Water Study Prepared for the Seeley County Water District

At the request of the Seeley County Water District

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Contents

Executive Summary

The Seeley County Water District [SCWD] serves the community of Seeley, California, which has a population of approximately 1,759 residents and a Median Household Income (MHI) of **$56,917 (+/- $10,685)** as estimated by the most recent 5-year American Community Median Household Income Survey (2023). Consisting of water treatment, storage, and distribution facilities owned and operated by the District, SCWD provides water services to an estimated **412** connections.

In 2024, The Rural Community Assistance Corporation (RCAC) received a request from the District to conduct a water rate study that would meet its existing and future revenue needs. Developing a sustainable, fair, and justifiable rate structure was identified as the key objective of this study. The goal of this study, therefore, is to develop a rate structure that will meet this objective.

Developing an appropriate rate structure, RCAC examined financial, water usage and other data provided by the District. RCAC also consulted with SCWD staff to be able to calculate current and future operating and capital needs, projected water usage, community growth, and related reserves. Adjustments to capacity, development, connection, annexation, and other charges, were not included in the scope of this study.

In recent years, the utility has experienced a sharp deterioration in its financial position with operating losses of -$120,896, -$269,871, and -$293,527, occurring annually from FY22-24. Major reasons for the operating deficits include increased operating costs and loss of expected development opportunities (i.e., Coyne Ranch) upon which the existing rate structure was based.

Incorporating standard methodology developed by the American Water Works Association (AWWA), this study proposes a monthly base charge (based on customer meter size) in conjunction with a monthly usage charge for all connections. Stated below with implementation dates provided, the proposed water rate structure will enable the utility to fully meet its projected revenue needs by the end of the FY30 forecast period.

Key assumptions of the study include no growth in system connections, no increase in water consumption, and cost adjustments as presented in the report. The District is strongly encouraged to review the study's projections periodically and make appropriate adjustments as needed.

Proposed SCWD Water Utility Rate Schedule (FY25-FY30)

Meter Size	Current	FY25 (4.24.25)	FY26 (5.01.26)	FY27 (3.01.27)	FY28 (3.01.28)	FY29 (3.01.29)	FY29 (3.01.30)
3/4"	$29.97	$42.59	$53.66	$60.10	$62.38	$64.44	$66.37
1"	$48.95	$70.98	$89.43	$100.16	$103.97	$107.40	$110.62
2"	$158.63	$227.13	$286.18	$320.52	$332.70	$343.68	$353.99
4"	$489.47	$709.78	$894.32	$1001.63	$1039.70	$1074.01	$1106.23
Per-thousand-gallon charge	$1.98	$2.97	$3.74	$4.19	$4.35	$4.49	$4.63

Sample Monthly Bill **(effective 4.24.25)** for customer with ¾" meter and 6,000 gallons monthly consumption:

Total Charge = **$60.41** = Base charge of **$42.59** + Usage Charge of **$17.82** (= 6,000/1000 x $2.97)

1. Introduction

Rural Community Assistance Corporation

Founded in 1978, RCAC is a 501(c) (3) nonprofit organization that provides training, technical and financial resources, and advocacy so rural communities can achieve their goals and visions. For more than 40 years, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality and integrity, have helped rural communities throughout the West achieve positive change.

Purpose of this Rate Study

The purpose of this study is to make THE SEELEY COUNTY WATER DISTRICT aware of the need to raise water rates. The system must be able to maintain operations and build reserves to cover the inevitable need to replace all components of the operation.

Board Responsibilities

The Governing Body has a fiduciary responsibility to set the rates at such a level that the utility will be able to continue to operate now and into the future, including providing funds to replace all parts of the system as they wear out. While this document recommends certain rates, the ultimate decision rests with the Governing Body.

Guiding Principles of This Study

This study is guided by the following principles:

Sustainability: Water rates should cover costs permitting THE SEELEY COUNTY WATER DISTRICT to provide water services now and for the foreseeable future.

Fairness: Water rates should be fair to all ratepayers. No single ratepayer or group of ratepayers should be arbitrarily singled out for different rates.

Ease of Understanding: Water rates should be easy for staff to understand, implement, and explain to customers. The rate structure should be compatible with current utility billing software.

Justifiability: Water rates should be based on sound methodology, verifiable data, and the actual financial needs of the water utility.

Disclaimer

The recommendations contained in this rate study are based on financial information provided to RCAC by the District and its representatives. Although every effort was made to assure the reliability of this

information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein.

Any opinions, findings, and conclusions or recommendations expressed in this material are solely the responsibility of the author and do not necessarily represent the official views of RCAC. For accounting advice, a Certified Public Accountant should be consulted. For legal advice, the association should seek the advice of an attorney.

2. Profile

Community

The Seeley County Water District provides water and sewer services to the census-designated place (CDP) of Seeley, California, a community located about 10 miles north of the U.S.-Mexican Border. The community lies within the Imperial Valley, long known for its diverse and abundant irrigated produce.

Designated a Colonia, Seeley has an estimated Median Household Income (MHI) of $56,917 (+/-$10,685) according on the most recent 5-year American Community Survey (2023).[1] This number is significantly lower than the corresponding state average of $95,521.[2] In the latest decennial census (2020), Seeley had a population of 1729 residents, between the respective populations of 1823 and 1624 recorded in 2010 and 2000 U.S. Censuses.[3]

The Town of Seeley is comprised primarily of residential dwellings along with an elementary school, post office, a community park, and several businesses. In addition to supplying the town's water needs, SCWD also provides water service to the Sunbeam Lake County Park, which includes a recreation vehicle park, and to the Cal-Trans Rest Area on Interstate 8.

Opportunities for growth exist in the SCWD Service Area including the proposed Coyne-Sunbeam Lake Development Project which adjoins Sunbeam Lake. As part of a multi-phase project, the proposed development could involve the construction of 573 homes during the next several years. Due to uncertainty involving these opportunities, the rate study does not assess their impact.

[1] https://data.census.gov/profile/Seeley_CDP,_California?g=160XX00US0670798

[2] https://data.census.gov/profile/California?g=040XX00US06

[3] https://en.wikipedia.org/wiki/Seeley,_California

Utility

Classified as a community public water system, the Seeley County Water District (SCWD) provides potable water to the Town of Seeley in Imperial County. As its sole supply SCWD purchases raw surface water from the Imperial Irrigation District (IID).

