Shasta Community Services District

Water System #4510013, Assistance Referral Number 6150
Requested by: California State Water Resources Control Board

Prepared by:
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December 2020

Rural Community Assistance Corporation
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RCAC is an equal opportunity provider and employer.

November 23, 2020

Zoe Wu
Small Community Technical Assistance
Division of Financial Assistance
State Water Resources Control Engineer
1001 I St. 16th Floor
PO Box 944212
Sacramento, CA 95814

Subject: Shasta Community Services District water rate analysis
Water System #4510013, Assistance Referral Number 6150

Dear Zoe

Enclosed please find the printed final report of the Shasta Community Services District (SCSD).

The report was presented and reviewed by the board of directors at an online meeting on November 18, 2020. The community will be holding a water rate educational meeting in January 2021, and a Proposition 218 hearing will be scheduled at a later time.

If you have any additional questions, feel free to contact me at (308) 641-2807 or Kim Strong at (916) 508-3031

Sincerely,

Michael Boyd

Michael Boyd
Regional Environmental Manager
Community & Environmental Services

Enclosure: Shasta Community Services District Rate Study
CC: Chris Koeper, General Manager, Shasta Community Services District

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Executive Summary

Shasta Community Services District (SCSD) is a public entity organized under the provisions of the Public Utility District Act, Division 7 of the Public Utilities Code of the State of California. SCSD provides its consumers with clean, safe drinking water and fire services. SCSD is governed by a five-member board of directors.

The State Water Resources Control Board (SWRCB) requested a water rate analysis to evaluate four primary areas. They are:

- Determine an adequate rate structure to include Keswick CSA #25 customers
- Analyze reserve requirements for system sustainability
- Review equitability of current rate structure and any recommended rate structure adjustment(s)
- Compare affordability of current rate and any recommended rate structure adjustment(s)

The current rates, revised in 2014 by board decision, were determined to be inadequate to sustain the SCSD projected cost of service for the present and plan for the future.

The completed rate analysis offers two rate adjustment options, both of which include charging a uniform usage rate for all water used by each connection. Each option is only slightly less affordable than the current rate.

In Rate Adjustment Option #1, the base rate is increased by 10 percent to a base rate amount of $58.58 per month for all customers. No usage is included in the base rate. The current usage rate of $8.20 per additional 1,001 – 2,000 cubic feet of water used and $0.82 additional charge for each or any portion of 100 cubic feet used above 2,000 cubic feet was increased to $2.62 per 100 cubic feet for all usage, regardless of meter size or customer type. Subsequent years would require an annual increase equal to four percent for both the base rates and the usage rates. Non-operating revenue, estimated at $10,000 annually, would be utilized to offset operating losses. Operating and emergency reserves are fully funded.

In Rate Adjustment Option #2, the base rate is increased by 10 percent to a base rate amount of $58.58 per month for all customers. No usage is included in the base rate. The current usage rate of $8.20 per additional 1,001 – 2,000 cubic feet of water used and $0.82 additional charge for each or any portion of 100 cubic feet used above 2,000 cubic feet was increased to $2.20 per 100 cubic feet for all usage, regardless of meter size or customer type. Subsequent years would require an annual increase equal to 3.5 percent for both the base rates and the usage rates. Non-operating revenue, estimated at $10,000 annually, would be utilized to offset operating losses.

In Rate Adjustment Option #3, the base rate is increased by 10 percent to a base rate amount of $58.58 per month for active and inactive customers. No usage is included in the base rate. The current usage rate of $8.20 per additional 1,001 – 2,000 cubic feet of water used and $0.82 additional charge for each

or any portion of 100 cubic feet used above 2,000 cubic feet was increased to $2.10 per 100 cubic feet for all usage, regardless of meter size or customer type. Subsequent years would require an annual increase equal to 4.75 percent for both the base rates and the usage rates. In this option, costs of service are fully recovered through rates.

RCAC recommends SCSD monitor rate revenue against costs monthly to manage cash flow and conduct a comprehensive rate analysis in five years or if a change in costs, or revenue occurs. When new equipment is put into service, additional CIP reserves should be funded.

1. Introduction

RCAC

Founded in 1978, RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals and visions. Since 1978, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality and integrity, have helped effect positive change in rural communities across the West.

RCAC's work includes environmental infrastructure (water, wastewater and solid waste facilities), affordable housing development, economic and leadership development, and community development finance. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, Tribal organizations, farmworkers, colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

Purpose of Study

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it also anticipates and plans for future operating and capital needs. Furthermore, the analysis attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility has the ability to obtain sufficient funds to develop, construct, operate, maintain, and manage its water system on a continuing basis, in full compliance with federal, state and local requirements.

Board Responsibilities

Board responsibilities for the system operation include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the board is to ensure public health is preserved and maintain compliance with environmental regulations.

Guiding Principles in a Rate Study

Sustainability

Water rates should cover the costs to the water utility to allow it to provide water services for the foreseeable future and prepare for system repair and replacement. This will allow the system to continue to provide safe drinking water to future generations.

Fair

Water rates should be fair to all rate payers.

The utility should not charge more for water *than* the cost to provide the water. However, the costs should include operations, maintenance, reserves, and all other costs related to the production, treatment and distribution of potable water now and in the foreseeable future. Therefore, the

proposed rates are based on the water utility budget, needed capital repair and replacement, and historic water consumption.

Water Conservation
Water conservation is a key element of rate studies. Clean and safe water is limited, and inappropriate use of this resource negatively impacts community members.

Justifiability
Rates should be easily justifiable. When determining rate recommendations, RCAC considers if the proposed rates are needed, and justifiable, given the true costs of operating the system safely.

