,193	13,325	13,458	13,593	13,729
Institutional	252	255	257	260	262	265	268
<u>Irrigation</u>	<u>4,556</u>	<u>4,602</u>	<u>4,648</u>	<u>4,694</u>	<u>4,741</u>	<u>4,788</u>	<u>4,836</u>
Total City Consumption	101,496	102,511	103,536	104,571	105,617	106,673	107,740
<u>Dinsmore Accounts</u>							
Residential	1,856	1,875	1,893	1,912	1,931	1,951	1,970
Multiple Family Residence	163	165	166	168	170	171	173
<u>Irrigation &amp; Special Projects (1)</u>	<u>732</u>	<u>739</u>	<u>4,749</u>	<u>4,797</u>	<u>4,845</u>	<u>4,893</u>	<u>4,942</u>
Total Dinsmore Consumption	2,751	2,779	6,809	6,877	6,946	7,015	7,085
Total Consumption	104,247	105,289	110,345	111,448	112,563	113,689	114,825
% Change		1.0%	4.8%	1.0%	1.0%	1.0%	1.0%
Adjusted Total Consumption (2)		105,289	107,132	109,007	110,914	112,855	114,830
% Change			1.8%	1.8%	1.8%	1.8%	1.8%

1 - Consumption to increase by 3,000,000 gallons (4,010 ccf) in 2022/23 for new customers

2 - Consumption adjusted to smooth rates

### 2.5.2 Scenario #2: 90% Grant/10% Loan: Water Rate Derivation

Table 21 shows the rate derivation for the Base Rate and Consumption Charge for *Scenario #2: 90% Grant/10% Loan* based on a 70% fixed/30% variable revenue recovery. For the Base Rate, the *Base Revenue Requirement* is divided by the *Total Number of EDUs* from Table 20. The proposed Base Rate for 2022/23 is \$45.47, representing a \$4.01 (or 8.1%) decrease from the current charge of \$49.48. For the Consumption Rate, the total *Consumption Revenue Requirement* is divided by the *Total Consumption*. The proposed Consumption Rate for 2022/23 is \$3.33, representing a \$0.10 (or 3.1%) increase from the current charge of \$3.23. The proposed rates for the remaining years are detailed in Table 21.



**Table 21: Scenario 2: 90% Grant/10% Loan: Water Rate Derivation  
City of Rio Dell  
Water and Sewer Rate Study**

		PROJECTED - RATE STUDY PERIOD				
		2022/23	2023/24	2024/25	2025/26	2026/27
<b>TOTAL REVENUE REQUIREMENT (1)</b>		\$1,189,000	\$1,225,000	\$1,262,000	\$1,300,000	\$1,339,000
<b>ALLOCATION TO BASE RATE VS. CONSUMPTION CHARGE</b>						
	<u>Cost Allocation %</u>					
Base Rate (Fixed)	70.0%	\$832,300	\$857,500	\$883,400	\$910,000	\$937,300
Consumption Charge (Variable)	30.0%	\$356,700	\$367,500	\$378,600	\$390,000	\$401,700
Total	100.0%	\$1,189,000	\$1,225,000	\$1,262,000	\$1,300,000	\$1,339,000
<b>BASE RATE DERIVATION</b>						
Base Revenue Requirement		\$832,300	\$857,500	\$883,400	\$910,000	\$937,300
Total Number of EDUs		1,525	1,533	1,541	1,548	1,556
Proposed Monthly Base Rate	<u>Current</u> \$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
% Increase		-8.1%	2.5%	2.5%	2.5%	2.5%
\$ Increase		-\$4.01	\$1.14	\$1.17	\$1.19	\$1.22
<b>CONSUMPTION CHARGE DERIVATION</b>						
Consumption Revenue Requirement		\$356,700	\$367,500	\$378,600	\$390,000	\$401,700
Total Consumption (ccf)	104,247	107,132	109,007	110,914	112,855	114,830
Proposed Monthly Consumption Charge	\$3.23	\$3.33	\$3.37	\$3.41	\$3.46	\$3.50
% Increase		3.1%	1.3%	1.2%	1.2%	1.2%
\$ Increase		\$0.10	\$0.04	\$0.04	\$0.04	\$0.04

1 – Table 14, Line 8

**2.5.3 Scenario #2: 90% Grant/10% Loan - Proposed 5-Year Schedule of Rates**

Table 22 below summarizes the proposed water rates for *Scenario #2: 90% Grant/10% Loan*. The table also shows the proposed Dinsmore Zone charge increased by 3.0% each year.

**Table 22: Scenario #2: 90% Grant/10% Loan – Proposed Water Rates  
City of Rio Dell  
Water and Sewer Rate Study**

	Current Rates	PROJECTED - RATE STUDY PERIOD				
		2022/23	2023/24	2024/25	2025/26	2026/27
BASE RATE	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
CONSUMPTION RATE (per ccf)	\$3.23	\$3.33	\$3.37	\$3.41	\$3.46	\$3.50
DINSMORE ZONE CHARGE	\$65.66	\$67.63	\$69.66	\$71.75	\$73.90	\$76.12

**2.5.4 Water Bill Impacts**

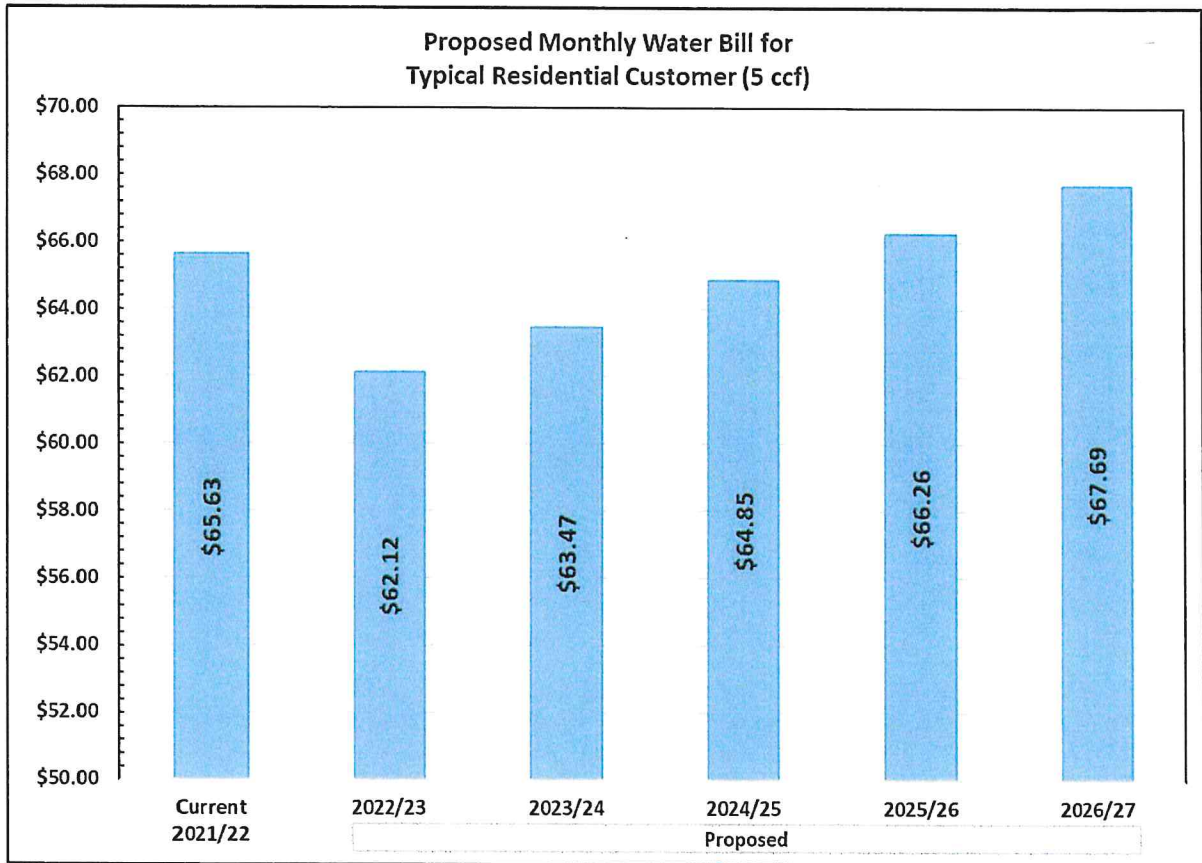
Table 23 include sample monthly water bill impacts for *Scenario #2*. Due to the updated cost of service allocation, the bill impacts to customers for the first year will vary based on customer class and actual consumption. Moreover, water consumption, particularly for single family customers, typically varies due to seasonal variations in weather and/or other factors. Hence, a single customer could face a range of impacts throughout the year.

**Table 23: Scenario #2 90% Grant/10% Loan - Sample Water Bill Impacts**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Monthly Use (ccf)	Current Bill	Proposed					
			2022/23	2023/24	2024/25	2025/26	2026/27	
<b>Monthly Use = 3 ccf</b>								
Base Rate	3	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20	
<u>Consumption Charge</u>		<u>\$9.69</u>	<u>\$9.99</u>	<u>\$10.11</u>	<u>\$10.24</u>	<u>\$10.37</u>	<u>\$10.49</u>	
Total Monthly Water Bill		\$59.17	\$55.46	\$56.73	\$58.03	\$59.35	\$60.69	
\$ Change				(\$3.71)	\$1.27	\$1.30	\$1.32	\$1.35
% Change				-6.3%	2.3%	2.3%	2.3%	2.3%
<b>Monthly Use = 5 ccf (Residential Avg Use)</b>								
Base Rate	5	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20	
<u>Consumption Charge</u>		<u>\$16.15</u>	<u>\$16.65</u>	<u>\$16.86</u>	<u>\$17.07</u>	<u>\$17.28</u>	<u>\$17.49</u>	
Total Monthly Water Bill		\$65.63	\$62.12	\$63.47	\$64.85	\$66.26	\$67.69	
\$ Change				(\$3.51)	\$1.35	\$1.38	\$1.41	\$1.43
% Change				-5.3%	2.2%	2.2%	2.2%	2.2%
<b>Monthly Use = 10 ccf</b>								
Base Rate	10	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20	
<u>Consumption Charge</u>		<u>\$32.30</u>	<u>\$33.30</u>	<u>\$33.71</u>	<u>\$34.13</u>	<u>\$34.56</u>	<u>\$34.98</u>	
Total Monthly Water Bill		\$81.78	\$78.77	\$80.33	\$81.92	\$83.54	\$85.18	
\$ Change				(\$3.01)	\$1.56	\$1.59	\$1.62	\$1.64
% Change				-3.7%	2.0%	2.0%	2.0%	2.0%
<b>Monthly Use = 20 ccf</b>								
Base Rate	20	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20	
<u>Consumption Charge</u>		<u>\$64.60</u>	<u>\$66.59</u>	<u>\$67.43</u>	<u>\$68.27</u>	<u>\$69.11</u>	<u>\$69.96</u>	
Total Monthly Water Bill		\$114.08	\$112.06	\$114.04	\$116.05	\$118.10	\$120.16	
\$ Change				(\$2.02)	\$1.98	\$2.01	\$2.04	\$2.07
% Change				-1.8%	1.8%	1.8%	1.8%	1.8%
<b>Monthly Use = 40 ccf</b>								
Base Rate	40	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20	
<u>Consumption Charge</u>		<u>\$129.20</u>	<u>\$133.18</u>	<u>\$134.85</u>	<u>\$136.54</u>	<u>\$138.23</u>	<u>\$139.93</u>	
Total Monthly Water Bill		\$178.68	\$178.65	\$181.47	\$184.32	\$187.21	\$190.13	
\$ Change				(\$0.03)	\$2.82	\$2.85	\$2.89	\$2.92
% Change				0.0%	1.6%	1.6%	1.6%	1.6%

Figure 3 below compares the bill impacts for a typical residential customer using 5 ccf per month.