The utility is served by two primary water storage facilities with a combined capacity of 1 million gallons and two treatment facilities with an estimated treatment capacity of 0.50 million gallons per day (MGD) as reported by utility staff. There are also two raw water storage ponds that have a combined capacity of 4.3 million gallons. Finished water is conveyed via a combination of C900, ACP and PVC piping ranging from 2" to 12" in diameter.

The utility has identified needed improvements to its water facilities including replacement of variable frequency drives, raw water pumps, and SCADA system upgrades. Customer Base Description

Ending Calendar Year 2024 (CY24), SCWD provided water service to 412 connections consisting of residential, apartment, and commercial categories. Customer meter sizes within these categories range from ¾" to 4". Most of Seeley's customers consist of residential connections with standard ¾" water meters.

Water Usage and Loss

SCWD purchases and treats surface water from the Imperial Irrigation District (IID). Estimates indicate that water loss and unspecified water use constitute less than 4% of the water that IID delivers, which is much lower than most utilities.[4][5]

Billed water consumption has increased modestly in recent years. In CY24 the water system recorded billed usage of 75,648,964 gallons of water.[6] As indicated in Table 1 below, billed water consumption increased 3.7% over the three-year period.

Table 1: Billed Water Consumption (CY22-24)

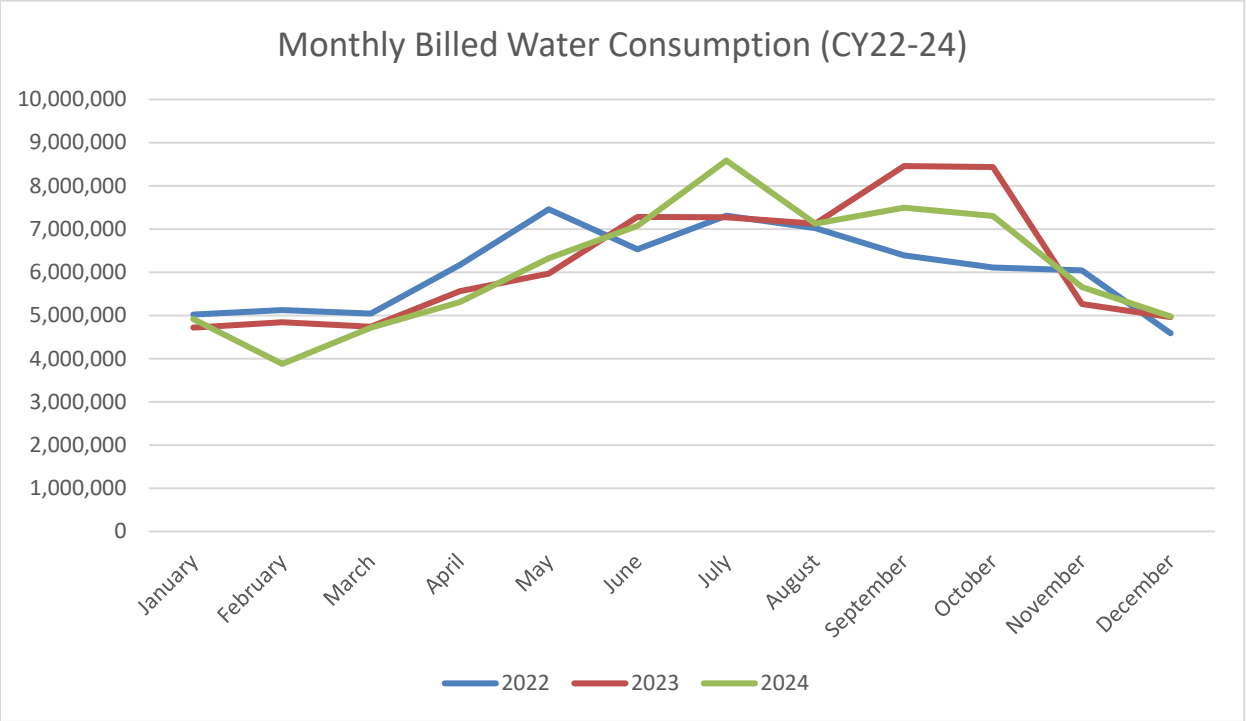
Year	Gallons Billed
2022	72,829,212
2023	74,632,223
2024	75,548,964

As shown in the following chart, billed water consumption fluctuates during the year with extreme summer temperatures (often exceeding 110 degrees Fahrenheit) placing higher demand on the utility

[4] Fuscoe Engineering, inc., Coyne Ranch Water Project Supply Assessment (2016), p. 9.
[5] In its publication "WATER AUDITS AND WATER LOSS CONTROL FOR PUBLIC WATER SYSTEMS" (https://www.epa.gov/sites/production/files/2015-04/documents/epa816f13002.pdf), the US Environmental Protection Agency estimated average water loss in systems at 16%.
[6] Excludes delivery of water to Bates Park, which is not billed (3.713M gallons were provided in CY23).

during these months. System revenue will be affected by both long-term and seasonal variations in water demand.

Chart 1: Monthly Billed Water Consumption (in Millions of Gallons)



Forecasted Water Consumption

Adjustments in forecasted water consumption reflect changes in current billed water usage (conservation factor) and community growth. Based on existing water use patterns, recent population trends, and discussion with Seeley County Water District staff, the rate study forecasts **0%** growth in total *annual* billed water consumption during the FY25-30 forecast period, which the utility will need to monitor closely.

3. Financial Overview

Classification of Revenue and Expenses

The rate study separates revenue earned by the utility into the following categories with **water sales constituting more than 95% of total utility revenue**:

- Operating Revenue (Water Sales) – monthly billed water sales to customer accounts.
- Other Operating Revenue - administrative fees, utility service fees, connection and reconnection charges, bulk water charges, capacity fees and other development charges, et. al.
- Earned Non-Operating Revenue – interest earned on investments.

The rate study separated costs into four categories:

- Base Operating Expenses – these expenses are incurred in the day-to-day operation of the utility. Typical examples include salaries and wages, employee benefits, maintenance & repairs, professional services (accounting, engineering, legal), field and office supplies, software, fuel and vehicle maintenance, supplies, telecommunications, field supplies, postage, printing/publishing/advertising, training, travel, and utilities (electricity).
- Additional Operating Costs – obtained from engineering estimates and other sources, these expenses pertain primarily to additional costs that are incurred when new projects are placed into operation.
- Debt Payments – consists of principal and interest payments on water utility loans.
- Reserves – the rate study several types of reserves: operating, debt, emergency, and capital improvement (or depreciation)

Current Rate Schedule

As presented below, monthly SCWD water bills consist of access or base charge, according to the size of the customer's water meter, as well as a usage charge per thousand gallons of water consumed. As identified, most utility customers have standard ¾" meters from which most monthly water sales revenue is derived.