State or Funder Specific Requirements
SCSD water system is under funder requirements for reserves and rates and the board is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability. SCSD is required to put one annual payment aside over a 10 year period.

Disclaimer
The findings, recommendations, and conclusions contained in this rate analysis are based on financial information provided to RCAC by SCSD. Although reasonable care was made to ensure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein. Any action taken on the basis of such findings, recommendations, or conclusions is undertaken at the discretion of SCSD. In no event will RCAC or its partners, employees, or agents, be liable for any decision made or action taken in reliance on the information contained in this analysis.

2. Shasta Community Services District

Community

Shasta is a communtiy and census designated place (CDP) in Shasta County, California. Once a bustling town of the 1850s through the 1880s, Shasta was the largest settlement in Shasta County and the surrounding area. Situated about six miles west of Redding, Shasta is now the site of a California State Historic Park. According to the 2010 United States Census, Shasta has an estimated population of 1,771.

Shasta Community Services District (SCSD) is a public entity organized under the provisions of the Public Utility District Act, Division 7 of the Public Utilities Code of the State of California. SCSD provides its consumers with clean, safe drinking water and fire services. SCSD is governed by a five-member board of directors. As of November, 2020, all director positions were filled.

The SCSD requested assistance from RCAC to complete an analysis of the water rates and provide recommendations for appropriate rates to include customers from the Keswick CSA #25 consolidation. The rate analysis was derived using historical water use and financial data provided by SCSD, as well as a five-year budget projection that will assist the board in making prudent financial decisions to ensure the district's long-term viability.

Revenues are derived primarily from service charges.

System Description

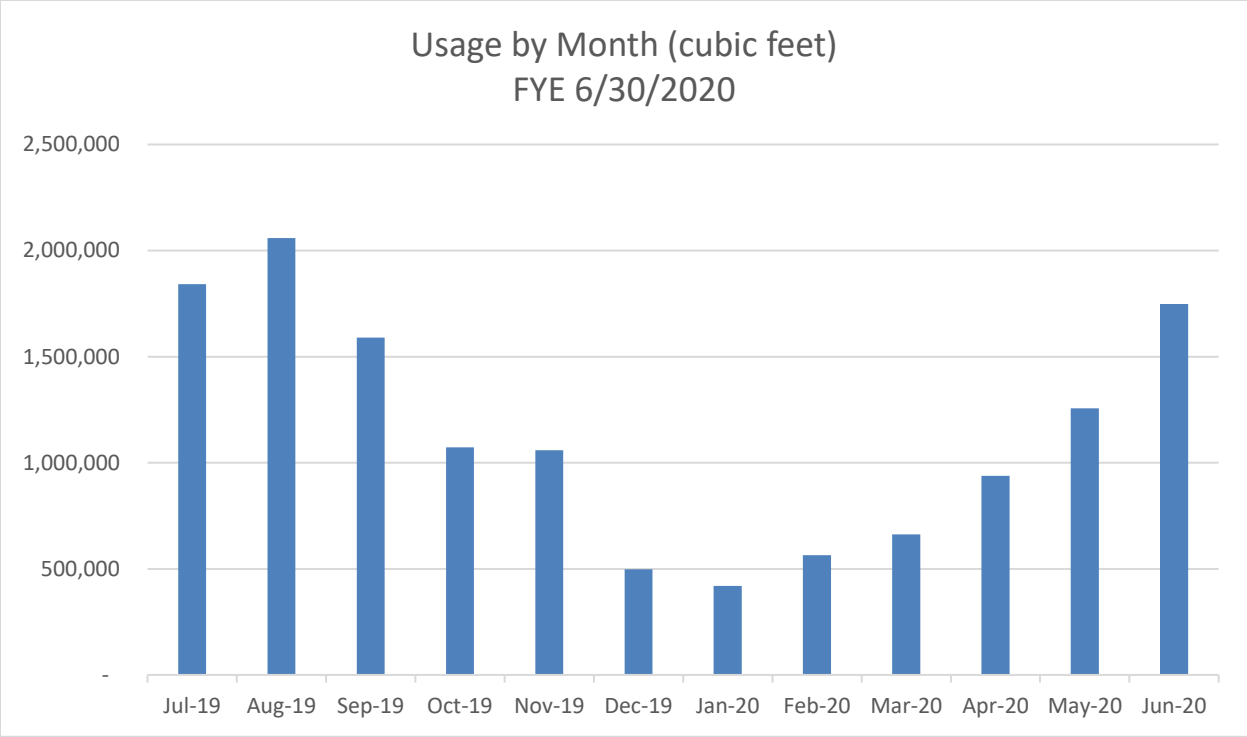
The SCSD water system provides potable water for residential and commercial uses to a total of 940 metered service line connections. The water system uses surface water from Whiskeytown Lake; it has eight potable water tanks and two backwash tanks.

Customer Water Use

When analyzing water rates, it is important to understand existing patterns of consumption among the system's customers. A large portion of customers may use a small percentage of water, and a small portion of customers may use a large percentage. Understanding how customers use water is important when you are considering seasonal operational needs, infrastructure replacement and water use efficiency, to name a few considerations.

TABLE 1: Usage by Month

Monthly customer meter readings for the period July 1, 2019 through June 30, 2020 were evaluated to profile customer usage. Understanding how customers use water is important when you are considering seasonal operational needs and infrastructure replacement and water use efficiency. Since SCSD has a uniform block type rate, water use plays a key role in how much revenue the district takes in.