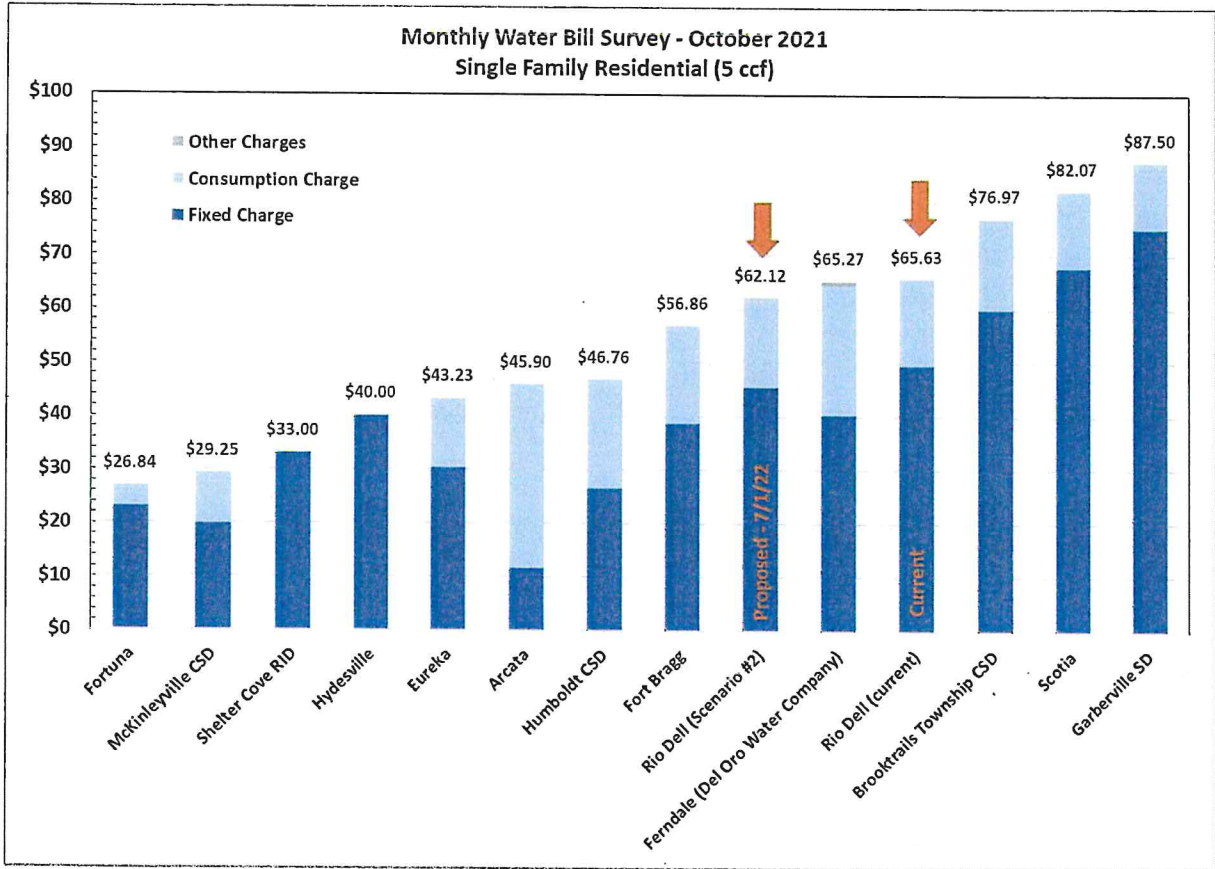
**Figure 3: Proposed Monthly Water Bill for Typical Residential Customer**



### 2.5.5 Regional Water Bill Survey

The typical monthly water use for a single family customer is 5 ccf of water use. The City's current average water bill is \$65.63 per month. Figure 4 compares the City's current average monthly single family residential bill with those of surrounding agencies. The chart also shows the proposed 2022/23 bill for *Scenario #2*.

Figure 4: Regional Water Bill Survey



## 2.6 Water Low Income Discount

To comply with Proposition 218's cost of service requirements, water rate revenues from one group of customers cannot be used to subsidize the rates of another group. Instead, the City could utilize non-rate revenues, such as General Fund revenues, interest earnings, or delinquent penalties to fund a new program. Moreover, to eliminate the administrative burden of the City developing its own low-income criteria, it is recommended that the City provide assistance to low income residents who meet the criteria of other local assistance programs such as PG&E's CARE program.

Table 24 calculates a sample low income discount for water that is funded from the Water Late Fees which are estimated at \$25,000 for the current year. The City estimates that approximately 700 customers or nearly 55.0% of all accounts could qualify for a discount based on the PG&E's CARE program requirements. Based on 700 customers, the table shows a monthly discount of approximately \$3.00 per customer. For an average residential customer with 5 ccf monthly water use, this equates to a 4.8% discount off the proposed monthly bill for July 1, 2022.

The low income discount program should be reviewed annually by the City to determine whether the water fund has adequate non-rate revenues to fund the program. Because non-water rate revenues will be used to pay for the discount, the amount of the low income discount is based on the discretion of the City.

**Table 24: Water Low Income Discount  
City of Rio Dell  
Water and Sewer Rate Study**

Total Number of Customers Eligible per PG&E	700
Total 2020/21 Water Late Fee Revenue	\$25,000
Annual Discount per Customer	\$35.70
Monthly Discount per Customer	\$3.00
Proposed Average Water Bill for July 1, 2022	\$62.12
Proposed Average Water Bill with Discount for July 1, 2022	\$59.12
% of Discount	4.8%

1 - Rounded



## **SECTION 3: WASTEWATER RATE STUDY**

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The City of Rio Dell provides sewer service to approximately 1,500 sewer accounts. On average, the the City's sewage effluent totals approximately 79,000 ccf each year. The last wastewater rate study was conducted in 2014 in which the City added a volumetric component to the wastewater rate structure. Based on City billing records, the current average monthly residential sewer flow is 5 ccf per month. The average sewer bill is currently \$75.68 per month.

### **3.1 Historic and Current Wastewater Rates**

A schedule of past and current monthly wastewater rates for the past 8 years is provided in Table 1. Historically wastewater rate increases are effective on July 1 of each year. The City's current rate structure includes two components: (a) a Fixed Charge and (b) a Volume Rate.

#### **3.1.1 Fixed Charge**

All customers are charged the same Fixed Charge per EDU. The Fixed Charge is the minimum charge for all customers. Even when a customer does not use the sewer system, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection.

The Fixed Charges currently are intended to recover the City's fixed expenses and currently generate about 70.5% of total wastewater rate revenues. Fixed costs include staffing, customer service, debt service, system maintenance, and repairs.

#### **3.1.2 Volume Rate**

In addition to the Fixed Charge, customers pay a Volume Rate per ccf based on average consumption during the winter months of December, January and February. The Volume Rate varies based on four customer strength categories as shown on Table 25. Residential customers are considered domestic strength and consumption is capped at 15 ccf per month. On average, the sewer rates have increased by 1.5% each year since 2013.

The Volume Rate is intended to recover costs that vary based on the amount of sewer flow and currently generate roughly 29.5% of total wastewater rate revenues. Variable expenses include utilities and chemicals.

**Table 25: Historic and Current Monthly Wastewater Rates  
City of Rio Dell  
Water and Sewer Rate Study**

Calendar Year (1)	2013	2014	2015	2016	2017	2018	2019	2020
<b>Fixed Monthly Charge per EDU (2)</b>	\$47.01	\$47.76	\$47.76	\$48.43	\$49.64	\$50.68	\$51.49	\$52.78
<i>% Change</i>		1.6%	0.0%	1.4%	2.5%	2.1%	1.6%	2.5%
<b>Volume Rate per ccf (3)</b>								
<u>Customer Class</u>								
<b>Low</b>	\$3.29	\$3.34	\$3.34	\$3.39	\$3.48	\$3.55	\$3.61	\$3.66
<i>% Change</i>		1.5%	0.0%	1.5%	2.7%	2.0%	1.7%	1.4%
<b>Domestic Strength</b>	\$4.11	\$4.18	\$4.18	\$4.24	\$4.35	\$4.44	\$4.51	\$4.58
<i>% Change</i>		1.7%	0.0%	1.4%	2.6%	2.1%	1.6%	1.6%
<b>Medium</b>	\$6.17	\$6.27	\$6.27	\$6.36	\$6.52	\$6.66	\$6.77	\$6.87
<i>% Change</i>		1.6%	0.0%	1.4%	2.5%	2.1%	1.7%	1.5%
<b>High</b>	\$7.19	\$7.31	\$7.31	\$7.41	\$7.60	\$7.76	\$7.88	\$8.01
<i>% Change</i>		1.7%	0.0%	1.4%	2.6%	2.1%	1.5%	1.6%

1 - Rates effective July 1 of each year

2 - EDU = Equivalent Dwelling Unit.

3 - One ccf = hundred cubic feet = 748 gallons

Volume Rate is based on three-month average of winter (Dec, Jan, & Feb) water use. Single family & multi-family residential consumption is capped at 15 ccf per month

4 Customer Classes based on Strength:

Low Strength: Car wash, office, retail store, school w/o cafeteria, laundromat

Domestic: Residential, hotel, school with cafeteria, motel, mobile home park, churches, auto shop, gas station, bars without dining

Medium: Beauty shop, medical office, dental office

High: Restaurant, market with food prep, bakery

## 3.2 Wastewater System Overview

### 3.2.1 Wastewater System

The City's wastewater system consists of a network of wastewater collection pipes, manholes, clean outs, and pumps that convey wastewater to the treatment plant. The City utilizes an aerated activated sludge process to provide secondary treatment of wastewater. In 2013, the City completed a major plant upgrade which replaced the old conventional wastewater plant with the new activated sludge process to address nutrient removal. This project also included construction of the flood irrigation field located in Metropolitan.

### 3.2.2 Sewer Customers and Flow

Table 26 includes a three-year history of EDUs and sewer flow by customer strength based on the billing data files. On average, the City's sewer system provides service to about 1,300 accounts within the City, or about 1,500 EDUs. For 2020/21, the City had a total of 1,468 sewer EDUs with total flow of 78,849 ccf per year. The table shows that total flow has decreased the past 2 years although the number of EDUs has increased.

**Table 26: Sewer Accounts and Flow by Customer Class  
City of Rio Dell  
Water and Sewer Rate Study**

NUMBER OF EDUS (1)	2018/19		2019/20		2020/21	
	No. of EDUs	% of Total	No. of EDUs	% of Total	No. of EDUs	% of Total
<i>Customer Class</i>						
Low Strength	8	0.6%	9	0.6%	9	0.6%
Domestic Strength	1,397	98.1%	1,414	97.9%	1,440	98.1%
Medium Strength	4	0.3%	4	0.3%	4	0.3%
High Strength	<u>15</u>	<u>1.1%</u>	<u>17</u>	<u>1.2%</u>	<u>15</u>	<u>1.0%</u>
Total	1,424	100.0%	1,444	100.0%	1,468	100.0%
% Change			1.4%		1.7%	
<b>SEWER FLOW (2)</b>	<b>Flow (ccf)</b>	<b>% of Total</b>	<b>Flow (ccf)</b>	<b>% of Total</b>	<b>Flow (ccf)</b>	<b>% of Total</b>
<i>Customer Class</i>						
Low	228	0.3%	204	0.2%	240	0.3%
Domestic	85,499	98.6%	81,063	98.8%	77,781	98.6%
Medium	240	0.3%	132	0.2%	108	0.1%
High	<u>768</u>	<u>0.9%</u>	<u>611</u>	<u>0.7%</u>	<u>720</u>	<u>0.9%</u>
Total Sewer Flow	86,735	100.0%	82,010	100.0%	78,849	100.0%
% Change			-5.4%		-3.9%	

Source: UB Activity with Consumption FY 2018 2019, FY 2019 2020, FY 2020 2021

1 - EDU = equivalent dwelling unit

2 - Based on winter water use during the months of Dec, Jan, & Feb

## 3.3 Wastewater Financial Plan

### 3.3.1 Sewer Reserves

As of the beginning of 2021/22, the wastewater utility had operating fund reserves of approximately \$2.4 million. Table 27 shows the reserve amounts by each sub-fund at the beginning of the two most recent fiscal years. Total reserves increased 8.1% over the last year.