Table 2: Current SCWD Monthly Water Rate Schedule and Related Data

Meter Size (Inches)	Base Charge	Usage Charge (per thousand gallons)	Number of Connections	Total Billed Water Consumption (CY24)
0.75	$29.37	$1.98	370	45,589,074

1.00	$48.95	$1.98	10	1,374,948
2.00	$158.63	$1.98	31	26,293,118
4.00	$489.47	$1.98	1	2,291,824

As noted, water sales from these sources comprise more than 95% of utility revenue and are therefore a primary concern of this rate study. Evaluation of other system charges and fees was beyond the scope of this study. However, the utility is encouraged to review these charges to ensure adequate cost recovery.

Financial Condition of the Utility

As expressed in the following table, the financial condition of the utility has deteriorated with a combined operating loss of ($684,294) during the three-year period. Contributing factors to the operating deficit include rising expenses and loss of expected development opportunities (i.e., Coyne Ranch) upon which the existing rate structure was based. Left unaddressed, the utility could face insolvency.

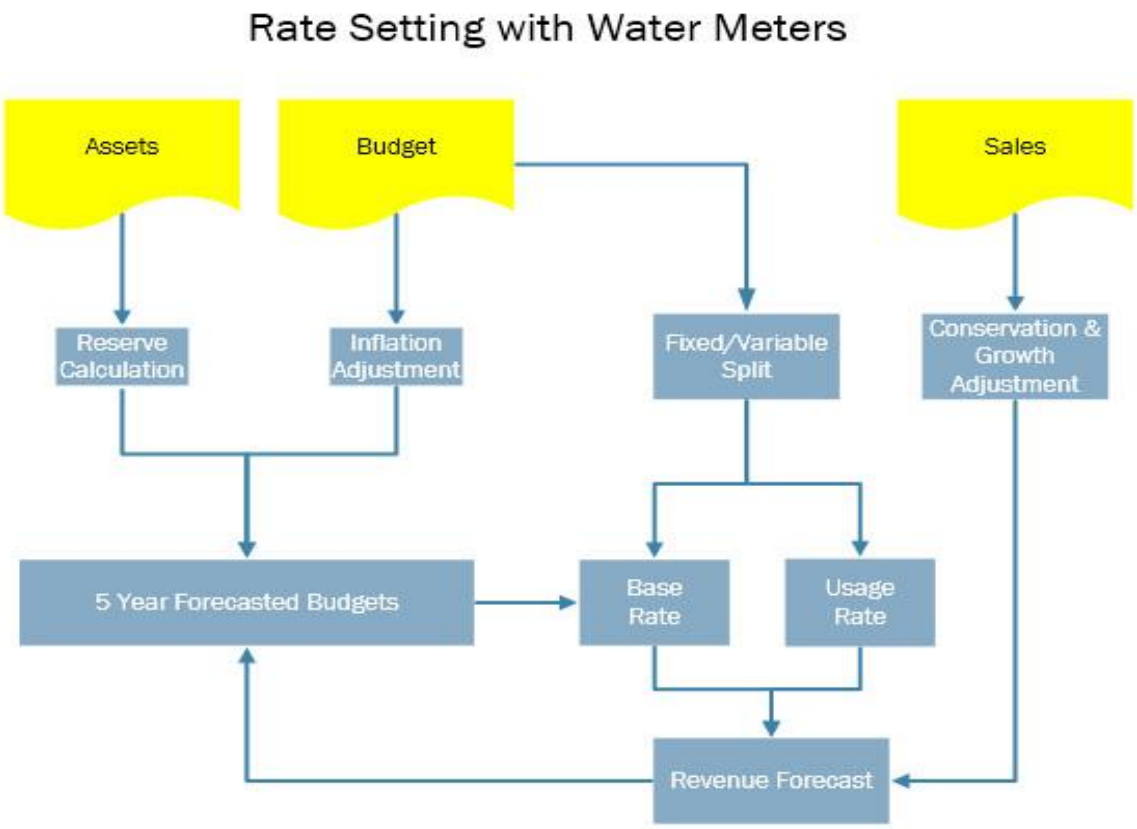
Table 3: Utility Financial Performance (FY22-24)

	FY22	FY23	FY24 (Unaudited)
Operating Revenue	$ 398,462	$ 392,614	$ 378,436
Base Operating Expenses	$ 343,430	$ 456,414	$ 446,963
Depreciation & Amortization	$ 175,928	$ 206,070	$ 225,000
Total Operating Expenses	$ 519,358	$ 662,484	$ 671,963
Net Operating Income	$ (120,896)	$ (269,871)	$ (293,527)

4. Rate Setting Process

Incorporating guidance provided by the American Water Works Association[7], the rate study examined the revenue needs of the water system using the following model:

[7] M1 Principles of Water Rates, Fees and Charges, 7th Edition (2017), American Water Works Association



Under this model, revenue and revenue needs are incorporated into a 5-year budget forecast, which is then adjusted for changes in costs, system connections, per capita water consumption, and billing losses. Revenue needs are split between fixed and variable components, which leads to determination of base and usage charges, and a recommended monthly rate.

5. Utility Revenue Needs

The rate study anticipates that the water utility will need to generate **$4,148,514** to adequately fund its revenue needs over the FY25-30 period. These needs were identified in consultation with District management and are presented below.

Base Operating Costs

As discussed in Section 3, Base operating costs consist of the day-to-day costs needed to operate the utility. Over the 6-year forecast period the utility will need to generate $**3,797,472** to cover these base operating costs**.** The following table summarizes the annual revenue need with a detailed breakdown of base operating costs and cost factors presented in **Exhibit 1** of the Appendix.