Future Population and Usage Projections

SCSD serves 940 connections. The population was approximately 1,776 according to the ACS 2018 estimates. While there are vacant properties with connections that could potentially be turned on, community growth to an extent that would materially impact rates is not expected in the foreseeable future. The district needs to collect enough operating revenues to cover its operating expenses and put money aside in its required reserve accounts. Revenues were evaluated with the assumption that SCSD will not be gaining or losing customers over the next five years.

3. Current Financial Condition and Analysis

Rate Structures

The following are types of rates structures common to drinking water systems:

- **Uniform Flat Rate:** Customers pay the same amount regardless of the quantity of water used. This type of rate is easiest to administer; however, it is not fair to the lowest water users and can promote high consumption, which then may cost the utility more to provide that water.
- **Single or Uniform Block Rate:** Customers are charged a constant price per volume regardless of the amount of water used. The cost per block of water is often added to a minimum charge for having service available. This rate tends to be more equitable to customers as the cost to customer is in direct proportion to the amount used.
- **Inclining or Increasing Block Rate:** This rate is designed to promote water use efficiency, as the price of water increases as the amount used increases.

SCSD Current Rate Structure

The system currently has a very complex rate structure. One of the components of this rate analysis was to simplify the rate structure.

TABLE 2: SCSD Current Rate Structure Ordinance 01-05 (updated 2-19-20)

Residential Rates	
$36.10	Minimum monthly charge for 0 – 1000 cubic feet of water used
$8.20	Additional charge for 1001 – 2000 cubic feet of water used
$0.82	Additional charge for each or any portion of 100 cubic feet used above 2000 cubic feet
$3.15	Anderson-Cottonwood Irrigation District (ACID) monthly fee charged to all active service accounts
$13.55	Minimum monthly charge for inactive/non-consumptive service connections
$14.00	Revolving Loan Fund Fee charge for every rate payer to pay for upgrades to Filter Station
$3.75	Monthly Backflow prevention maintenance (if applicable)
Commercial Rates	
$15.38	General commercial shall pay residential rates plus $15 additional charge for usage over 999 cubic feet
$11.28	Charge for each motel unit, apartment, flat, duplex, mobile home or trailer space in addition to the water rate fee schedule
$7.00	Revolving Loan Fund Fee charge for each mobile home or duplex to pay for upgrades to Filter Station
$1.19	Anderson-Cottonwood Irrigation District (ACID) monthly fee charged to each mobile home or duplex
$3.75	Monthly Backflow prevention maintenance (if applicable)
Pumping Station Rates	
Pumping Electrical Fees	
$19.11	Electrical Fees for HPE customers
$16.14	Electrical Fees for HPW phase 1 & 2 customers
$34.69	Electrical Fees for HPW phase 3 customers
$28.01	Electrical Fees for Record Heights customers
Pump Replacement Fees	
$4.63	Pump replacement fees for HPE customers
$1.37	Pump replacement fees for HPW phase 1 & 2 customers
$5.43	Pump replacement fees for HPW phase 3 customers
$4.58	Pump replacement fees for Record Heights customers
Minimum Monthly Charges	

$13.55	Inactive meters
$14.00	Inactive meters for repayment of State Revolving Fund Loan to pay for required upgrades to the water treatment plant.

Affordability Index

The affordability index measures the burden of costs passed from the water utility to the users against the median household income (MHI) for the area and is used by funding agencies to determine grant and low interest loan eligibility. Many funding organizations look for an affordability ratio of 1.5 percent before approving grant money to low-income communities. RCAC completed an MHI survey for the residents served by SCSD in May, 2020. The survey indicates an MHI of $57,000.

Affordability Index = average annual residential bill for water/annual MHI

Five Year Budget Forecast

Shasta Community Services District started with the FY2020 budget to project and estimate budgets for FY21 through FY25. Assumptions used when developing the five-year budget forecast include:

- Operations – annual increase of 2.9 percent based on past budgets, experience and board direction.
- Capital improvement reserves – assumes annual funding of the depreciation expense in the amount of $321,341. Under Rate Adjustment Options 2 and 3, this reserve has been reduced by $50,000.
- Operating reserves –SCSD feels it has adequate cash and equivalence to fund the operating reserves.
- Emergency reserves – SCSD feels it has adequate cash and equivalence to fund the emergency reserves.
- Debt Service – SCSD water system assumes funding the first year at $15,145 and increasing it subsequent years due to additional loan acquisition.