Adequate fund reserves protect the City when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the City to maintain its financial health

and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the City takes action to attain the target over the longer run.

The City's current and proposed sewer reserve fund targets are as follows:

- *Operating Reserve:* The fund balance target is equal to 30% of annual operating expenses per City policy. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases to comply with Proposition 218.
- *Debt Service Reserve:* The fund balance target is equal to one year's debt service payments.
- *Capital Reserve:* L&T also included a Wastewater Capital Reserve fund reserve with a target of \$1 million to fund infrastructure projects and emergency repairs on a cash basis.

**Table 27: Sewer Reserves  
City of Rio Dell  
Water and Sewer Rate Study**

Fund #	Enterprise Fund	Beginning Fund Balance		Percent Change
		July 1, 2020	July 1, 2021	
050	Sewer Operations Fund	\$607,174	\$678,461	11.7%
052	Sewer Capital Fund	\$1,194,930	\$1,264,300	5.8%
054	Sewer Debt Service Fund	\$77,524	\$113,651	46.6%
054	Sewer Restricted Reserve	<u>\$302,822</u>	<u>\$302,822</u>	<u>0.0%</u>
	<b>TOTAL SEWER RESERVES</b>	<b>\$2,182,450</b>	<b>\$2,359,234</b>	<b>8.1%</b>

### 3.3.2 Sewer Revenues

Table 28 shows a history of the Sewer Fund's revenues. Overall, total revenues are projected to decrease by 3.0% in 2021/22. Sewer Service revenues are estimated at \$1.27 million for 2021/22, representing 97.0% of all Sewer Fund revenues. Other Revenues include interest, late fees, connection fees, and delinquent fees.

**Table 28: Sewer Revenues**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Actual			Budget 2021/22
	2018/19	2019/20	2020/21	
<b>Operating Revenues</b>				
4199 Sewer Lien Fees	\$0	\$45	(\$105)	\$0
4310 Interest Income	\$5,168	\$8,113	\$2,293	\$0
4480 Insurance Premium	\$0	\$4,697	\$0	\$0
4510 Sewer - Service	\$830,556	\$835,392	\$858,209	\$867,066
4520 Sewer - Connection	\$121,104	\$22,030	\$8,352	\$0
4630 Late Fee	\$26,279	\$27,453	\$30,751	\$25,000
4635 Delinquent Fees	\$0	\$0	\$0	\$0
4920 Misc - Public Works Revenue	\$130	\$36	\$0	\$0
<u>4936 Bad Debt Recovery</u>	<u>\$1,458</u>	<u>\$574</u>	<u>\$969</u>	<u>\$0</u>
Subtotal Operating Revenues	\$984,695	\$898,340	\$900,469	\$892,066
% Change		-8.8%	0.2%	-0.9%
<b>Capital Revenues (052)</b>				
4310 Interest Income	\$14,580	\$14,180	\$3,698	\$0
4520 Sewer - Connection	\$30,276	\$5,220	\$2,088	\$10,000
<u>4540 Sewer - Replacement Reserve</u>	<u>\$100,671</u>	<u>\$101,244</u>	<u>\$103,996</u>	<u>\$100,000</u>
Subtotal Capital Revenues	\$145,527	\$120,644	\$109,782	\$110,000
% Change		-17.1%	-9.0%	0.2%
<b>Debt Revenues (054)</b>				
4310 Interest Income	\$6,908	\$3,773	\$909	\$0
<u>4516 Sewer - Debt Service</u>	<u>\$327,174</u>	<u>\$329,111</u>	<u>\$338,040</u>	<u>\$302,934</u>
Subtotal Debt Revenues	\$334,082	\$332,884	\$338,949	\$302,934
% Change		-0.4%	1.8%	-10.6%
<b>TOTAL WASTEWATER REVENUES</b>	<b>\$1,464,304</b>	<b>\$1,351,868</b>	<b>\$1,349,200</b>	<b>\$1,305,000</b>
% Change		-7.7%	-0.2%	-3.3%

Sources: Sewer Budget Worksheets by Dept 4 Year Budget Variance, June 30, 2022

### 3.3.3 Sewer Expenses

Table 29 details the Sewer Fund's expenses including debt service and capital projects from the budget since 2018/19. For 2021/22, Operating Expenses are expected to increase roughly 24.0%. Overall, total expenses are anticipated to increase 27.0% in large part due to planned capital projects.

**Table 29: Sewer Expenses  
City of Rio Dell  
Water and Sewer Rate Study**

	Actual			Budget
	2018/19	2019/20	2020/21	2021/22
<b>Operating Expenses (050)</b>				
Salaries & Benefits	\$404,952	\$384,223	\$402,508	\$510,733
5109 Chemicals	\$27,121	\$24,415	\$25,623	\$25,000
Professional Services	\$24,721	\$16,285	\$32,393	\$97,647
5135 Maintenance - Repair	\$19,764	\$31,385	\$42,972	\$34,343
Insurance	\$31,718	\$35,025	\$40,789	\$36,729
Utilities	\$177,038	\$190,173	\$169,501	\$182,987
Regulatory Fees & Other Fees	\$12,160	\$13,627	\$15,213	\$16,270
Computer Software & Maintenance	\$7,037	\$10,044	\$9,953	\$10,851
Public Works	\$41,879	\$44,256	\$36,889	\$39,000
<u>Other Operating Expenses</u>	<u>\$77,599</u>	<u>\$77,738</u>	<u>\$63,207</u>	<u>\$82,995</u>
Subtotal Operating Expenses	\$823,989	\$827,171	\$839,048	\$1,036,555
% Change		0%	1%	24%
<b>Capital Expenses (052)</b>				
5115 Contract/Professional Services	\$4,617	\$1,533	\$68	\$10,000
Fixed Asset	\$70,482	\$9,402	\$34,393	\$65,000
6500 Infrastructure	\$132,021	\$22,972	\$5,467	\$85,000
<u>Other Capital Expenses</u>	<u>\$231,377</u>	<u>\$597,745</u>	<u>\$552</u>	<u>\$0</u>
Subtotal Capital Expenses	\$438,497	\$631,652	\$40,480	\$160,000
% Change		44%	-94%	295%
<b>Debt Expenses (054)</b>				
5400 Retirement of Principle	\$172,038	\$175,823	\$179,691	\$183,644
5410 Interest Expense	\$130,896	\$127,111	\$123,243	\$119,290
5610 Bad Debt	\$1,228	\$705	\$1,796	\$0
<u>6700 Fixed Asset- Debt Service</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Debt Expenses	\$304,162	\$303,639	\$304,730	\$302,934
% Change		0%	0%	-1%
<b>TOTAL SEWER EXPENSES</b>	<b>\$1,566,648</b>	<b>\$1,762,462</b>	<b>\$1,184,258</b>	<b>\$1,499,489</b>
% Change		12%	-33%	27%

Sources: Sewer Budget Worksheets by Dept 4 Year Budget Variance, June 30, 2022



Table 30 includes a projection of future operating expenses with 2021/22 as the base year budget. All expenses except for Salaries & Benefits and Chemicals are anticipated to increase 3.0% each year. Salaries & Benefits are escalated by 5.0% annually. Chemicals have been escalated by 600% for 2022/23 and then increased by 3.0% thereafter. Overall, expenses are projected to increase approximately 4.0% every year.

**Table 30: Projection of Future Sewer Operating Expenses  
City of Rio Dell  
Water and Sewer Rate Study**

	Budget	2022/23				2023/24				2024/25				2025/26				2026/27			
	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor	Cost	Escalation Factor			
<b>Operating Expenses (050)</b>	\$510,733	5%	\$536,000	5%	\$563,000	5%	\$591,000	5%	\$621,000	5%	\$652,000	5%	\$682,000	5%	\$712,000	5%	\$742,000	5%	\$772,000		
Salaries & Benefits	\$25,000	600%	\$175,000	3%	\$180,000	3%	\$185,000	3%	\$191,000	3%	\$197,000	3%	\$203,000	3%	\$209,000	3%	\$215,000	3%	\$221,000		
5109 Chemicals	\$97,647	3%	\$101,000	3%	\$104,000	3%	\$107,000	3%	\$110,000	3%	\$113,000	3%	\$116,000	3%	\$119,000	3%	\$122,000	3%	\$125,000		
Professional Services	\$34,343	3%	\$35,000	3%	\$36,000	3%	\$37,000	3%	\$38,000	3%	\$39,000	3%	\$40,000	3%	\$41,000	3%	\$42,000	3%	\$43,000		
5135 Maintenance - Repair	\$36,729	3%	\$38,000	3%	\$39,000	3%	\$40,000	3%	\$41,000	3%	\$42,000	3%	\$43,000	3%	\$44,000	3%	\$45,000	3%	\$46,000		
Insurance	\$182,987	3%	\$188,000	3%	\$194,000	3%	\$200,000	3%	\$206,000	3%	\$212,000	3%	\$218,000	3%	\$224,000	3%	\$230,000	3%	\$236,000		
Utilities	\$16,270	3%	\$17,000	3%	\$18,000	3%	\$19,000	3%	\$20,000	3%	\$21,000	3%	\$22,000	3%	\$23,000	3%	\$24,000	3%	\$25,000		
Regulatory Fees & Other Fees	\$10,851	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000	3%	\$11,000		
Computer Software & Maintenance	\$39,000	3%	\$40,000	3%	\$41,000	3%	\$42,000	3%	\$43,000	3%	\$44,000	3%	\$45,000	3%	\$46,000	3%	\$47,000	3%	\$48,000		
Public Works	\$82,995	3%	\$85,000	3%	\$88,000	3%	\$91,000	3%	\$94,000	3%	\$97,000	3%	\$100,000	3%	\$103,000	3%	\$106,000	3%	\$109,000		
Other Operating Expenses (1)	\$1,036,555	18%	\$1,226,000	4%	\$1,274,000	4%	\$1,323,000	4%	\$1,375,000	4%	\$1,427,000	4%	\$1,478,000	4%	\$1,530,000	4%	\$1,582,000	4%	\$1,634,000		
<b>Total Sewer Operating Expenses</b>																					
% Change																					

1 - Includes additional \$50,000 beginning in 2026/27 for operating expenses related to UV Disinfection

### 3.3.4 Sewer Net Revenues

Table 31 shows a history of the sewer fund's net revenues. In both 2018/19 and 2019/20, the fund was in an operating deficit for a combined loss of nearly \$513,000. In 2020/21, the sewer fund rebounded; however, the 2021/22 budget is projecting a deficit of approximately \$195,000 which means that the sewer fund will need to rely on reserves to cover expenses.

**Table 31: Sewer Net Revenues**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Actual			Budget
	2018/19	2019/20	2020/21	2021/22
<b>SEWER REVENUES</b>				
Operating	\$984,695	\$898,340	\$900,469	\$892,066
Capital	\$145,527	\$120,644	\$109,782	\$110,000
<u>Debt</u>	<u>\$334,082</u>	<u>\$332,884</u>	<u>\$338,949</u>	<u>\$302,934</u>
Subtotal	\$1,464,304	\$1,351,868	\$1,349,200	\$1,305,000
<b>SEWER EXPENSES</b>				
Operating	\$823,989	\$827,171	\$839,048	\$1,036,555
Capital	\$438,497	\$631,652	\$40,480	\$160,000
<u>Debt</u>	<u>\$304,162</u>	<u>\$303,639</u>	<u>\$304,730</u>	<u>\$302,934</u>
Subtotal	\$1,566,648	\$1,762,462	\$1,184,258	\$1,499,489
<b>NET REVENUES</b>				
Operating	\$160,706	\$71,169	\$61,421	(\$144,489)
Capital	(\$292,970)	(\$511,008)	\$69,302	(\$50,000)
<u>Debt</u>	<u>\$29,920</u>	<u>\$29,245</u>	<u>\$34,219</u>	<u>\$0</u>
<b>TOTAL NET REVENUES</b>	<b>(\$102,344)</b>	<b>(\$410,594)</b>	<b>\$164,942</b>	<b>(\$194,489)</b>

### 3.3.5 Sewer Capital Improvement Plan

Table 32 details the sewer capital projects for the next five years. Annual CIP expenditures are estimated at \$105,000 with the five-year (FY 2023 through 2027) capital plan totaling \$525,000. Projects include UV Disinfection, SCADA upgrades, I&I reductions, and maintaining the Boiler.