Table 4: Summary of Projected Base Costs* **[FY25-30 Total = $3,797,471.89]**

FY25	FY26	FY27	FY28	FY29	FY30
$ $507,924.00	$ 584,085.43	$ 634,669.33	$ 662,818.84	$ 689,874.31	$ 718,099.98

*Excludes Interest Expense, Depreciation & Amortization

Debt Service

The utility currently has a single USDA loan with annual payments of $8,040.06 anticipated including principal and interest. The utility does not expect to incur additional debt during the forecast period. The total expected debt service through FY30 will be **$48,240**.

Table 5: Summary of Debt Service (FY26-30) **[FY25-30 Total = $48,240.34]**

FY25	FY26	FY27	FY28	FY29	FY30
$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06

Reserve Funding

AWWA standards guiding this rate study recommend a review of four types of reserves:

1. Operating Reserve: Operating reserves are established to provide the utility with the ability to withstand short-term cash-flow fluctuations. A 45- to 90-day cash on hand operating reserve is a frequently used industry norm.[8] Following consultation with District representatives, the utility identified a 45-day desired cash balance that would be funded over a 4-year period starting in FY27 with an annual contribution of $19,507.56.
2. Emergency Reserve: Emergency reserves are intended to help utilities deal with short-term emergencies, such as mainline breaks or pump failures, based on the operating history of the facility. Consultation with utility staff identified a total contribution of $80K to be funded at $20K annually over the FY27-30 period.
3. Debt Reserve: In accordance with USDA guidance for long-term loans, RCAC recommends the utility contribute 10% of an annual loan payment each year until a full year's debt payment has

[8] Developing Rates for Small Systems, AWWA Manual M54, 1rst Edition (2004), p. 22

been accumulated. This amount has been satisfied with the utility's existing $9,020 loan reserve balance.

4. Capital Asset Replacement or Depreciation Reserve – The rate study considers funding for replacement of the utility capital assets using a depreciation approach. Under this approach, consistent with the accounting practices of the utility, capital assets that used to operate and maintain the utility are expensed over their useful life. Following consultation with District management, the rate study establishes an annual contribution to a capital reserve fund at 10% of its annual depreciation with a 2% annual growth adjustment factor and a capitalization threshold of $5,000. This approach is motivated by rate affordability constraints and the fact that the utility has historically received extensive grants for the replacement of its capital assets. Adjustments to this contribution schedule may be warranted based on lender requirements and asset management planning.

The following table summarizes the recommended contribution to each reserve account totaling $302,802 over the FY25-30 forecast period. Additional details about the funding of each reserve account including the basis for calculating the depreciation reserve are presented in **Exhibits 2 and 3** of the Appendix.

Table 6: Reserve Contribution Summary **[FY25-30 Total = $302,801.62]**

Seeley County Water District	FY25	FY26	FY27	FY28	FY29	FY30
Operating Reserve			$ 19,507.56	$ 19,507.56	$ 19,507.56	$ 19,507.56
Emergency Reserve			$ 20,000.00	$ 20,000.00	$ 20,000.00	$ 20,000.00
Debt Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation Reserve	$ 22,950.00	$ 23,409.00	$ 23,877.18	$ 24,354.72	$ 24,841.82	$ 25,338.65
Total Reserves	$ 22,950.00	$ 23,409.00	$ 63,384.74	$ 63,862.28	$ 64,349.38	$ 64,846.22

6. Additional Inputs and Considerations

This section discusses additional inputs and considerations used to establish the proposed rate structure.

Sales and Related Adjustments

RCAC verified monthly water sales data for all utility connections for the recent 12-month period ending CY24. This revenue consisted of base and usage rate charges and was used to establish a forecasting basis for the FY25-30 period. As discussed in Section 2, RCAC anticipates no change in either system connections or per capita consumption during the FY25-30 period.

Fixed and Variable Costs

An important aspect of setting equitable rates involves the treatment of fixed and variable costs. Some costs, such as electricity, vary with the amount of water produced, and are known as variable costs, while other costs, such as insurance, do not fluctuate with the production of water and are known as fixed costs. Most costs have both fixed and variable components.

System water rates are based on a combination of fixed (base) charges and variable (usage) charges. In theory, base charges should cover the system's fixed costs, while usage charges should cover the system's variable costs. As identified in **Exhibit 4** of the Appendix, **85.6%** of forecasted system expenses are fixed in nature, amounting to $**3,550,484**, or **$591,747** distributed annually over the FY25-30 forecast period.

Capacity Demand (Meter Equivalency)

Meter size determines the amount of water that can flow to a home or business. Larger meters can place greater demand on the water system and are charged based on that potential. Incorporating this principle, known as capacity demand, the rate study distributed the average annual fixed costs of the utility over the FY25-30 forecast period **($591,747)** to determine the theoretical monthly base rate for each meter.

Applying safe operating capacity demand values, the following table presents this distribution for the SCWD water utility. Following consultation with utility staff, the fixed cost recovery factor was reduced to **49.11%** of the theoretical value, with the resulting initial monthly base rate charges identified in the final column of the table.

Table 7: Capacity Demand and Meter Equivalency

Meter Size in "	Decimal Size	Number of Meters	AWWA Safe Maximum Operating Cap. (GPM)	Max Demand (GPM)	% of Max Demand by Meter Size	Total Fixed Costs Allocated by Meter Size	Theoretical Base Rate by Meter Size per M	% of Theoretcal Base Rate Applied
A	B	C	D	E= D * C	F= % of total	G= % * total	H=G/C/12	49.11%
3/4"	0.750	370	30	11,100	65.06%	$385,017	$86.72	$42.59
1"	1.000	10	50	500	2.93%	$17,343	$144.53	$70.98
2"	2.000	31	160	4,960	29.07%	$172,044	$462.48	$227.13
4"	4.000	1	500	500	2.93%	$17,343	$1,445.26	$709.78
Total		412		17,060	100.00%	**$591,747**		

Full Cost Recovery

As identified, the rate study estimates that 49.11% of fixed charges will be recovered by the base rate. The remaining portion of the utility fixed costs, in addition to the anticipated variable costs, will need to be recovered by a monthly usage charge that will be applied equally to all connections regardless of meter size.[9] Initially, this usage charge is anticipated to increase from the existing $1.98 per thousand gallons used to $2.97 per thousand gallons.