TABLE 3: Five Year Budget Projections

	Inflation Factor (%)	2.9%

Shasta Community Services District

	Budget	Projected	Projected	Projected	Projected
	FYE 6/30/2021	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025
Operating Costs:					
Salaries & Employee Benefits	$ 343,300	$ 353,256	$ 363,500	$ 374,042	$ 384,889
Audit	$ 10,000	$ 10,290	$ 10,588	$ 10,895	$ 11,211
Bank Charges	$ 100	$ 103	$ 106	$ 109	$ 112
Dues & Subscriptions	$ 20,000	$ 20,580	$ 21,177	$ 21,791	$ 22,423
Engineering - General	$ 18,000	$ 18,522	$ 19,059	$ 19,612	$ 20,181
Fuel	$ 9,950	$ 10,239	$ 10,535	$ 10,841	$ 11,155
Insurance - General	$ 27,200	$ 27,989	$ 28,800	$ 29,636	$ 30,495
Legal Fees	$ 10,000	$ 10,290	$ 10,588	$ 10,895	$ 11,211
Office Expense	$ 54,260	$ 55,834	$ 57,453	$ 59,119	$ 60,833
Community Bldg Rent	$ -	$ -	$ -	$ -	$ -
Service Agreements (maintenance contracts support)	$ 1,000	$ 1,029	$ 1,059	$ 1,090	$ 1,121
Training	$ 2,300	$ 2,367	$ 2,435	$ 2,506	$ 2,579
Utilities - Office		$ -	$ -	$ -	$ -
Utilities - Pumps	$ 9,500	$ 9,776	$ 10,059	$ 10,351	$ 10,651
Vehicle Maintenance	$ 6,000	$ 6,174	$ 6,353	$ 6,537	$ 6,727
LAFCO fees	$ -	$ -	$ -	$ -	$ -
Bad Debt Expense	$ 5,000	$ 5,145	$ 5,294	$ 5,448	$ 5,606
Bureau of Reclamation - Water Purchase	$ 18,000	$ 18,522	$ 19,059	$ 19,612	$ 20,181
Miscellaneous Expenses	$ -	$ -	$ -	$ -	$ -
ACID Water Purchase	$ 32,000	$ 32,928	$ 33,883	$ 34,866	$ 35,877
Water Testing and Backflow Testing	$ 5,000	$ 5,145	$ 5,294	$ 5,448	$ 5,606
Water Treatment Expenses	$ 26,200	$ 26,960	$ 27,742	$ 28,546	$ 29,374
Water Transmission/Distribution	$ 58,000	$ 59,682	$ 61,413	$ 63,194	$ 65,026
Directors Compensation	$ 2,400	$ 2,470	$ 2,541	$ 2,615	$ 2,691
Advertising Expense	$ -	$ -	$ -	$ -	$ -
Total Operating Costs	$ 658,210	$ 677,298	$ 696,940	$ 717,151	$ 737,948
Net Operating Income	$ (213,510)	$ (677,298)	$ (696,940)	$ (717,151)	$ (737,948)
Less: Debt Service and Reserve Funding					
Debt Service SRF Project SRF08CX102				$ 28,627	$ 57,255
Debt Service USDA -COR Intertie	$ 15,145	$ 15,145	$ 15,145	$ 15,145	$ 15,145
Debt Service SRF Loan -Office Project		$ 39,988	$ 39,988	$ 39,988	$ 39,988
Total Debt Service	$ 15,145	$ 55,133	$ 55,133	$ 83,760	$ 112,387
Debt Reserves SRF Project SRF08CX102				$ 5,725	$ 5,725
Debt Reserves USDA -COR Intertie	$ 1,515	$ 1,515	$ 1,515	$ 1,515	$ 1,515
Debt Reserves SRF Loan-Office Project		$ 3,999	$ 3,999	$ 3,999	$ 3,999
Total Debt Reserves	$ 1,515	$ 5,513	$ 5,513	$ 11,239	$ 11,239
Emergency Reserves	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Reserves-Operating	$ 16,455	$ 16,932	$ 17,423	$ 17,929	$ 18,449
Reserves-CIP	$ 321,341	$ 321,341	$ 321,341	$ 321,341	$ 321,341
Total Debt Service & Reserve Funding	**$ 364,456**	**$ 408,919**	**$ 409,410**	**$ 444,268**	**$ 473,416**
Net Income (Loss) from Operations	**$ (1,022,666)**	**$ (1,086,217)**	**$ (1,106,350)**	**$ (1,161,419)**	**$ (1,211,364)**
Non-Operating Revenue/(Expenses)					
SFD Reimbursement	$ 12,000				
Property Tax Revenue	$ 15,000				
FEMA Reimbursement	$ -				
Insurance Reimbursement	$ 13,500				
CARR Fire Recovery Fee	$ 162,000				
Special Service Fee	$ 5,000				
Late Fees	$ 10,000				
Annexation Income	$ 5,000				
Donations	$ -				
Capacity Charge					
Copies, Faxes, Documents Request					
Community Building Rent					
Service Connection Fee/Meters	$ 1,000				
Gain (Loss) From Sale of Fixed Assets					
Miscellaneous Revenue					
Revolving Loan Fund					
Interest Income	$ 2,300				
Interest Expense					
Total Non-Operating Revenue (Expenses)	**$ 225,800**	**$ -**	**$ -**	**$ -**	**$ -**
Net Revenue Requirement	$ (796,866)	$ (1,086,217)	$ (1,106,350)	$ (1,161,419)	$ (1,211,364)

Fixed Versus Variable Expenses

Water must be available to customers at all times whether the customer is using the water or not. A large share of water system costs are associated with bringing the first drop of water to the customer's meter, regardless of whether any water is used. Fixed costs are those that must be recovered by SCSD to ensure that drinking water is available to its customers.

Fixed costs are usually recovered from each customer on an equal basis through the use of a minimum fee (a minimum monthly bill). Fixed costs may cover 100 percent of some expenses in a system's budget, but only a portion of other types of expenses. For example, fixed expenses generally include all debt service expenses on construction loans, financial reserves for emergencies or equipment replacement, and overhead costs, like insurance and bonding. Fixed costs should also include a portion of other system operating expenses. For example, a percentage of wages and fringe benefits for time spent in reading each meter and preparing each customer's bill.

The method for identifying all or part of some expenses as fixed costs involves determining to what extent each of the line item expenses in the budget benefits every customer of the system regardless of their level of usage. This is a determination that each utility must make for itself. Fixed costs should generally be recovered in a system's minimum bill, the minimum monthly fee charged equally to each customer within each customer meter size (3/4-inch, 1-inch, etc.)

For small systems with fewer customers, spreading these costs among the customers, the proportion of fixed costs will be higher than larger systems. Many small systems find it impossible to recover all fixed costs in a monthly minimum, so they tend to shift a certain percentage to the variable side. Fixed costs for small systems are usually in the range of one-third to two-thirds of the system's total operating costs and may run even higher for very small systems.