**Table 32: Sewer Capital (052) Improvement Program (CIP)  
City of Rio Dell  
Water and Sewer Rate Study**

Project Title	CURRENT 2021/22	PROJECTED - RATE STUDY PERIOD					Five-Year Total
		2022/23	2023/24	2024/25	2025/26	2026/27	
<b>Planned Projects</b>							
Generator & Transfer Switch Replacement	\$65,000	\$0	\$0	\$0	\$0	\$0	\$0
SCADA Upgrades	\$10,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
Boiler	\$15,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
I&I Reductions	\$45,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
Chloramine System	<u>\$25,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Planned Projects	\$160,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$375,000
<b>Future Projects</b>							
UV Disinfection	<u>\$0</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$150,000</u>
Subtotal Future Projects	\$0	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
<b>TOTAL SEWER CIP</b>	\$160,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$525,000

### 3.3.6 Debt Service

The sewer utility currently has one outstanding debt obligation – a loan from the California Department of Water Resources for \$6,980,359. Total annual debt service is \$302,933 and continues through 2043/44.

#### Debt Service Coverage

A chief covenant for the City to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency’s ability to repay outstanding debt. For the Sewer Fund, the debt service coverage ratio means that annual sewer net revenues (gross revenues less operating and maintenance expenses) must be at least 1.20 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the revenue bonds/COPs callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement.

### 3.3.7 Sewer Cash Flow Projection with No Rate Increases

Table 33 forecasts the financial health of the sewer utility over the next 10 years if the City does not implement any rate increases. Using 2021/22 as the base year, the cash flow shows that the sewer fund is currently operating in a deficit (line 32) because sewer revenues are not covering total expenses. Moreover, the sewer fund is not meeting its debt service coverage

requirement (line 45). Without rate increases, the sewer fund will continue to miss coverage and operate in a deficit, having to draw down reserves to pay for expenses.

**Table 33: Sewer Cash Flow Projection – No Rate Increases  
City of Rio Dell  
Water and Sewer Rate Study**

	Budget 2021/22	Years 1-5: Proposition 218					Years 6-10: Extended Projection				
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
3											
4 BEGINNING FUND BALANCE	\$2,359,234	\$2,164,745	\$1,886,745	\$1,562,745	\$1,191,745	\$771,745	\$251,745	(\$266,255)	(\$840,255)	(\$1,474,255)	(\$2,170,255)
5											
6 REVENUES											
7 Sewer Service	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000
8 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
9 Sewer - Connection	10,000	0	0	0	0	0	0	0	0	0	0
10 Sewer - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
11 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
12 Less: Low Income Rate Assistance	0	(26,000)	(27,000)	(28,000)	(29,000)	(30,000)	(31,000)	(32,000)	(33,000)	(34,000)	(35,000)
12 TOTAL REVENUES	1,305,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000	1,281,000
13											
14 EXPENSES											
15 Operating	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
16 Subtotal Operating Expenses	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
17											
18 Net Operating Revenues	268,445	130,000	84,000	37,000	(12,000)	(112,000)	(165,000)	(221,000)	(281,000)	(343,000)	(407,000)
19											
20 Debt Service											
21 Current Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
22 Future Debt Service	0	0	0	0	0	0	0	0	0	0	0
23 Subtotal Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
24											
25 Capital Improvement Plan											
26 Planned Projects	160,000	75,000	75,000	75,000	75,000	75,000	0	0	0	0	0
27 Future Projects	0	30,000	30,000	30,000	30,000	30,000	50,000	50,000	50,000	50,000	50,000
28 Subtotal CIP	160,000	105,000	105,000	105,000	105,000	105,000	50,000	50,000	50,000	50,000	50,000
29											
30 TOTAL EXPENSES	1,499,489	1,559,000	1,605,000	1,652,000	1,701,000	1,801,000	1,799,000	1,855,000	1,915,000	1,977,000	2,041,000
31											
32 TOTAL NET REVENUES	(194,489)	(278,000)	(324,000)	(371,000)	(420,000)	(520,000)	(518,000)	(574,000)	(634,000)	(696,000)	(760,000)
33											
34 ENDING FUND BALANCE	2,164,745	1,886,745	1,562,745	1,191,745	771,745	251,745	(266,255)	(840,255)	(1,474,255)	(2,170,255)	(2,930,255)
35											
36											
37 RESERVE FUND TARGETS											
38 Operating Reserve Target (30% of O&M)	311,000	345,300	359,100	373,200	387,900	417,900	433,800	450,600	468,600	487,200	506,400
39 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
40 Debt Service	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822
41 Total Sewer Reserve Target	1,613,822	1,648,122	1,661,922	1,676,022	1,690,722	1,720,722	1,736,622	1,753,422	1,771,422	1,790,022	1,809,222
42 Target Met?	yes	yes	no	no	no	no	no	no	no	no	no
43											
44 DEBT SERVICE COVERAGE											
45 Target - 1.20x (1)	0.89	0.43	0.28	0.12	-0.04	-0.37	-0.54	-0.73	-0.93	-1.13	-1.34
46 Target Met?	no	no	no	no	no	no	no	no	no	no	no
47											

1 - Net Operating Revenue (line 18) divided by Total Debt Service (line 23)



### 3.3.8 Sewer Cash Flow Goals

With input from City Staff, L&T developed two sewer cash flow scenarios based on the following three financial objectives.

1. Meet debt service coverage (1.2x)
  - a. The CWSRF loan requires the City to maintain a ratio of 1.2x
2. Meet Sewer Fund reserve targets
  - a. Operating Reserve Target = 30.0% of annual operating costs
  - b. Capital Reserve Target = \$1.0 million
  - c. Debt Service Reserve = Total debt service for one year
3. Maintain positive net revenues
  - a. To ensure that the sewer fund is covering its annual cost of service
  - b. To avoid an operating deficit and dipping into reserves

### 3.3.9 Sewer Cash Flow Scenarios

The cash flow scenarios are as follows:

- **Scenario #1: Inflationary Increases of 4.0%**
  - Based on our projection of future expenses, total sewer operating expenses, on average, are projected to increase by roughly 4.0% each year.
- **Scenario #2: Meet Goals by 2026/27**
  - This scenario includes annual rate increases of 8.5% which allows the Sewer Fund to meet the three objectives by the end of the 5-year Prop 218 period in 2026/27.

### 3.3.10 Cash Flow Projection for Scenario #1: Inflationary Increases of 4.0%

Table 34 includes a cash flow projection *Scenario #1* which includes annual rate increases of 4.0% equivalent to the minimum increase for the sewer fund to cover its operating cost inflation. The cash flow is based on the FY 2021/22 budget and the following assumptions:

#### Revenues

- The beginning Sewer Reserve fund balance is estimated at \$2.36 million as shown on Table 28.
- Sewer Service revenues are based on the FY 2021/22 budget and estimated at \$1.27 million.
- Sewer Connection Fees, Service Late Fees, and all Other Revenues are increased by 3.0% each year.
- Service Late Fees have been cancelled out to fund a Low Income Discount.
- Interest is estimated at \$10,000 beginning in 2022/23 and increases by 1% each year.
- Minimal growth has been included at 0.5% increase per year.



### Expenses

- Salaries & Benefits are increased by 5.0% annually.
- Chemicals have been increased by 600.0% for 2022/23.
- All other expenses are increased by 3.0% each year.
- The only current debt obligation is a loan from the California Department of Water Resources for \$6,980,359. Total payment is \$302,933 and continues through 2043/44.
- Debt service coverage is estimated at 1.20x and is calculated by dividing Net Revenues by Total Debt Service.
- Capital projects for the five-year rate study period (FY 2023 through 2027)) totals \$525,000. Beginning in 2027/28, \$50,000 is included as placeholder for future projects.

**Table 34: Sewer Cash Flow Projection - Scenario #1: Inflationary Increases**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Budget 2021/22	Years 1 - 5: Proposition 218					Years 6 - 10: Extended Projection				
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
3											
4 BEGINNING FUND BALANCE	\$2,359,234	\$2,164,745	\$1,937,745	\$1,717,745	\$1,505,745	\$1,301,745	\$1,056,745	\$875,745	\$702,745	\$536,745	\$378,745
5											
6 REVENUES											
7 Sewer Service	1,270,000	1,321,000	1,374,000	1,429,000	1,486,000	1,545,000	1,607,000	1,671,000	1,738,000	1,808,000	1,880,000
8 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
9 Sewer - Connection	10,000	0	0	0	0	0	0	0	0	0	0
10 Sewer - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
11 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
12 Less: Low Income Rate Assistance	0	(26,000)	(27,000)	(28,000)	(29,000)	(30,000)	(31,000)	(32,000)	(33,000)	(34,000)	(35,000)
12 TOTAL REVENUES	1,305,000	1,332,000	1,385,000	1,440,000	1,497,000	1,556,000	1,618,000	1,682,000	1,749,000	1,819,000	1,891,000
13											
14 EXPENSES											
15 Operating	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
16 Subtotal Operating Expenses	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
17											
18 Net Operating Revenues	268,445	181,000	188,000	196,000	204,000	163,000	172,000	180,000	187,000	195,000	203,000
19											
20 Debt Service											
21 Current Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
22 Future Debt Service	0	0	0	0	0	0	0	0	0	0	0
23 Subtotal Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
24											
25 Capital Improvement Plan											
26 Planned Projects	160,000	75,000	75,000	75,000	75,000	75,000	0	0	0	0	0
27 Future Projects	0	30,000	30,000	30,000	30,000	30,000	50,000	50,000	50,000	50,000	50,000
28 Subtotal CIP	160,000	105,000	105,000	105,000	105,000	105,000	50,000	50,000	50,000	50,000	50,000
29											
30 TOTAL EXPENSES	1,499,489	1,559,000	1,605,000	1,652,000	1,701,000	1,801,000	1,799,000	1,855,000	1,915,000	1,977,000	2,041,000
31											
32 TOTAL NET REVENUES	(194,489)	(227,000)	(220,000)	(212,000)	(204,000)	(245,000)	(181,000)	(173,000)	(166,000)	(158,000)	(150,000)
33											
34 ENDING FUND BALANCE	2,164,745	1,937,745	1,717,745	1,505,745	1,301,745	1,056,745	875,745	702,745	536,745	378,745	228,745
35											
36											
37 RESERVE FUND TARGETS											
38 Operating Reserve Target (30% of O&M)	311,000	345,300	359,100	373,200	387,900	417,900	433,800	450,600	468,600	487,200	506,400
39 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
40 Debt Service	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822
41 Total Sewer Reserve Target	1,613,822	1,648,122	1,661,922	1,676,022	1,690,722	1,720,722	1,736,622	1,753,422	1,771,422	1,790,022	1,809,222
42 Target Met?	yes	yes	yes	no	no	no	no	no	no	no	no
43											
44 DEBT SERVICE COVERAGE											
45 Target - 1.20x (1)	0.89	0.60	0.62	0.65	0.67	0.54	0.57	0.59	0.62	0.64	0.67
46 Target Met?	no	no	no	no	no	no	no	no	no	no	no
47											

1 - Net Operating Revenue (line 18) divided by Total Debt Service (line 23)

### 3.3.11 Cash Flow Projections for Scenario #2: Meet Goals by 2026/27

Table 35 includes the same assumptions as Table 34 but includes 9.0% annual rate increases to meet the three financial goals by the end of the five-year rate study period in 2026/27.