7. Proposed Rate Structure and Impact

Proposed Rate Schedule

Integrating the resources and revenue needs of the utility through FY25-30 forecast period, the rate study identifies the following proposed rate schedule for implementation:

Table 8: FY25-FY30 Proposed Utility Rate Schedule

Meter Size Base Rates	Current Rates	April 24, 2025	May 1, 2026	March 1, 2027	March 1, 2028	March 1, 2029	March 1, 2030
0.750	$29.37	$42.59	$53.66	$60.10	$62.38	$64.44	$66.37
1.000	$48.95	$70.98	$89.43	$100.16	$103.97	$107.40	$110.62
2.000	$158.63	$227.13	$286.18	$320.52	$332.70	$343.68	$353.99
4.000	$489.47	$709.78	$894.32	$1001.63	$1039.70	$1074.01	$1106.23
Rate Per 1000 Gallons	$1.98	$2.97	$3.74	$4.19	$4.35	$4.49	$4.63

[9] This amount will be partially offset by $179,514 in cash reserves noted in Exhibit 2 of the Appendix.

Under the initial increase of the proposed rate structure (April 24, 2025), the monthly bill for a standard residential customer with ¾" meter using 6,000 gallons per month will increase from **$42.59** to **$60.41**, or approximately **$0.64 per day** based on a 30-day billing cycle[10].

FY25-30 Forecasted Budget

Application of the proposed rate increases is shown in the forecasted budget below with the utility fully meeting its projected revenue needs including base operating expenses, debt service, and reserve contributions at the end of the forecast period.

Table 9: FY25-FY30 Forecast Under the Proposed Rate Schedule

Line	Seeley County Water District	FY25	FY26	FY27	FY28	FY29	FY30
1	Monthly Sales	$350,247.81	$ 514,258.42	$ 647,965.61	$ 725,721.48	$ 753,298.89	$ 778,157.76
2	Other Operating Revenue	$ 15,532.89	$ 15,532.89	$ 15,532.89	$ 15,532.89	$ 15,532.89	$ 15,532.89
3	**Total Operating Revenue**	$ 365,780.71	$ 529,791.31	$ 663,498.50	$ 741,254.37	$ 768,831.79	$ 793,690.65
4	Additional Revenue from Service Rate Adjustment	$ 164,010.60	$ 133,707.19	$ 77,755.87	$ 27,577.42	$ 24,858.86	$ 23,344.73
5	Deduction for Partial Year Rate Adjustment	$ (136,675.50)	$ (111,422.66)	$ (51,837.25)	$ (18,384.94)	$ (16,572.58)	$ (15,563.16)
6	Uncollected Accounts (Gain or Loss)	$ -	$ -	$ -	$ -	$ -	$ -
7	**Total Adjusted Operating Revenue**	$ 393,115.81	$ 552,075.84	$ 689,417.12	$ 750,446.84	$ 777,118.07	$ 801,472.23
8	Base Operating Expense*	$ 507,924.00	$ 584,085.43	$ 634,669.33	$ 662,818.84	$ 689,874.31	$ 718,099.98
9	Additional Operating Expense	$ -	$ -	$ -	$ -	$ -	$ -
10	**Total Operating Expenses**	$ 507,924.00	$ 584,085.43	$ 634,669.33	$ 662,818.84	$ 689,874.31	$ 718,099.98
11	**NET OPERATING REVENUE**	$ (114,808.19)	$ (32,009.59)	$ 54,747.79	$ 87,628.01	$ 87,243.77	$ 83,372.24
12	Interest Earned	$ 945.44	$ 945.44	$ 945.44	$ 945.44	$ 945.44	$ 945.44
13	Other Eligible Non Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -
14	**Total Eligible Non Operating Revenue**	$ 945.44	$ 945.44	$ 945.44	$ 945.44	$ 945.44	$ 945.44
15	**NET SYSTEM REVENUE**	$ (113,862.75)	$ (31,064.15)	$ 55,693.23	$ 88,573.45	$ 88,189.21	$ 84,317.68
16	Loan Payments (Principal and Interest)	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06
17	Additional Loans	$ -	$ -	$ -	$ -	$ -	$ -
18	**Total Annual Debt Service**	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06	$ 8,040.06
19	**Amount Available for Reserves**	$ (121,902.81)	$ (39,104.21)	$ 47,653.18	$ 80,533.39	$ 80,149.15	$ 76,277.63
20	**Beginning Cash Balance**	$ 179,514.00	$ 34,661.19	$ (27,852.02)	$ (43,583.58)	$ (26,912.48)	$ (11,112.70)
21	**Net Position Before Reserves**	$ 57,611.19	$ (4,443.02)	$ 19,801.16	$ 36,949.81	$ 53,236.68	$ 65,164.92
22	Operating Reserve			$ 19,507.56	$ 19,507.56	$ 19,507.56	$ 19,507.56
23	Emergency Reserve			$ 20,000.00	$ 20,000.00	$ 20,000.00	$ 20,000.00
24	Debt Reserve	$ -	$ -	$ -	$ -	$ -	$ -
25	Depreciation Reserve	$ 22,950.00	$ 23,409.00	$ 23,877.18	$ 24,354.72	$ 24,841.82	$ 25,338.65
26	**Total Reserves**	$ 22,950.00	$ 23,409.00	$ 63,384.74	$ 63,862.28	$ 64,349.38	$ 64,846.22
27	**Ending Net Position**	$ 34,661.19	$ (27,852.02)	$ (43,583.58)	$ (26,912.48)	$ (11,112.70)	**$ 318.71**
	*Excludes Interest Expense, Depreciation & Amoritzation						

Key Performance Indicators

The following table compares key performance indicators with and without the proposed adjustments. As demonstrated, incorporating the data inputs provided, the utility will be able to operate at a sustainable level. Without adjustments, the financial position of the utility will quickly deteriorate.

[10] $60.41 = $42.59 base charge + (6,000/1000 x $2.97 per thousand gallons consumed).