Variable costs are system expenses that are more directly related to how much water is pumped, treated, stored and distributed. Most costs for electricity, chemicals and repairs can be classified as variable costs because they are directly related to the amount of water customers use. To recover variable expenses, rate structures use a "consumption charge" or "flow charge" per volume, such as per thousand gallons or hundred cubic feet.

TABLE 4: SCSD Estimated Fixed/Variable Costs

Shasta CSD	Budget 2020/2021	Estimated % Fixed Costs	Fixed costs	Variable costs
Operating Expenses:				
Salaries & Employee Benefits	$ 343,300	100%	$343,300	$0
Audit	$ 10,000	100%	$10,000	$0
Bank Charges	$ 100	100%	$100	$0
Dues & Subscriptions	$ 20,000	100%	$20,000	$0
Engineering - General	$ 18,000	100%	$18,000	$0
Fuel	$ 9,950	65%	$6,468	$3,483
Insurance - General	$ 27,200	100%	$27,200	$0
Legal Fees	$ 10,000	100%	$10,000	$0
Office Expense	$ 54,260	90%	$48,834	$5,426
Community Bldg Rent	$ -	100%		
Service Agreements (maintenance contracts support)	$ 1,000	100%	$1,000	$0
Training	$ 2,300	100%	$2,300	$0
Utilities - Office	$ -	100%		
Utilities - Pumps	$ 9,500	65%	$6,175	$3,325
Vehicle Maintenance	$ 6,000	65%	$3,900	$2,100
LAFCO fees	$ -	100%		
Bad Debt Expense	$ 5,000	100%	$5,000	$0
Bureau of Reclamation - Water Purchase	$ 18,000	65%	$11,700	$6,300
Miscellaneous Expenses	$ -	100%		
ACID Water Purchase	$ 32,000	100%	$32,000	$0
Water Testing and Backflow Testing	$ 5,000	100%	$5,000	$0
Water Treatment Expenses	$ 26,200	50%	$13,100	$13,100
Water Transmission/Distribution	$ 58,000	100%	$58,000	$0
Directors Compensation	$ 2,400	100%	$2,400	$0
Advertising Expense	$ -	100%		
Total Operating Costs	**$ 658,210**		**$ 624,477**	**$ 33,734**
Debt Service	**$ 15,145**			
Total Operating Costs Plus Debt Service	**$ 673,355**			
Debt Reserves	$ 1,515			
Emergency Reserves	$ 10,000			
Reserves-Operating	$ 16,455			
Reserves-CIP	$ 321,341			
Total Reserves	**$ 349,311**			
Total Budget	**$ 1,022,666**			
Total Costs	$658,210			
Total Fixed Costs	$624,477			
Percentage Fixed Costs	95%			
Total Variable Costs	$33,734			
Percentage Variable Costs	5%			

4. Water System Reserves

Reserves are an accepted way to stabilize and support a utility's financial management. Small systems usually fund the operating expenses but don't often consider putting money aside for a specific upcoming financial need or project, or for an amount that can be used to provide rate stabilization in years when revenues are unusually low or expenditures are unusually high. The rationale for maintaining adequate reserve levels is two-fold. First, it helps to ensure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Second, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation.

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital improvement, emergency and debt service reserve. These balances are maintained in order to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

Debt Service Reserve

Water utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Normally, debt service reserve represents an amount equal to one full annual loan payment and can be accumulated to this level over a period of five to 10 years. At the time of the analysis SCSD had two long term debts: State Revolving Fund (SRF) Loan SRF08CX102 in the amount of $1,030,583.54 and a U.S. Department of Agriculture (USDA) loan for $324,935.83 totaling $1,355,519.37. Payment on the SRF loan will not be payable until 2024 due to renogiation of the loan terms. The rate analysis includes the assumption that an additional loan of $ 1,599,500 will be acquired for the office construction project.

Operating Reserve

Operating reserves are established to provide the utility with the ability to withstand short-term cash flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems. A five-year budget projection was completed assuming a 2.9 percent annual inflation rate. This analysis assumes operating reserves have been fully funded.

Emergency Reserve

In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies which arise from time-to-time, such as main breaks or pump failures. The appropriate amount of emergency reserves will

vary greatly with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset, an asset whose failure will result in an immediate water outage or threat to public safety. In reviewing its cash and cash equivalents, SCSD believes it has adequate resources to fund emergencies.

Capital Improvement Reserve

A capital improvement reserve (also called a repair and replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. But it is important to understand that depreciation expense is an accounting concept for estimating the decline of an asset's useful life and does not represent the current replacement cost of that asset. As an example, a brand new system with a construction cost of $1 million and a service life of 100 years should, in theory, be setting aside $10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates, which explains the large number of small systems that are falling into disrepair.

To initiate a capital improvement plan (CIP), a small water or sewer system will start with a list of assets that includes the remaining service life, theoretical replacement costs in today's dollars and the remaining service life. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset. In reality, the assets will fail and be replaced gradually, but the replacement cost of water system assets is often a shock to small systems that are struggling to keep rates reasonable.

One alternative method is to set-aside an annual amount equal to 1-2 percent of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CIP reserves from rates alone. An alternative method is to set-aside sufficient reserve funds to cover 100 percent of the cost of replacing short-lived assets, such as well pumps, electronic controls, vehicles, etc.

To fund 20 percent of the replacement costs would total $321,341 annually, in an effort to reduce the impact on rates, SCSD decided to reduce the CIP reserve by 50,000 a year as reflected in Rate Adjustment Options 2 and 3..