**Table 35: Sewer Cash Flow Projection - Scenario #2: Meet Goals by 2026/27**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Budget	Years 1-5: Proposition 218					Years 6-10: Extended Projection				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1 Overall Revenue Adjustment		8.0%	8.0%	8.0%	8.0%	8.0%	4.0%	4.0%	4.0%	4.0%	4.0%
2 Rate Increase Effective		Jul 1, 2022	Jul 1, 2023	Jul 1, 2024	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028	Jul 1, 2029	Jul 1, 2030	Jul 1, 2031
3											
4 BEGINNING FUND BALANCE	\$2,359,234	\$2,164,745	\$1,988,745	\$1,876,745	\$1,836,745	\$1,875,745	\$1,952,745	\$2,106,745	\$2,282,745	\$2,479,745	\$2,698,745
5											
6 REVENUES											
7 Sewer Service	1,270,000	1,372,000	1,482,000	1,601,000	1,729,000	1,867,000	1,942,000	2,020,000	2,101,000	2,185,000	2,272,000
8 Interest Income	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
9 Sewer - Connection	10,000	0	0	0	0	0	0	0	0	0	0
10 Sewer - Service Late Fees	25,000	26,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	35,000
11 Other Revenues	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
12 Less: Low Income Rate Assistance	0	(26,000)	(27,000)	(28,000)	(29,000)	(30,000)	(31,000)	(32,000)	(33,000)	(34,000)	(35,000)
12 TOTAL REVENUES	1,305,000	1,383,000	1,493,000	1,612,000	1,740,000	1,878,000	1,953,000	2,031,000	2,112,000	2,196,000	2,283,000
13											
14 EXPENSES											
15 Operating	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
16 Subtotal Operating Expenses	1,036,555	1,151,000	1,197,000	1,244,000	1,293,000	1,393,000	1,446,000	1,502,000	1,562,000	1,624,000	1,688,000
17											
18 Net Operating Revenues	268,445	232,000	296,000	368,000	447,000	485,000	507,000	529,000	550,000	572,000	595,000
19											
20 Debt Service											
21 Current Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
22 Future Debt Service	0	0	0	0	0	0	0	0	0	0	0
23 Subtotal Debt Service	302,934	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
24											
25 Capital Improvement Plan											
26 Planned Projects	160,000	75,000	75,000	75,000	75,000	75,000	0	0	0	0	0
27 Future Projects	0	30,000	30,000	30,000	30,000	30,000	50,000	50,000	50,000	50,000	50,000
28 Subtotal CIP	160,000	105,000	105,000	105,000	105,000	105,000	50,000	50,000	50,000	50,000	50,000
29											
30 TOTAL EXPENSES	1,499,489	1,559,000	1,605,000	1,652,000	1,701,000	1,801,000	1,799,000	1,855,000	1,915,000	1,977,000	2,041,000
31											
32 TOTAL NET REVENUES	(194,489)	(176,000)	(112,000)	(40,000)	39,000	77,000	154,000	176,000	197,000	219,000	242,000
33											
34 ENDING FUND BALANCE	2,164,745	1,988,745	1,876,745	1,836,745	1,875,745	1,952,745	2,106,745	2,282,745	2,479,745	2,698,745	2,940,745
35											
36											
37 RESERVE FUND TARGETS											
38 Operating Reserve Target (30% of O&M)	311,000	345,300	359,100	373,200	387,900	417,900	433,800	450,600	468,600	487,200	506,400
39 Capital Reserve Target (\$1M)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
40 Debt Service	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822	302,822
41 Total Sewer Reserve Target	1,613,822	1,648,122	1,661,922	1,676,022	1,690,722	1,720,722	1,736,622	1,753,422	1,771,422	1,790,022	1,809,222
42 Target Met?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
43											
44 DEBT SERVICE COVERAGE											
45 Target - 1.20x (1)	0.89	0.77	0.98	1.21	1.48	1.60	1.67	1.75	1.82	1.89	1.96
46 Target Met?	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
47											

1 - Net Operating Revenue (line 18) divided by Total Debt Service (line 23)

### 3.3.12 Sewer Scenario Comparison

Table 36 includes a summary of the proposed rate adjustments and the three financial goals for both scenarios. As discussed, the sewer fund is currently not meeting its coverage requirement of 1.20. With the inflationary 4% increases included *Scenario #1*, it is projected that the sewer fund will continue to miss debt service coverage and operate in a deficit and will not meet its reserve fund targets beginning in 2023/24 as reserves are drawn down. With the 9.0% annual rate increases recommended in *Scenario #2*, the sewer fund is expected to meet all three financial goals by 2026/27.

L&T presented both sewer rate scenarios at the February 15, 2022 City Council Meeting. The City Council elected to move forward with the proposed rate increases set forth in *Scenario #2: Meet Goals by 2026/27*.

**Table 36: Sewer Scenario Goal Comparison**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

**PROPOSED RATE INCREASES**

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: Inflationary Rate Increases	-	4.0%	4.0%	4.0%	4.0%	4.0%
Scenario #2: Meet Goals by 2026/27	-	8.0%	8.0%	8.0%	8.0%	8.0%

**GOAL 1 : MEET DEBT SERVICE COVERAGE**

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
Debt Service Coverage Ratio Required	1.20	1.20	1.20	1.20	1.20	1.20
Scenario #1: Inflationary Rate Increases	0.89	0.60	0.62	0.65	0.67	0.54
Scenario #2: Meet Goals by 2026/27	0.89	0.77	0.98	1.21	1.48	1.60

**GOAL 2: MEET SEWER RESERVE FUND TARGETS**

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: Inflationary Rate Increases	yes	yes	yes	no	no	no
Scenario #2: Meet Goals by 2026/27	yes	yes	yes	yes	yes	yes

**GOAL 3: MAINTAIN POSITIVE NET REVENUES**

	Current 2021/22	Proposed				
		2022/23	2023/24	2024/25	2025/26	2026/27
Scenario #1: Inflationary Rate Increases	(\$194,489)	(\$227,000)	(\$220,000)	(\$212,000)	(\$204,000)	(\$245,000)
Scenario #2: Meet Goals by 2026/27	(\$194,489)	(\$176,000)	(\$112,000)	(\$40,000)	\$39,000	\$77,000



### 3.4 Sewer Cost Allocation

The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from sewer rates. The cost of service allocation determines how revenues will be recovered from customers based on their estimated impact on the sewer system. Proposition 218 requires that agencies providing “property-related services” (including sewer service) set rates and charges that are based on the cost of providing those services.

#### 3.4.1 Current Sewer Service Revenues - Fixed vs. Variable Revenue Recovery

Table 37 summarizes what percentage of Sewer Service Revenues is currently derived from the Fixed Charges vs. Volume Charges. On average, the City collects roughly 70.5% of total Sewer Service Revenues from the Fixed Charge and 29.5% from the Volume Charges. Based on input from staff, the City would like to maintain the current 70% fixed / 30% variable revenue recovery because the majority of the sewer system expenses are fixed. Moreover, maintaining a higher fixed revenue recovery percentage provides added stability from fluctuations in revenues due to a reduction in water consumption.

**Table 37: Current Sewer Service Revenues - Fixed vs. Variable Sewer Revenue Recovery  
City of Rio Dell  
Water and Sewer Rate Study**

	2018/19	2019/20	2020/21	Three-Year Avg
Fixed Charges	\$865,108	\$891,292	\$928,822	\$895,074
Volume Rate	<u>\$387,983</u>	<u>\$372,039</u>	<u>\$363,625</u>	<u>\$374,549</u>
Total Sewer Service Revenues	\$1,253,091	\$1,263,331	\$1,292,447	\$1,269,623
Fixed Charges	69.0%	70.6%	71.9%	70.5%
Volume Rate	<u>31.0%</u>	<u>29.4%</u>	<u>28.1%</u>	<u>29.5%</u>
Total Sewer Service Revenues	100.0%	100.0%	100.0%	100.0%

Source: UB Activity with Consumption FY 2018 2019, FY 2019 2020, FY 2020 2021

#### 3.4.2 Overview of Sewer Cost Allocation Methodology

The determination of the sewer flows, sewer loadings, and the revenue requirements of the sewer utility provide the basis for performing the cost of service analysis. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the strength of sewer.

The key factors used to assign sewer utility costs are estimated effluent (flow) going to the wastewater treatment plant and effluent strengths, measured in biochemical oxygen demand (BOD) and total suspended solids (TSS). Higher levels of BOD or TSS typically equate to increased treatment costs. The



total revenue requirement shown in the sewer cash flow projections is the net cost of providing service and is allocated to the flow, BOD and TSS parameters. These allocations are then used as the basis to develop unit rates for the sewer parameters and to assign costs to each customer classes in proportion to the sewer services rendered.

Using the 2022/23 budget as the base year, sewer expenses are allocated to the following categories (a) Base, (b) Flow, and (c) Strength typically measured in biochemical oxygen demand (BOD) and total suspended solids (TSS).

- *Base Costs:* Base costs represent the fixed expenditures of the sewer utility, including personnel costs and overhead expenses. These fixed costs are allocated based on the total number of sewer accounts or meters.
- *Flow Costs:* Volume- or flow-related costs that vary with the total quantity of wastewater collected. Because most agencies do not meter wastewater discharges, metered water consumption is used to estimate contributed average wastewater volume units of service.
- *Strength Costs:* Strength-related costs are those expenditures associated with the additional handling and treatment of high strength sewer. Sewer strength is typically measured in BOD and TSS. Increased levels of BOD or TSS typically equate to increased treatment costs.

### **3.4.3 70% Fixed/30% Variable Cost Allocation**

Table 38 provides the updated cost allocation for a 70.0% Fixed / 30.0% Variable Revenue Recovery.

**Table 38: 70% Fixed / 30% Variable Sewer Cost Allocation**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

Expenses	FY2022/23 Budget	Cost Allocation %				
		Base	Flow	BOD	TSS	Total
<i>Operating Expenses</i>						
Salaries & Benefits	\$536,000	70%	10%	10%	10%	100%
5109 Chemicals	\$175,000	70%	10%	10%	10%	100%
Professional Services	\$101,000	70%	10%	10%	10%	100%
5135 Maintenance - Repair	\$35,000	70%	10%	10%	10%	100%
Insurance	\$38,000	70%	10%	10%	10%	100%
Utilities	\$188,000	70%	10%	10%	10%	100%
Regulatory Fees & Other Fees	\$17,000	70%	10%	10%	10%	100%
Computer Software & Maintenance	\$11,000	70%	10%	10%	10%	100%
Public Works	\$40,000	70%	10%	10%	10%	100%
<u>Other Operating Expenses</u>	<u>\$85,000</u>	<u>70%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>100%</u>
Subtotal Operating Expenses	\$1,226,000	\$858,000	\$123,000	\$123,000	\$123,000	\$1,226,000
<i>Non-Operating Expenses</i>						
Debt Service	\$303,000	70%	10%	10%	10%	100%
<u>Capital Improvement Plan</u>	<u>\$105,000</u>	<u>70%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>100%</u>
Subtotal Debt Service	\$408,000	\$286,000	\$41,000	\$41,000	\$41,000	\$408,000
<b>TOTAL EXPENSES</b>	<b>\$1,634,000</b>	<b>\$1,144,000</b>	<b>\$164,000</b>	<b>\$164,000</b>	<b>\$164,000</b>	<b>\$1,634,000</b>
<b>PROPOSED COST ALLOCATION %</b>		<b>70.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>100.0%</b>

### 3.5 Sewer Rate Design

The cost of service analysis calculated the revenue requirements for each customer class. The next step is rate design which determines how those revenue requirements are collected from each class based on their estimated impact on the sewer system. The City proposes to maintain its current wastewater rate structure in which the City added a volumetric component to the rates in 2014. The objective was to achieve rate equitability so that lower wastewater users pay a lower monthly bill than high wastewater users. Hence, each customer pays a wastewater bill more closely proportional to how they contribute to the wastewater system. Moreover, all customer classes will continue to pay the same fixed charge.

### 3.5.1 Sewer Flow and Loadings

Table 39 summarizes the flow and strength characteristics by customer class. Sewer flow is based on 2020/21 billing data for the winter months of December through February. The strength factors and sewer loadings are from the *2014 City of Rio Dell Wastewater Rate and Capacity Fee Study (2014 Study)*, the guidelines from the State Water Resources Control Council (SWRCB) Revenue Program, and standards utilized by other wastewater agencies.