Table 8: Comparison of Key Performance Indicators

No Change in Monthly Rates	FY25	FY26	FY27	FY28	fY29	FY30	Extension Year
Annual Debt Service	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06
Debt Coverage Ratio	-17.56	-27.03	-33.33	-36.83	-40.19	-43.70	(268.34)
Operating Ratio	0.71	0.62	0.57	0.55	0.52	0.50	0.48
Net Position	7,326.09	(241,482.25)	(580,850.23)	(948,845.27)	(1,344,382.86)	(1,768,642.97)	(2,222,858.78)
Cash Position	$30,276.09	-$195,123.25	-$494,056.49	-$821,598.24	-$1,216,171.20	-$1,639,447.38	-$2,092,659.57
Affordability Ratio	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%
	May-25	May-26	Mar-27	Mar-28	Mar-29	Mar-30	
Proposed Rate Option	FY25	FY26	FY27	FY28	fY29	FY30	Extension Year
# Months Applied	**2**	**2**	**4**	**4**	**4**	**4**	**12**
Annual Debt Service	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06	$8,040.06
Debt Coverage Ratio	-14.16	-3.86	6.93	11.02	10.97	10.49	7.80
Operating Ratio	0.76	0.93	1.07	1.12	1.11	1.10	1.08
Net Position	$34,661.19	($27,852.02)	($43,583.58)	($26,912.48)	($11,112.70)	**$318.71**	($2,642.42)
Cash Position	$57,611.19	$18,506.98	$43,210.16	$100,334.55	$117,098.96	$129,514.30	$127,556.79
Affordability Ratio	1.27%	1.60%	1.80%	1.87%	1.93%	1.98%	1.98%

Note: Key Performance Indicators presented are defined in Exhibit 5 of the Appendix.

Postponing rate adjustments threaten the solvency of the utility with a one-month delay in implementing the initial increase costing the utility $13,687 in lost revenue.[11] Likewise, a 5% reduction in water consumption in response to rising utility rates during the first year of the proposed rate increases would reduce revenue by an estimated $11,219.[12] With an affordability ratio not exceeding 2.0% throughout the forecast period, the rate structure may be deemed affordable based on Seeley's current Median Household Income ($56,917) and typical monthly residential usage of 6,000 gallons as delivered through a ¾" meter. Nevertheless, a more aggressive initial rate increase with a higher proportion of costs covered by the fixed base monthly charge, could pose an economic hardship for residents who may be less financially secure, thus addressing concerns expressed by the District's board and management.

8. Conclusion and Recommendations

In recent years, the utility has experienced a sharp deterioration in its financial position with a combined operating loss of ($684,294) during the past three years (FY22-24). Left unaddressed, the utility faces insolvency, and will be unable to meet its future revenue needs, which have been identified at $4.149M through the end of FY30.

[11] Estimated monthly loss in revenue = *Loss in Base Revenue* [# customers in each meter size class per meter census presented in Table 7 x difference between proposed and existing base rates x #months] + *Loss in Usage Revenue* [75,548,964 billed consumption in CY2024/12 months x difference between proposed and existing usage charges] = $7454 + $6233 = $13,687

[12] 5% loss in water usage = (Annual Usage in CY24/1000 x 5%) x proposed usage charge = (75,548,964/1000) x (5%) x ($2.98) = $11,219.02.

To address current losses and projected revenue needs, RCAC has prepared this rate study for the Seeley County Water District, which provides an equitable path for sustainable operation of the utility. The proposed adjustments, to be phased in over the FY25-30 period, will build needed financial capacity and enable the utility to provide clean, safe drinking water for its customers.

While the scope of this study is limited to a review of monthly sales revenue, which comprises more than 95% of current total operating revenue, the utility is strongly encouraged to review other sources of earned revenue, including connection services, fees, and development charges to ensure full cost recovery. As warranted, the utility could consider charging Bates Park to provide water, which is currently not billed. The utility is also strongly encouraged to further evaluate potential operating efficiencies with the prospect of reducing costs.

In addition to these recommendations, RCAC urges the utility to review rate performance on a periodic basis, especially in conjunction with budget development activities, and make appropriate adjustments as needed.