TABLE 5: Recommended Annual Reserve Funding Options

Shasta Community Services District			
Recommended Annual Reserve Funding Option 1			
940 Connections			
Reserve Type	**Annual Amount -- First Year**	**Annual Cost per Connection**	**Monthly Cost per Connection**
Operating Reserve	$ 16,455	$ 10.58	$ 0.88
Emergency Reserve	$ 10,000	$ 6.43	$ 0.54
Debt Reserves (In subsequent years Debt Reserves will increase due to additional debt)	$ 1,515	$ 1.61	$ 0.13
CIP Reserve	$ 321,341	$ 341.85	$ 28.49
Total Reserves	$ 349,311	$ 360.48	$ 30.04

Assuming Reserves not Used During the Five Year Period						
Reserve Type	**FYE 6/30/2021**	**FYE 6/30/2022**	**FYE 6/30/2023**	**FYE 6/30/2024**	**FYE 6/30/2025**	**Total**
Operating Reserve	$ 16,455	$ 16,932	$ 17,423	$ 17,929	$ 18,448.71	$ 87,188
Emergency Reserve	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 50,000
Debt Reserves (increased Debt in 2022 and 2024)	$ 1,515	$ 5,513	$ 5,513	$ 11,239	$ 11,239	$ 35,019
CIP Reserve	$ 321,341	$ 321,341	$ 321,341	$ 321,341	$ 321,341	$ 1,606,705
Total Reserves	$ 349,311	$ 353,787	$ 354,278	$ 360,509	$ 361,028	$ 1,778,913

Shasta Community Services District			
Recommended Annual Reserve Funding Options 2 and 3			
940 Connections			
Reserve Type	**Annual Amount -- First Year**	**Annual Cost per Connection**	**Monthly Cost per Connection**
Operating Reserve (Assumes Operating Reserves are already funded in full)	$ -	$ -	$ -
Emergency Reserve (Assumes Emergency Reserves are already funded in full)	$ -	$ -	$ -
Debt Reserves (In subsequent years Debt Reserves will increase due to additional debt)	$ 1,515	$ 1.61	$ 0.13
CIP Reserve	$ 271,341	$ 288.66	$ 24.06
Total Reserves	$ 272,856	$ 290.27	$ 24.19

Assuming Reserves not Used During the Five Year Period						
Reserve Type	**FYE 6/30/2021**	**FYE 6/30/2022**	**FYE 6/30/2023**	**FYE 6/30/2024**	**FYE 6/30/2025**	**Total**
Operating Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Emergency Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Debt Reserves (increased Debt in 2022 and 2024)	$ 1,515	$ 5,513	$ 5,513	$ 11,239	$ 11,239	$ 35,019
CIP Reserve	$ 271,341	$ 271,341	$ 271,341	$ 271,341	$ 271,341	$ 1,356,705
Total Reserves	$ 272,856	$ 276,854	$ 276,854	$ 282,580	$ 282,580	$ 1,391,724

5. Proposed Rate Adjustment

Under the current rate structure, revenues will fall substantially short of recovering operating costs and recommended reserve funding.. Alternative rate options will be examined in the following pages.

Rate Adjustment Option #1

In the Rate Adjustment, Option #1 the base and usage rates are increased by 10 percent and the usage rate is increased to $2.62 per ccf. To offset the impact of inflation and to provide for increased debt payment obligations, both rates will be increased annually by 4 percent. Non-operating revenue is used to partially cover operating costs.

TABLE 6: Rate Adjustment Option #1

Based on FV Budget Full; Increased base rate by 10% and Usage Rate up to $2.62 CCF; Assumed 5% reduction in usage, subsequent years base and usage rates increased by 4% to cover operating costs; Adjusted annual reserves to eliminate losses. Non operating revenue *are* used to cover operating costs. CIP, Operating and Emergency reserves are fully funded.	**# Connections**	**Monthly Rate**	**Adjustment**	**Adjusted Rate**	**Average Monthly Revenue**	**Average Annual Base Revenue**
			10%			
Customers	**940**	$ 53.25	$ 5.33	$ 58.58	$ 55,061	$ 660,726
Total Base Revenue	**940**				**$ 55,061**	**$ 660,726**
Commodity Charge	**Rate Per CCF**	**Total Usage**	**Assumed Reduction In Usage**	**Total Reduced Billable Usage**	**Total Usage Revenue**	
			-5.0%			
Flow Charge	$ 2.62	143,877	(7,193.85)	136,683	$ 358,109.85	
Total Usage/Commodity Charges				136,683	**$ 358,110**	
Budget Assuming 3% Inflation per year	**6/30/2021**	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Total Monthly Required Reserves Fund	$ 29,623	$ 29,623	$ 29,623	$ 29,623	$ 29,623	
Total yearly required reserve fund	$ 355,481	$ 337,159	$ 359,901	$ 383,769	$ 351,558	$ 1,787,867
Debt Service	$ 15,145	$ 55,133	$ 55,133	$ 55,133	$ 112,387	$ 292,930
Fixed Budget	$ 624,477	$ 642,586	$ 661,221	$ 680,397	$ 700,128	$ 3,308,809
Variable Budget	$ 33,734	$ 34,712	$ 35,718	$ 36,754	$ 37,820	$ 178,738
Total Operating Budget	**$ 1,028,836**	**$ 1,069,589**	**$ 1,111,973**	**$ 1,156,052**	**$ 1,201,894**	**$ 5,568,344**
	6/30/2021	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Estimated Annual Revenue From Base Rate	$ 660,726	$ 687,155	$ 714,641	$ 743,227	$ 772,956	**$ 3,578,705**
Estimated Annual Revenue - Usage Charges	$ 358,110	$ 372,434	$ 387,332	$ 402,825	$ 418,938	**$ 1,939,638**
Total Operating Revenue	$ 1,018,836	$ 1,059,589	$ 1,101,973	$ 1,146,052	$ 1,191,894	$ 5,518,344
Net Operating Revenue Over/(under) Operating Costs	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (50,000)**
Plus Non-Operating Revenue						
Property Tax Revenue	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 50,000
		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
Total Non-Operating Revenue	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 50,000**
Net Revenue Over/(Under) Costs	**$ 0**	**$ (0)**	**$ (0)**	**$ (0)**	**$ (0)**	**$ 0**

Rate Adjustment Option #2

In the Rate Adjustment, Option #2 the base and usage rates are increased by 10 percent and the usage rate is increased to $2.20 per ccf. To offset the impact of inflation and to provide for increased debt payment obligations, both rates will be increased annually by 3.5 percent. Non-operating revenue is used to partially cover operating costs.