**Table 39: Sewer Flow and Loadings  
City of Rio Dell  
Water and Sewer Rate Study**

Customer Class	BASE		FLOW (1)		BOD			TSS			Sewer Strength Factor
	Accounts	Factor	Flow (ccf)	Flow (MG)	Strength (mg/l)	Loadings (lbs)	Factor	Strength (mg/l)	Loadings (lbs)	Factor	
Low Strength	9	0.6%	240	0.2	100	150	0.1%	100	150	0.1%	0.80
Domestic Strength	1,440	98.1%	77,781	58.2	200	97,045	97.0%	200	97,045	97.0%	1.00
Medium Strength	4	0.3%	108	0.1	450	303	0.3%	450	303	0.3%	1.50
High Strength	15	1.0%	720	0.5	575	2,583	2.6%	575	2,583	2.6%	1.75
Total	1,468	100.0%	78,849	59.0		100,080	100.0%		100,080	100.0%	

1 - Based on 2020/21 billing data

### 3.5.2 Projected Sewer Accounts & Sewer Flow

Table 40 shows a projection of sewer accounts and flow for the rate study period through 2026/27.

Growth is estimated at 0.5% each year for both accounts and flow.

**Table 40: Projected Sewer Accounts & Sewer Flow**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED - RATE STUDY PERIOD				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>NUMBER OF EDUS (1)</b>							
Increase %		0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
<i>Customer Class</i>							
Low Strength	9	9	9	9	9	9	9
Domestic Strength	1,440	1,440	1,447	1,454	1,462	1,469	1,476
Medium Strength	4	4	4	4	4	4	4
<u>High Strength</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
Total Sewer EDUs (1)	1,468	1,468	1,475	1,483	1,490	1,498	1,505
<b>SEWER FLOW</b>							
Increase %		0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
<i>Customer Class</i>							
Low	240	240	241	242	244	245	246
Domestic	77,781	77,781	78,170	78,561	78,954	79,348	79,745
Medium	108	108	109	109	110	110	111
<u>High</u>	<u>720</u>	<u>720</u>	<u>724</u>	<u>727</u>	<u>731</u>	<u>735</u>	<u>738</u>
Total Estimated Flow (ccf)	78,849	78,849	79,243	79,639	80,038	80,438	80,840

1 - EDU = equivalent dwelling unit

### 3.5.3 Scenario #2: Meet Goals by 2026/27 - Fixed Charge Rate Derivation

Table 41 details the rate derivation for the Fixed Charge for *Scenario #2: Meet Goals by 2026/27* based on a 70% Fixed and 30% Variable revenue recovery. For the rate study period, the “Fixed Revenue Requirement” for each year is divided by the “Total Number of EDUs” to derive a monthly “Fixed Charge per EDU.” The proposed 2022/23 Fixed Charge for *Scenario #2* is \$54.28, representing a \$1.50 (or 2.8%) increase from the current Fixed Charge of \$52.78.

The rates have been calculated to increase total Sewer Service Revenues by 9.0% each year. However, for 2022/23, the proposed revenue adjustments in the cash flow do not directly correlate to the same increase in rates because the cost of service analysis reallocates the required revenue proportionate to each customer class’s demand on the sewer system.



Table 41: Scenario #2A: Meet Goals by 2026/27 - Sewer Fixed Charge Derivation  
 City of Rio Dell  
 Water and Sewer Rate Study

	Current	PROJECTED - RATE STUDY PERIOD				
		2022/23	2023/24	2024/25	2025/26	2026/27
<b>Total Revenue Requirement (1)</b>		\$1,372,000	\$1,482,000	\$1,601,000	\$1,729,000	\$1,867,000
<b>Fixed/Variable Allocation</b>						
Fixed Charge		70.0%	70.0%	70.0%	70.0%	70.0%
<u>Variable Charge</u>		30.0%	30.0%	30.0%	30.0%	30.0%
Total		100.1%	100.1%	100.1%	100.1%	100.1%
<b>Fixed Charge Calculation</b>						
Fixed Revenue Requirement		\$960,949	\$1,037,993	\$1,121,340	\$1,210,992	\$1,307,647
Total Number of EDUs		1,475	1,483	1,490	1,498	1,505
Monthly Fixed Charge per EDU	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
\$ Change		\$1.50	\$4.06	\$4.37	\$4.68	\$5.01
% Change		2.8%	7.5%	7.5%	7.5%	7.4%

1 - Table 35, Line 7

### 3.5.4 Scenario #2: Meet Goals by 2026/27 - 2022/23 Sewer Volume Rate Derivation

Table 42 demonstrates how the Volume Charge for 2022/23 is calculated for *Scenario #2A: Meet Goals by 2026/27* based on a 70% Fixed and 30% Variable revenue recovery. The total "Volume Rate Recovery \$" is first apportioned to flow, BOD and TSS using the "Cost Allocation %" (60% to Flow, 20% to BOD, and 20% to TSS). These percentages are based on the allocations from the 2014 Study. Next, the "Cost Allocation \$" for each parameter is then divided by its respective loadings (Table 39) to derive unit costs.

**Table 42: Scenario #2A: Meet Goals by 2026/27 - 2022/23 Sewer Volume Rate Derivation  
City of Rio Dell  
Water and Sewer Rate Study**

<b>Allocation to Volume Rate</b>			
FY2022/23 Revenue Requirement (1)		\$1,372,000	
Volume Rate Recovery %		30%	
Volume Rate Recovery \$		\$412,012	
<b>Allocation to Flow, BOD, SS</b>			
	<u>Flow</u>	<u>BOD</u>	<u>TSS</u>
Cost Allocation %	60%	20%	20%
Cost Allocation \$	\$247,000	\$82,000	\$82,000
Total Annual Loadings (2)	78,849	100,080	100,080
Units	ccf	lbs	lbs
Unit Cost	\$3.13 per ccf	\$0.82 per lb	\$0.82 per lb

1 - Table 35, Line 7

2 - Table 39

**3.5.5 Scenario #2A: Meet Goals by 2026/27 - 2022/23 Sewer Volume Rate by Customer Class**

The unit rates Table 42 from are multiplied by each customer class’s respective loadings to determine a total “Volume Rate per ccf” for each customer class. The Volume Rate is the sum of the flow, BOD and TSS unit costs. For Domestic-strength customers, the proposed “Total Volume Rate” for 2022/23 is \$5.18, representing a \$0.60 (or 13.0%) increase from the current Volume Rate of \$4.58.

**Table 43: Scenario #2A: Meet Goals by 2026/27 - 2022/23 Volume Rate by Customer Class  
City of Rio Dell  
Water and Sewer Rate Study**

Customer Class	Wastewater Strength (mg/l)		Unit Rates (\$ per ccf or lb)			Total Volume Rate per ccf (1)
	BOD	TSS	Flow	BOD	TSS	
			\$3.13	\$0.82	\$0.82	
Low Strength	100	100	\$3.13	\$0.51	\$0.51	\$4.15
Domestic Strength	200	200	\$3.13	\$1.02	\$1.02	\$5.18
Medium Strength	450	450	\$3.13	\$2.30	\$2.30	\$7.73
High Strength	575	575	\$3.13	\$2.94	\$2.94	\$9.01

1 - Based on winter consumption (Oct, Nov, Dec & Jan). Residential consumption is capped at 15 ccf.

### 3.5.6 Scenario #2: Meet Goals by 2026/27: Proposed 5-Year Schedule of Sewer Rates

Table 44 summarizes the proposed sewer rates for *Scenario #2: Meet Goals by 2026/27*.

**Table 44: Scenario #2: Meet Goals by 2026/27 – Proposed Sewer Rates**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

	Current 2021/22	PROJECTED - RATE STUDY PERIOD				
		2022/23	2023/24	2024/25	2025/26	2026/27
<b>FIXED MONTHLY CHARGE</b>	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<b>VOLUME RATE PER CCF</b>						
Low Strength	\$3.66	\$4.15	\$4.49	\$4.85	\$5.24	\$5.66
Domestic Strength	\$4.58	\$5.18	\$5.59	\$6.04	\$6.52	\$7.04
Medium Strength	\$6.87	\$7.73	\$8.35	\$9.02	\$9.74	\$10.52
High Strength	\$8.01	\$9.01	\$9.73	\$10.51	\$11.35	\$12.26

1 - Based on winter consumption (Oct, Nov, Dec & Jan). Residential consumption is capped at 15 ccf.

### 3.5.7 Sewer Bill Impacts

Table 45 includes a sample of bill impacts for residential and commercial customers for *Scenario #2*. Due to the updated cost of service allocation, the bill impacts to customers for the first year will vary based on customer class and actual consumption.

**Table 45: Scenario #2A: Meet Goals by 2026/27 - Sample Sewer Bill Impacts**  
**City of Rio Dell**  
**Water and Sewer Rate Study**

RESIDENTIAL/DOMESTIC STRENGTH SAMPLE BILL IMPACTS							
	Monthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>Residential/Domestic Strength - Low User (3 ccf)</b>							
Fixed Charge	3	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$13.74</u>	<u>\$15.53</u>	<u>\$16.77</u>	<u>\$18.12</u>	<u>\$19.56</u>	<u>\$21.12</u>
Total Monthly Sewer Bill		\$66.52	\$69.81	\$75.11	\$80.83	\$86.95	\$93.52
\$ Change			\$3.29	\$5.30	\$5.72	\$6.12	\$6.57
% Change			4.9%	7.6%	7.6%	7.6%	7.6%
<b>Residential/Domestic Strength - Average User (5 ccf)</b>							
Fixed Charge	5	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$22.90</u>	<u>\$25.89</u>	<u>\$27.95</u>	<u>\$30.20</u>	<u>\$32.60</u>	<u>\$35.20</u>
Total Monthly Sewer Bill		\$75.68	\$80.17	\$86.29	\$92.91	\$99.99	\$107.60
\$ Change			\$4.49	\$6.12	\$6.62	\$7.08	\$7.61
% Change			5.9%	7.6%	7.7%	7.6%	7.6%
<b>Residential/Domestic Strength - High User (15 ccf)</b>							
Fixed Charge	15	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$68.70</u>	<u>\$77.66</u>	<u>\$83.85</u>	<u>\$90.60</u>	<u>\$97.80</u>	<u>\$105.60</u>
Total Monthly Sewer Bill		\$121.48	\$131.94	\$142.19	\$153.31	\$165.19	\$178.00
\$ Change			\$10.46	\$10.25	\$11.12	\$11.88	\$12.81
% Change			8.6%	7.8%	7.8%	7.7%	7.8%

LOW STRENGTH SAMPLE BILL IMPACTS							
	Monthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>Low Strength - 5 ccf</b>							
Fixed Charge	5	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$18.30</u>	<u>\$20.77</u>	<u>\$22.45</u>	<u>\$24.25</u>	<u>\$26.20</u>	<u>\$28.30</u>
Total Monthly Sewer Bill		\$71.08	\$75.05	\$80.79	\$86.96	\$93.59	\$100.70
\$ Change			\$3.97	\$5.74	\$6.17	\$6.63	\$7.11
% Change			5.6%	7.6%	7.6%	7.6%	7.6%
<b>Low Strength - 10 ccf</b>							
Fixed Charge	10	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$36.60</u>	<u>\$41.55</u>	<u>\$44.90</u>	<u>\$48.50</u>	<u>\$52.40</u>	<u>\$56.60</u>
Total Monthly Sewer Bill		\$89.38	\$95.83	\$103.24	\$111.21	\$119.79	\$129.00
\$ Change			\$6.45	\$7.41	\$7.97	\$8.58	\$9.21
% Change			7.2%	7.7%	7.7%	7.7%	7.7%