9. Appendix

Exhibit 1: Forecasted Utility Expenses

Expense	FY25 Budget ($)	FY25 Projected ($)	% Increase	FY26 ($)	Cost Factor	FY27 ($)	Cost Factor	FY28 ($)	Cost Factor	FY29 ($)	Cost Factor	FY30 ($)	Total ($)
Salaries and Wages	193,600	194,646.00	5.0%	204,378.30	5%	256,597.22	5%	295,677.08	5%	310,460.93	5%	325,983.98	1,587,743.50
Salaries and Wages (Staff Additions)	0	0.00		40,000.00		25,000.00				0.00		0.00	65,000.00
Fringe Benefits	46,100	34,018.00		52,900.03		57,660.80		62,868.11	5%	66,011.51	5%	69,312.09	342,770.54
Uniforms/Safety Shoes	1,800	1,800.00	5.0%	1,890.00	3%	1,946.70	3%	2,005.10	3%	2,065.25	3%	2,127.21	11,834.27
Mileage Reimbursement	405	405.00	2.0%	413.10	3%	425.49	3%	438.26	3%	451.41	3%	464.95	2,598.20
Training & Certificate Renewal	1,980	1,980.00	5.0%	2,079.00	3%	2,141.37	3%	2,205.61	3%	2,271.78	3%	2,339.93	13,017.69
Temporary Staffing Services	2,250	2,250.00	5.0%	2,362.50	3%	2,433.38	3%	2,506.38	3%	2,581.57	3%	2,659.01	14,792.83
Materials & Supplies	75,500	75,500.00	6.0%	47,170.00	3%	48,585.10	3%	50,042.65	3%	51,543.93	3%	53,090.25	325,931.94
Maintenance & Repairs	54,200	54,200.00	6.0%	57,452.00	3%	59,175.56	3%	60,950.83	3%	62,779.35	3%	64,662.73	359,220.47
Fuels	2,700	2,700.00	6.0%	2,862.00	3%	2,947.86	3%	3,036.30	3%	3,127.38	3%	3,221.21	17,894.75
Dig Alert	100	100.00	3.0%	103.00	3%	106.09	3%	109.27	3%	112.55	3%	115.93	646.84
Office Services & Maintenance	2,300	2,300.00	5.0%	2,415.00	3%	2,487.45	3%	2,562.07	3%	2,638.94	3%	2,718.10	15,121.56
Office Supplies	2,300	2,300.00	5.0%	2,415.00	3%	2,487.45	3%	2,562.07	3%	2,638.94	3%	2,718.10	15,121.56
Advertising & Publications	500	500.00	3.0%	515.00	3%	530.45	3%	546.36	3%	562.75	3%	579.64	3,234.20
Postage	1,800	1,800.00	5.0%	1,890.00	3%	1,946.70	3%	2,005.10	3%	2,065.25	3%	2,127.21	11,834.27
Financials & Billing Software & Hosting	10,125	10,125.00	2.0%	10,327.50	3%	10,637.33	3%	10,956.44	3%	11,285.14	3%	11,623.69	64,955.10
Bank & Merchant Fees	900	900.00	1.0%	909.00	3%	936.27	3%	964.36	3%	993.29	3%	1,023.09	5,726.00
Penalties and or Late Fees	300	300.00	1.0%	303.00	3%	312.09	3%	321.45	3%	331.10	3%	341.03	1,908.67
Miscellaneous	900	900.00	1.0%	909.00	3%	936.27	3%	964.36	3%	993.29	3%	1,023.09	5,726.00
Subscriptions & Memberships	3,600	3,600.00	5.0%	3,780.00	3%	3,893.40	3%	4,010.20	3%	4,130.51	3%	4,254.42	23,668.53
Accounting Prof. Services	13,500	13,500.00	2.0%	13,770.00	3%	14,183.10	3%	14,608.59	3%	15,046.85	3%	15,498.26	86,606.80
Auditing Services	3,600	3,600.00	3.0%	3,708.00	3%	3,819.24	3%	3,933.82	3%	4,051.83	3%	4,173.39	23,286.28
Other Professional Admin Services	2,700	2,700.00	3.0%	2,781.00	3%	2,864.43	3%	2,950.36	3%	3,038.87	3%	3,130.04	17,464.71
UB Bad Debt - Expenditures	0	0.00	5.0%	0.00	3%	0.00	3%	0.00	3%	0.00	3%	0.00	0.00
Legal	5,400	5,400.00	6.0%	5,724.00	3%	5,895.72	3%	6,072.59	3%	6,254.77	3%	6,442.41	35,789.49
Engineering	2,300	2,300.00	5.0%	5,000.00	3%	5,150.00	3%	5,304.50	3%	5,463.64	3%	5,627.54	28,845.68
Planning	0	0.00	5.0%	5,000.00	3%	5,150.00	3%	5,304.50	3%	5,463.64	3%	5,627.54	26,545.68
Other Professional for Operation	14,100	14,100.00	5.0%	14,805.00	3%	15,249.15	3%	15,706.62	3%	16,177.82	3%	16,663.16	92,701.76
District General Liability Insurance	7,900	7,900.00	10.0%	8,690.00	3%	8,950.70	3%	9,219.22	3%	9,495.80	3%	9,780.67	54,036.39
Licenses and Permits	8,000	8,000.00	6.0%	8,480.00	3%	8,734.40	3%	8,996.43	3%	9,266.32	3%	9,544.31	53,021.47
Compliance -Hazardous Materials Fees	500	500.00	5.0%	525.00	3%	540.75	3%	556.97	3%	573.68	3%	590.89	3,287.30
Pollution Tests	0	0.00	5.0%	0.00	3%	0.00	3%	0.00	3%	0.00	3%	0.00	0.00
Power	45,000	45,000.00	5.0%	47,250.00	3%	48,667.50	3%	50,127.53	3%	51,631.35	3%	53,180.29	295,856.67
Internet & Telephone Services	9,400	9,400.00	5.0%	9,870.00	3%	10,166.10	3%	10,471.08	3%	10,785.22	3%	11,108.77	61,801.17
Deprec. & Amortiz	229,500	229,500.00	2.0%	234,090.00	3%	241,112.70	3%	248,346.08	3%	255,796.46	3%	263,470.36	1,472,315.60
Equipment Outlay	5,200	5,200.00	10.0%	23,409.00	3%	24,111.27	3%	24,834.61	3%	25,579.65	3%	26,347.04	129,481.56
Payment of Existing Debt Service	8,040	8,040.06	0.0%	8,040.06	0%	8,040.06	0%	8,040.06	0%	8,040.06	0%	8,040.06	48,240.37
Base Operating Expenses	518,960	507,924.00	114.99%	**584,085.43**	108.66%	**634,669.33**	104.44%	**662,818.84**	104.08%	**689,874.31**	104.09%	**718,099.98**	**3,797,471.89**

Exhibit 2: Reserve Allocation

Section 1: Cash Assets (H2O and Sewer Funds)				
Type	Balance June 30, 2024	Designation	Restricted	Available Amount
Cash & Cash in Bank	$ 28,171.00	Cash & Cash in Bank	No	$28,171
Emergency	$ 35,000.00	Emergency	No	$35,000
Debt Cash Reserve	$ 9,020.00	Debt Cash Reserve	Yes	$0
Capital Reserve	$ 229,337.49	Capital Reserve	No	$229,337
Cash & Cash in Bank	$ 96,580.00	ACLC	Yes	$0
Stock Investment	$ 7,486.72	Stock Investment	Yes	$0
Stock Investment	$ 7,527.68	Stock Investment	Yes	$0
Total Balance	**$ 413,122.89**		**Unadjusted Balance**	**$292,508**
			Claim on General Fund	$50,000
			Adjusted Available Bal.	$342,508
			Transfer to Water Fund	$179,514
			Transfer to Sewer Fund	$162,994
			Remaining Available Balance	**$0**

Section 2: Reserve Contribution					
Reserve Fund	Target	Description	Amount Needed (FY25-30)	MakeUp Period	Target Annl Contribution
Operating (Days Cash on Hand)	45	Days COH based on FY25-30 avg. annual operating costs. Nominal guidance: 30-90 days	$78,030.24	4	$19,507.56
Emergency	$80,000	As identified by utility	$80,000.00	4	$20,000.00
Debt Reserve	$9,020.00	Per lender requirement. Amount has been met in existing reserve. No additonal funding required.	$0.00	Not Required	Not Required
Capital (Depreciation) Reserve	10.0%	% of FY25-30 estimated depreciation w/2% annual increment based on FY24 estimated depreciation	$144,771.38	Not Applicable	Varies Annually as Incurred

Exhibit 3: Depreciation Basis

The FY24 depreciation schedule presented below provides the basis for calculating contributions to the Capital (Depreciation) Reserve identified in Exhibit 2:

	General Ledger - Water Fund Assets					
Account	Name	2023	2023	2024 Additions	2024 Totals	
200-00-1401	**Land**	155,347			**155,347.00**	
200-00-1410	Structures and Improvements	-		-	**-**	
200-00-1420	Vehicles	80,075			**80,075.00**	
200-00-1430	Equipment - Water Fund	412,685		9,515.64	**422,200.64**	
200-00-1440	Office Quipment	9,920		8,217.74	**18,137.74**	
200-00-1450	Computer Equipment	-	-	14,898.90	**14,898.90**	
200-00-1456	Incode Software Implementation	35,860			**35,860.00**	
200-00-1460	Water Treatment Plant & Improvements	3,044,939		8,689.77	**3,053,628.77**	
200-00-1465	TTHM Water Treatment Improvements	2,007,748			**2,007,748.00**	
200-00-1470	Water Distribution System	2,316,432		4,775.80	**2,321,207.95**	**7,382,584.72**
200-00-1480	Water Share of Other Fencing	4,519			**4,519.00**	
		8,067,525		46,097.85	**7,958,276.00**	
200-00-1411	Acum Dep of Struct and Improv	**-**		-	**-**	
200-00-1451	Accum Depreciation of Computer Eq	**-**	-	(1,419.37)	**(1,419.37)**	
200-00-1481	Accum Depr of Water Share of Other Fencing		(4,143.00)	(376.20)	**(4,519.20)**	
200-00-1441	Accum Depreciation of Office Equip		(9,920.00)	(958.74)	**(10,878.74)**	
200-00-1457	Accum Depreciation of Software Implementation		(11,953.00)	(11,953.00)	**(23,906.00)**	
200-00-1421	Accum Depreciation of Vehicles		(80,074.00)		**(80,074.00)**	
200-00-1431	Accum Depreciation of Equip-Water		(293,664.00)	(16,820.27)	**(310,484.27)**	
200-00-1471	Accum Depreciation of Water Distribution System		(530,549.00)	(63,319.59)	**(593,868.59)**	
200-00-1466	Accum Depreciaton TTHM Water Treatment Improv		(585,596.00)	(59,136.75)	**(644,732.75)**	
200-00-1461	Accum Depreciation of Water Treat Plant & Improv		(1,850,435.00)	(50,193.71)	**(1,900,628.71)**	(3,139,230.05)
		8,067,525	**$ (3,366,334)**	**(204,177.63)**	**(3,570,511.63)**	
			FY24 Unaudited	**$ 225,000.00**	Based on Finance Dept Projections	

Exhibit 4: Allocation of Fixed and Variable Costs (FY25-30)

Fixed vs Variable Expenses				
Desciption	**$ Amount (FY25-30 Avg)**	**% Fixed**	**$ Fixed**	**$ Variable**
Salaries and Wages	264,624	90%	238,162	26,462
Salaries and Wages (Staff Additions)	10,833	90%	9,750	1,083
Fringe Benefits	57,128	90%	51,416	5,713
Uniforms/Safety Shoes	1,972	90%	1,775	197
Mileage Reimbursement	433	90%	390	43
Training & Certificate Renewal	2,170	90%	1,953	217
Temporary Staffing Services	2,465	90%	2,219	247
Materials & Supplies	54,322	90%	48,890	5,432
Maintenance & Repairs	59,870	90%	53,883	5,987
Fuels	2,982	50%	1,491	1,491
Dig Alert	108	100%	108	0
Office Services & Maintenance	2,520	100%	2,520	0
Office Supplies	2,520	100%	2,520	0
Advertising & Publications	539	100%	539	0
Postage	1,972	100%	1,972	0
Financials & Billing Software & Hosting	10,826	100%	10,826	0
Bank & Merchant Fees	954	100%	954	0
Penalties and or Late Fees	318	100%	318	0
Miscellaneous	954	90%	859	95
Subscriptions & Memberships	3,945	100%	3,945	0
Accounting Prof. Services	14,434	100%	14,434	0
Auditing Services	3,881	100%	3,881	0
Other Profesional Admin Services	2,911	100%	2,911	0
UB Bad Debt - Expenditures	0	100%	0	0
Legal	5,965	100%	5,965	0
Engineering	4,808	100%	4,808	0
Planning	4,424	100%	4,424	0
Other Professional for Operation	15,450	100%	15,450	0
District General Liability Insurance	9,006	100%	9,006	0
Licenses and Permits	8,837	100%	8,837	0
Compliance -Hazardous Materials Fees	548	100%	548	0
Pollution Tests	0	100%	0	0
Power	49,309	15%	7,396	41,913
Internet & Telephone Services	10,300	100%	10,300	0
Equipment Outlay	21,580	50%	10,790	10,790
Total Operation and Maintenance Expenses:	632,912	**84.3%**	533,240	99,672
Debt Service	8,040	100%	8,040	0
Operating Reserve	13,005	100%	13,005	0
Emergency Reserve	13,333	100%	13,333	0
Debt Reserve	0	100%	0	0
Depreciation Reserve	24,129	100%	24,129	0
Total Debt Payments and Reserve Contributions:	58,507	**100.0%**	58,507	0
Total All Expenses	691,419		591,747	99,672
Fixed-Variable as % of all Expenses			85.6%	14.4%

Exhibit 5: Definitions

For the context of this rate study, the following definitions are provided for *Key Performance Indicators* are provided:

Operating Ratio – a financial metric that measures a utility's operating efficiency by comparing its operating expenses to its total operating revenue. Formula: [Total Annual Operating Revenue/(Total Annual Operating Costs + Total Annual Debt Service)]. The ratio of less than 1.0 means the utility cannot fund its operations from current annual operating revenues.

Debt Coverage Ratio – The debt coverage ratio measures the utility's available cash flow to pay its current debt obligations. Formula: [(Total Annual Operating Revenue-Total Annual Operating Expenses)/Annual Debt Service]. A ratio of less than 1.0 means the utility cannot meet its annual debt service from current annual operating revenues.

Cash Position – The cash position identifies the cumulative amount of cash that the utility has at the end of each year without reserve contributions.

Net Position – The net position identifies the remaining amount of cash that the utility would have on hand at the end of each year assuming reserves had been funded. If the net position is $0, or more, then the reserves have been fully funded.

Affordability Ratio (Affordability Threshold) - This ratio measures a household's ability to pay for water services by comparing the cost of water or sewer bills to their annual income, typically expressed as a percentage. In the rate study, the water affordability ratio was calculated by dividing the annual user charge at 6,000 gals (assuming a ¾" meter) into the Annual Median Household Income of the community. For a Seeley resident fitting this definition, the Affordability Ratio for the first year of the proposed increase would be equal to the monthly charge x 12/Seeley's Annual Median Household Income = ($60.41 x 12)/($56,917) = 1.27%.