TABLE 7: Rate Adjustment Option #2

Based on FV Budget Full; Increased base rate by 10% and Usage Rate up to $2.20 CCF; Assumed 5% reduction in usage, subsequent years base and usage rates increased by 3.5% to cover operating costs; Non operating revenue *are* used to cover operating costs. Operating or emergency reserves are not included. CIP reserves decreased $50,000 annually.	**# Connections**	**Monthly Rate**	**Adjustment**	**Adjusted Rate**	**Average Monthly Revenue**	**Average Annual Base Revenue**
			10%			
Customers	**940**	$ 53.25	$ 5.33	$ 58.58	$ 55,061	$ 660,726
Total Base Revenue	**940**				**$ 55,061**	**$ 660,726**
Commodity Charge	**Rate Per CCF**	**Total Usage**	**Assumed Reduction In Usage**	**Total Reduced Billable Usage**	**Total Usage Revenue**	
			-5.0%			
Flow Charge	$ 2.20	143,877	(7,193.85)	136,683	$ 300,703	
Total Usage/Commodity Charges				136,683	**$ 300,703**	
Budget Assuming 3% Inflation per year	**6/30/2021**	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Total Monthly Required Reserves Fund	$ 24,839	$ 24,839	$ 24,839	$ 24,839	$ 24,839	
Total yearly required reserve fund	$ 298,074	$ 272,648	$ 287,834	$ 275,043	$ 262,927	$ 1,396,526
Debt Service	$ 15,145	$ 55,133	$ 55,133	$ 83,760	$ 112,387	$ 321,557
Fixed Budget	$ 624,477	$ 642,586	$ 661,221	$ 680,397	$ 700,128	$ 3,308,809
Variable Budget	$ 33,734	$ 34,712	$ 35,718	$ 36,754	$ 37,820	$ 178,738
Total Operating Budget	**$ 971,429**	**$ 1,005,079**	**$ 1,039,907**	**$ 1,075,954**	**$ 1,113,262**	**$ 5,205,630**
	6/30/2021	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Estimated Annual Revenue From Base Rate	$ 660,726	$ 683,851	$ 707,786	$ 732,559	$ 758,198	**$ 3,543,121**
Estimated Annual Revenue - Usage Charges	$ 300,703	$ 311,228	$ 322,120	$ 333,395	$ 345,064	**$ 1,612,509**
Total Operating Revenue	$ 961,429	$ 995,079	$ 1,029,907	$ 1,065,953	$ 1,103,262	$ 5,155,630
Net Operating Revenue Over/(under) Operating Costs	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (10,000)**	**$ (50,000)**
Plus Non-Operating Revenue						
Property Tax Revenue	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 50,000
		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
Total Non-Operating Revenue	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 50,000**
Net Revenue Over/(Under) Costs	**$ 0**	**$ 0**	**$ 0**	**$ (0)**	**$ (0)**	**$ (0)**

Rate Adjustment Option #3

In rate adjustment option #3, the base rate is increased by 10 percent and the usage rate is increased to $2.09 per ccf. Subsequent years would have a 4.75 percent annual increase to both the base rate and usage fees to offset inflation and to cover increased debt payments. Non-operating revenue are not used to cover operating costs.

TABLE 8: Rate Adjustment Option #3

Based on FV Budget Full; Increased base rate by 10% and Usage Rate up to $2.09 CCF; Assumed 5% reduction in usage, subsequent years base and usage rates increased by 4.75% to cover operating costs; Non operating revenue *are not* used to cover operating costs. Operating or emergency reserves are not included. CIP reserves decreased $50,000 annually	**# Connections**	**Monthly Rate**	**Adjustment**	**Adjusted Rate**	**Average Monthly Revenue**	**Average Annual Base Revenue**
			10%			
Customers	**940**	$ 53.25	$ 5.33	$ 58.58	$ 55,061	$ 660,726
Total Base Revenue	**940**				**$ 55,061**	**$ 660,726**
Commodity Charge	**Rate Per CCF**	**Total Usage**	**Assumed Reduction In Usage**	**Total Reduced Billable Usage**	**Total Usage Revenue**	
			-5.0%			
Flow Charge	$ 2.09	143,877	(7,193.85)	136,683	$ 285,668	
Total Usage/Commodity Charges				136,683	**$ 285,668**	
Budget Assuming 3% Inflation per year	**6/30/2021**	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Total Monthly Required Reserves Fund	$ 22,753	$ 22,753	$ 22,753	$ 22,753	$ 22,753	
Total yearly required reserve fund	$ 273,039	$ 258,917	$ 286,364	$ 286,852	$ 289,096	$ 1,394,268
Debt Service	$ 15,145	$ 55,133	$ 55,133	$ 83,760	$ 112,387	$ 321,557
Fixed Budget	$ 624,477	$ 642,586	$ 661,221	$ 680,397	$ 700,128	$ 3,308,809
Variable Budget	$ 33,734	$ 34,712	$ 35,718	$ 36,754	$ 37,820	$ 178,738
Total Operating Budget	**$ 946,394**	**$ 991,348**	**$ 1,038,437**	**$ 1,087,763**	**$ 1,139,431**	**$ 5,203,372**
	6/30/2021	**6/30/2022**	**6/30/2023**	**6/30/2024**	**6/30/2025**	**Five Year Total**
Estimated Annual Revenue From Base Rate	$ 660,726	$ 692,110	$ 724,986	$ 759,423	$ 795,495	**$ 3,632,740**
Estimated Annual Revenue - Usage Charges	$ 285,668	$ 299,237	$ 313,451	$ 328,340	$ 343,936	**$ 1,570,631**
Total Operating Revenue	$ 946,394	$ 991,347	$ 1,038,436	$ 1,087,762	$ 1,139,431	$ 5,203,371
Net Operating Revenue Over/(under) Operating Costs	**$ 0**	**$ (0)**	**$ (0)**	**$ (0)**	**$ (0)**	**$ (1)**
Plus Non-Operating Revenue						
Property Tax Revenue	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 50,000
		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
Total Non-Operating Revenue	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 50,000**
Net Revenue Over/(Under) Costs	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 50,000**