**MEDIUM STRENGTH SAMPLE BILL IMPACTS**

	Bimonthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>Medium Strength - 5 ccf</b>	5						
Fixed Charge		\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$34.35</u>	<u>\$38.66</u>	<u>\$41.75</u>	<u>\$45.10</u>	<u>\$48.70</u>	<u>\$52.60</u>
Total Monthly Sewer Bill		\$87.13	\$92.94	\$100.09	\$107.81	\$116.09	\$125.00
\$ Change			\$5.81	\$7.15	\$7.72	\$8.28	\$8.91
% Change			6.7%	7.7%	7.7%	7.7%	7.7%
<b>Medium Strength - 10 ccf</b>	10						
Fixed Charge		\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$68.70</u>	<u>\$77.33</u>	<u>\$83.50</u>	<u>\$90.20</u>	<u>\$97.40</u>	<u>\$105.20</u>
Total Monthly Sewer Bill		\$121.48	\$131.61	\$141.84	\$152.91	\$164.79	\$177.60
\$ Change			\$10.13	\$10.23	\$11.07	\$11.88	\$12.81
% Change			8.3%	7.8%	7.8%	7.8%	7.8%

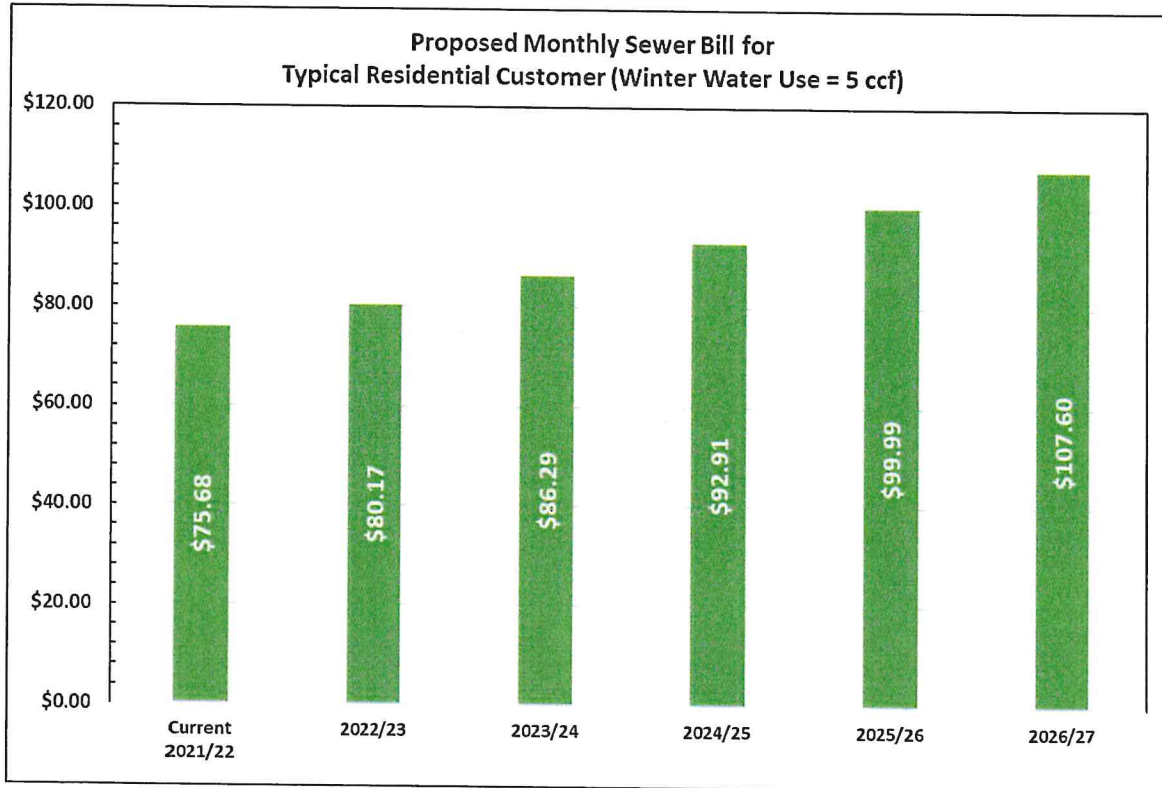
**HIGH STRENGTH BILL IMPACTS**

	Bimonthly Use (ccf)	Current Bill	Proposed				
			2022/23	2023/24	2024/25	2025/26	2026/27
<b>High Strength - 5 ccf</b>	5						
Fixed Charge		\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$40.05</u>	<u>\$45.06</u>	<u>\$48.65</u>	<u>\$52.55</u>	<u>\$56.75</u>	<u>\$61.30</u>
Total Monthly Sewer Bill		\$92.83	\$99.34	\$106.99	\$115.26	\$124.14	\$133.70
\$ Change			\$6.51	\$7.65	\$8.27	\$8.88	\$9.56
% Change			7.0%	7.7%	7.7%	7.7%	7.7%
<b>High Strength - 10 ccf</b>	10						
Fixed Charge		\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<u>Variable Charge</u>		<u>\$80.10</u>	<u>\$90.13</u>	<u>\$97.30</u>	<u>\$105.10</u>	<u>\$113.50</u>	<u>\$122.60</u>
Total Monthly Sewer Bill		\$132.88	\$144.41	\$155.64	\$167.81	\$180.89	\$195.00
\$ Change			\$11.53	\$11.23	\$12.17	\$13.08	\$14.11
% Change			8.7%	7.8%	7.8%	7.8%	7.8%



Figure 5 shows the City's current typical monthly residential sewer bill using 5 ccf (the City's winter average use) with the proposed sewer rates.

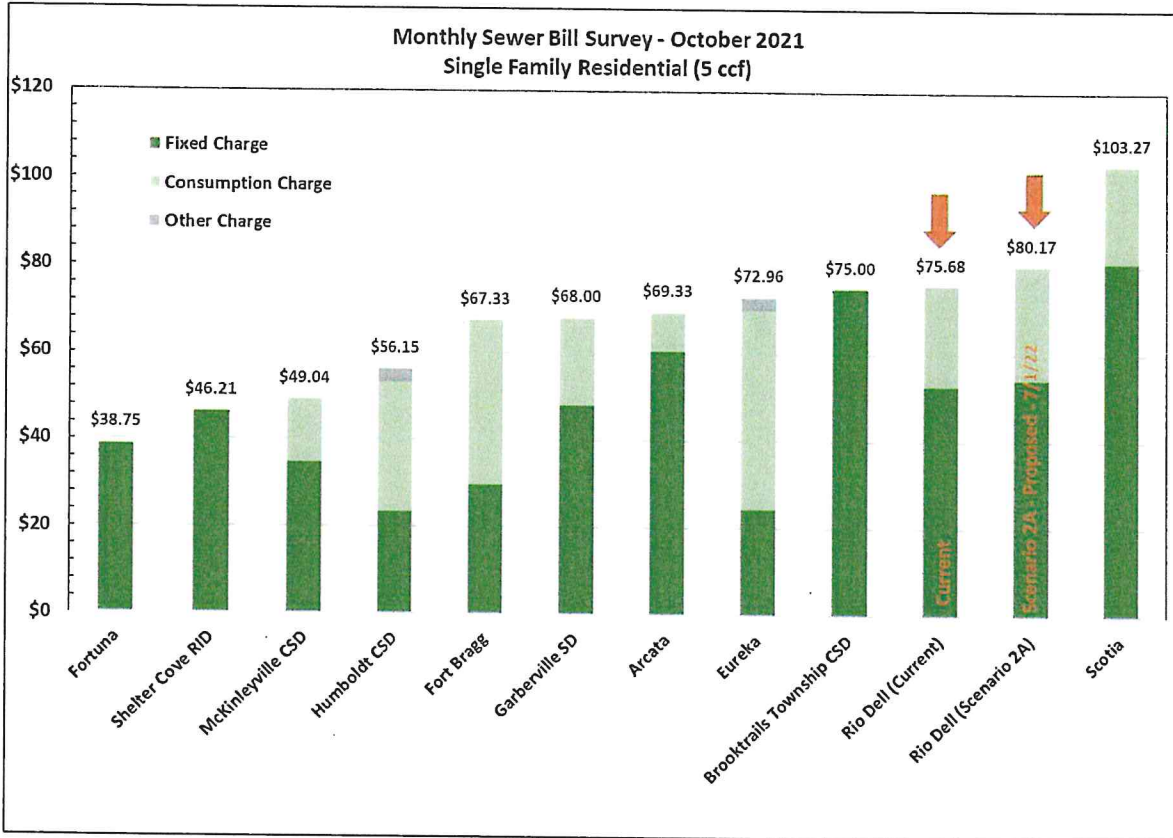
Figure 5: Proposed Monthly Sewer Bill for Typical Residential Customer



### 3.5.8 Regional Sewer Bill Survey

The typical single family customer discharges 5 ccf of sewer flow each month which is the City's average winter water use. The current average sewer bill is \$75.68 per month. Figure 6 compares the City's current average monthly single family residential bill with those of surrounding agencies. The chart shows the proposed 2022/23 bill based on the proposed rates.

Figure 6: Regional Sewer Bill Survey



### 3.6 Sewer Low Income Discount

To comply with Proposition 218's cost of service requirements, water rate revenues from one group of customers cannot be used to subsidize the rates of another group. Instead, the City could utilize non-rate revenues, such as General Fund revenues, interest earnings, or delinquent penalties to fund a new program. Moreover, to eliminate the administrative burden of the City developing its own low-income criteria, it is recommended that the City provide assistance to low income residents who meet the criteria of other local assistance programs such as PG&E's CARE program.

Table 46 calculates a sample low income discount for sewer that is funded from Sewer Late Fees which are estimated at \$25,000 for the current year. The City estimates that approximately 700 customers or nearly 55.0% of all accounts could qualify for a discount based on the PG&E's CARE program requirements. Based on 700 customers, the table shows a monthly discount of \$3.00 per customer. For an average residential customer with 5 ccf monthly water use, this equates to a 3.7% discount off the proposed monthly sewer bill for July 1, 2022.

The low income discount program should be reviewed annually by the City to determine whether the sewer fund has adequate non-rate revenues to fund the program. Because non-sewer rate revenues will be used to pay for the discount, the amount of the low income discount is based on the discretion of the City.

**Table 46: Sewer Low Income Discount  
City of Rio Dell  
Water and Sewer Rate Study**

Total Number of Customers Eligible per PG&E	700
Total 2020/21 Sewer Late Fee Revenue	\$25,000
Annual Discount per Customer (1)	\$35.70
Monthly Discount per Customer (1)	\$3.00
Proposed Average Sewer Bill for July 1, 2022	\$80.17
Proposed Average Sewer Bill with Discount for July 1, 2022	\$77.17
% of Discount	3.7%

1 - Rounded

**Proposition 218 Notification  
NOTICE OF PUBLIC HEARING  
ON PROPOSED WATER & WASTEWATER RATES**

**City of Rio Dell  
675 Wildwood Avenue  
Rio Dell, CA 95562**

**Hearing Date & Time: Tuesday, April 19, 2022 at 6:30 PM  
Hearing Location: City Hall, 675 Wildwood Avenue  
Rio Dell, CA 95562**

***Why Am I Receiving This Notice?***

The City of Rio Dell (City) is proposing increases in water and wastewater rates, effective July 1, 2022. You are receiving this notice because you are either a City utility customer or you own property receiving City utility services. The City Council will hold a public majority protest hearing on **Tuesday, April 19, 2022, at 6:30pm** to consider water and wastewater rate changes for the next five years. If the proposed maximum rates are adopted, the City may collect rates at or below the proposed maximum as needed to meet the City's financial needs.

This notice is intended to provide you with information on the water and wastewater services provided by the City of Rio Dell, the reasons for the change in the monthly service rate, and the methods by which you can protest this rate increase if you so desire.

***Basis of Proposed Rates***

Article XIID of the California Constitution (also known as Proposition 218) requires that providers of public utility services levy service charges that are clearly linked to the cost of providing the service. The water and wastewater utilities rely entirely on rate revenues to fund their operations and are not funded by property taxes or any other tax revenue. The proposed rates are based on a comprehensive cost of service study developed by an independent consultant retained by the City. The cost of service calculation includes expenses such as labor, energy, capital improvement projects, chemicals, supplies, and the cost of providing required maintenance of the system. The rates proposed herein are designed to meet all legal requirements and fairly and equitably recover the required revenue from all customer classes.

**WATER RATES**

***Water System***

The City of Rio Dell provides water service to approximately 1,400 residential and commercial accounts. For its water supply, the City relies primarily on raw water pumped from infiltration galleries under the Eel River to the treatment plant. The City operates and maintains a vast network of pipelines, storage facilities, meters, wells, and fire hydrants to deliver water to customers. The Metropolitan Wells project provided a state-of-the-art filtration system upon the City's old well site and added an additional layer of water security for the City. Water quality is closely monitored by State of California regulatory agencies to ensure compliance with Federal and State mandates.

***Why is a Water Rate Increase Needed?***

The last water rate study was conducted in 2015. The proposed water rate increases are needed to pay for the cost of ongoing maintenance and increased regulations and to replace aging water mains and other infrastructure. Over the next five years, the water system needs about \$15.0 million in improvements, including upgrading the distribution system, retrofitting pipelines in the Eel River Crossing, and seismic retrofitting of the Douglas Tank. By conducting this work, the City will improve system reliability and water quality while preventing water leaks and costly emergency repairs. The City has applied for grants and low cost loans to help pay for these projects.

***Proposed Monthly Water Rates***

The City's current water rate structure includes two components: (a) Base Rate and (b) Consumption Rate. The Base Rate mostly recovers the City's fixed costs to maintain and improve infrastructure. All customers are charged the same Base Rate regardless of water consumption to reflect the fact that even when a customer does not use any water, the City incurs fixed costs associated with maintaining the ability or readiness to serve each connection.

In addition to the Base Rate, all customers pay a Consumption Rate per hundred cubic feet (ccf). One ccf is equal to 748 gallons of water. The Consumption Rate primarily recovers the cost of conveyance of water to customers.

The average residential customer uses 5 ccf of water per month. Under the current rates, the typical residential customer pays \$65.63 per month for water service. Based on the July 1, 2022 proposed rates, the typical bill would decrease to \$62.12 per month, about a 5% decrease. Due to the updated cost of service allocation, actual bill impacts will vary based on your monthly usage. The proposed monthly water rates are shown on the table below.

PROPOSED MONTHLY WATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>BASE RATE</b>	\$49.48	\$45.47	\$46.62	\$47.79	\$48.98	\$50.20
<b>CONSUMPTION RATE per ccf (1)</b>	\$3.23	\$3.33	\$3.37	\$3.41	\$3.46	\$3.50
<b>DINSMORE ZONE CHARGE</b>	\$65.66	\$67.63	\$69.66	\$71.75	\$73.90	\$76.12

1 - One hundred cubic feet (ccf) = 748 gallons

## WASTEWATER RATES

### *Wastewater System*

The City of Rio Dell provides wastewater service to approximately 1,400 residential and commercial accounts. The City's wastewater system consists of a network of wastewater collection pipes, manholes, clean outs, and pumps that convey wastewater to the treatment plant. The City utilizes an aerated activated sludge process to provide secondary treatment of wastewater. In 2013, the City completed a major plant upgrade which replaced the old conventional wastewater plant with the new activated sludge process to address nutrient removal. This project also included construction of the flood irrigation field located in Metropolitan.

### *Why is a Wastewater Rate Increase Needed?*

The last sewer rate study was conducted in 2014. The proposed sewer rate increases reflect the needed improvements to the City's aging wastewater collection and treatment infrastructure and increases in operating and regulatory compliance costs. Over the next five years, the sewer system needs about \$525,000 in improvements. The infrastructure improvements are necessary to replacing aging equipment, deficient sewer mains, and upgrade UV disinfection.

### *Proposed Monthly Wastewater Rates*

The City's current wastewater rate structure includes two components: (a) Fixed Charge and (b) Volume Rate. All customers are charged the same Fixed Charge per equivalent dwelling unit (EDU). An EDU represents a typical single family or multi-family housing unit. The Fixed Charge is the minimum charge for all customers. In addition to the Fixed Charge, customers pay a Volume Rate per ccf based on average consumption during the winter months of December, January, and February of the previous year. Winter water use is commonly used by sewer providers as a basis to estimate wastewater flow. The average monthly winter water use is used to calculate customer bills for all 12 months of the year. For example, if your winter water use is 3 hundred cubic feet (ccf) per month, your wastewater bill for each month of the year will be based on 3 ccf.

The Volume Rate varies based on customer type and the wastewater pollutant loading characteristics of each customer class. For example, restaurants have high strength wastewater flow that includes fats, oils, and grease which is more costly for the City to treat and dispose of than domestic strength flow. Residential customers are considered domestic strength and consumption is capped at 15 ccf per month.

Average winter water use for a typical residential customer is 5 ccf per month. Under the current rates, the typical residential customer pays \$75.68 per month for wastewater service. Based on the July 1, 2022 proposed rates, the typical bill would increase to \$80.17 per month, about a 6% increase. Due to the updated cost of service allocation, actual bill impacts will vary based on your monthly usage and customer strength category. The proposed monthly wastewater rates are shown on the table below.

PROPOSED MONTHLY WASTEWATER RATES						
	Current	2022/23	2023/24	2024/25	2025/26	2026/27
<b>FIXED MONTHLY CHARGE per EDU (1)</b>	\$52.78	\$54.28	\$58.34	\$62.71	\$67.39	\$72.40
<b>VOLUME RATE per ccf (2)</b>						
Low Strength	\$3.66	\$4.15	\$4.49	\$4.85	\$5.24	\$5.66
Domestic Strength	\$4.58	\$5.18	\$5.59	\$6.04	\$6.52	\$7.04
Medium Strength	\$6.87	\$7.73	\$8.35	\$9.02	\$9.74	\$10.52
High Strength	\$8.01	\$9.01	\$9.73	\$10.51	\$11.35	\$12.26

1 - EDU = Equivalent Dwelling Unit.

2 - One hundred cubic feet (ccf) = 748 gallons. Volume Rate is based on three-month average of winter (Dec, Jan, & Feb) water use.

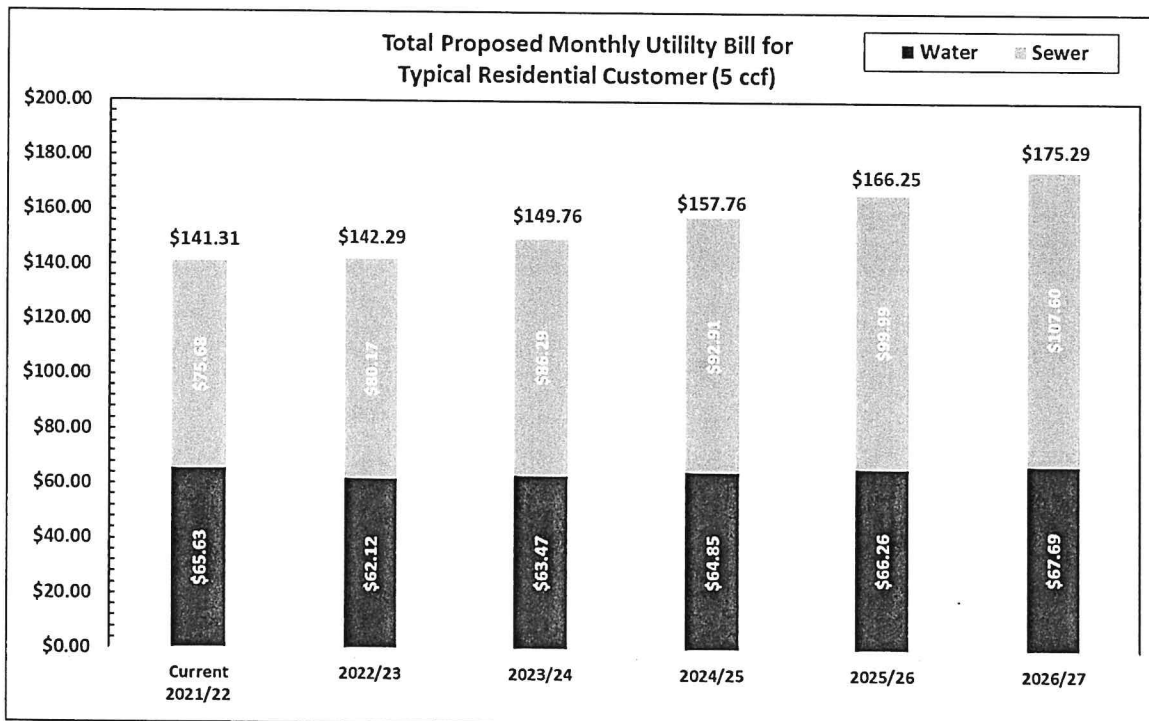
Single family & multi-family residential consumption is capped at 15 ccf per month.

Customer Strength Classes:

- Low Strength: Car wash, office, retail store, school w/o cafeteria, laundromat
- Domestic Strength : Residential, hotel, school with cafeteria, motel, mobile home park, churches, auto shop, gas station, bars without dining
- Medium Strength: Beauty shop, medical office, dental office
- High Strength: Restaurant, market with food prep, bakery

### PROPOSED TYPICAL RESIDENTIAL MONTHLY BILL

The chart below shows the estimated monthly bill for a typical residential customer that consumes 5 ccf of water per month and has an average winter water use of 5 ccf per month. Under the current rates, the typical residential customer pays \$141.31 per month for water and wastewater service. Under the July 1, 2022 proposed rates, the typical bill would increase to \$142.29 per month, about a 1% increase. For future years, the total typical residential bill is projected to increase approximately 5% each year.





## BILL ASSISTANCE

The City may offer a utility bill assistance program for low-income residents. Qualifying customers will receive a \$3 discount on the water bill and \$3 discount on the sewer bill. The bill assistance program will be evaluated annually to determine whether funding is available for the program. Additional information is provided on the City's website or call (707) 764-3532.

## PROPOSITION 218 AND MAJORITY PROTEST PROCESS

In 1996 California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property related fees. Proposition 218 requires that local governments follow a defined process when considering water and wastewater rate increases. The City must: 1) inform property owners and/or rate payers who are responsible for the bill that a proposed rate change is being considered, 2) clearly demonstrate the basis on which these fees are calculated (the rate study), and 3) hold a public hearing at least 45 days after notice where the City hears all protests to the rate increase.

At the public hearing, the City Council will review the amounts of the rates as well as the methodology for calculating the proposed rates. At the conclusion of the hearing, protests will be counted and validated. The provisions of Proposition 218 provides that certain types of "Property Related Fees" are subject to a "majority protest" process. Under the majority protest process, any property owner or customer of record may submit a written protest for the proposed increases; provided, however, that only one protest will be counted per identified parcel.

If protests are filed on behalf of a majority of the parcels subject to the rates before the end of the public hearing, the City Council cannot adopt the proposed rates. If a majority of the parcels do not protest the proposed increase, the City Council has the authority to adopt the proposed rates. Any rate change, if enacted, will take effect no earlier than July 1, 2022.

Additionally, pursuant to California Government Code 53759, which recently went into effect, there will be a 120-day statute of limitations for challenging any new, increased, or extended fee, including water and sewer rates adopted, modified, or amended after January 1, 2022

If you have questions or comments about the proposed rate adjustment or wish to protest, you may:

**Attend the Rate Hearing:** A rate hearing will be held on **Tuesday, April 19, 2022, at 6:30pm** at City Hall, 675 Wildwood Avenue, Rio Dell, CA 95562.

**Write:** A written protest must: 1) state the specific service charge increase (water and/or wastewater) for which the protest is being submitted in opposition; 2) provide the location of the identified parcel (by assessor's parcel number or street address); and 3) include the name and signature of the property owner or customer submitting the protest. Only one written protest may be counted for each affected parcel. A protest submitted via e-mail, fax, or other electronic means will not be accepted. Written protests must be received by the City at 675 Wildwood Avenue, Rio Dell, CA 95562, before the time set for the public hearing.

**Address the City Council:** Attend the Public Hearing on **Tuesday, April 19, 2022, at 6:30pm** at City Hall.

**Questions:** If you have any question about this notice, please call the Finance Department, at (707) 764-3532 during regular business hours.