Rate Adjustment Options Affordability

The affordability index varies between the three options. All of the options are considered affordable for low water users; 61.25 percent of all users are using 1,500 cubic feet or less per month. Option #1 has an affordability index ranging from 2.06 percent to 7.02 percent in that group; Option #2 ranges from 1.93 percent to 6.10 percent in that group; and Option #3 ranges from 1.89 percent to 5.85 percent.

TABLE 9: Affordability Index Comparison of Rate Adjustment Options

SCSD Rate Adjustment Option #1												
Percent of Customers		61.25%	21.70%	8.68%	4.82%	1.61%	0.64%	0.32%	0.96%	100.00%		
FYE	Monthly Base Fee	1500 CF	3000 CF	4500 CF	6000 CF	7500 CF	9000 CF	10500 CF	Over 10,500 CF	Total Monthly Bill	MHI	Affordabilty Index
2021	$ 58.58	$ 39.30								$ 97.88	$57,000	2.06%
2021	$ 58.58	$ 39.30	$ 39.30							$ 137.18	$57,000	2.89%
2021	$ 58.58	$ 39.30	$ 39.30	$ 39.30					Depends	$ 176.48	$57,000	3.72%
2021	$ 58.58	$ 39.30	$ 39.30	$ 39.30	$ 39.30				on usage	$ 215.78	$57,000	4.54%
2021	$ 58.58	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30				$ 255.08	$57,000	5.37%
2021	$ 58.58	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30			$ 294.38	$57,000	6.20%
2021	$ 58.58	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30	$ 39.30		$ 333.68	$57,000	7.02%
SCSD Rate Adjustment Option #2												
Percent of Customers		61.25%	21.70%	8.68%	4.82%	1.61%	0.64%	0.32%	0.96%	100.00%		
FYE	Monthly Base Fee	1500 CF	3000 CF	4500 CF	6000 CF	7500 CF	9000 CF	10500 CF	Over 10,500 CF	Total Monthly Bill	MHI	Affordabilty Index
2021	$ 58.58	$ 33.00								$ 91.58	$57,000	1.93%
2021	$ 58.58	$ 33.00	$ 33.00							$ 124.58	$57,000	2.62%
2021	$ 58.58	$ 33.00	$ 33.00	$ 33.00					Depends	$ 157.58	$57,000	3.32%
2021	$ 58.58	$ 33.00	$ 33.00	$ 33.00	$ 33.00				on usage	$ 190.58	$57,000	4.01%
2021	$ 58.58	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00				$ 223.58	$57,000	4.71%
2021	$ 58.58	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00			$ 256.58	$57,000	5.40%
2021	$ 58.58	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00	$ 33.00		$ 289.58	$57,000	6.10%
SCSD Rate Adjustment Option #3												
Percent of Customers		61.25%	21.70%	8.68%	4.82%	1.61%	0.64%	0.32%	0.96%	100.00%		
FYE	Monthly Base Fee	1500 CF	3000 CF	4500 CF	6000 CF	7500 CF	9000 CF	10500 CF	Over 10,500 CF	Total Monthly Bill	MHI	Affordabilty Index
2021	$ 58.58	$ 31.35								$ 89.93	$57,000	1.89%
2021	$ 58.58	$ 31.35	$ 31.35							$ 121.28	$57,000	2.55%
2021	$ 58.58	$ 31.35	$ 31.35	$ 31.35					Depends	$ 152.63	$57,000	3.21%
2021	$ 58.58	$ 31.35	$ 31.35	$ 31.35	$ 31.35				on usage	$ 183.98	$57,000	3.87%
2021	$ 58.58	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35				$ 215.33	$57,000	4.53%
2021	$ 58.58	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35			$ 246.68	$57,000	5.19%
2021	$ 58.58	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35	$ 31.35		$ 278.03	$57,000	5.85%

TABLE 10: Five Year Rate Schedule for Options #1, #2 and #3

Rate Adjustment Option #1										
Connection Type	Option #1 Year 1		Option #1 Year 2		Option #1 Year 3		Option #1 Year 4		Option #1 Year 5	
	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
Active	$58.58	$2.62	$61.07	$2.72	$63.51	$2.83	$66.05	$2.95	$68.70	$3.08
Inactive	$58.58		$61.07	$ -	$63.51	$ -	$66.05	$ -	$68.70	$ -
Rate Adjustment Option #2										
Connection Type	Option #2 Year 1		Option #2 Year 2		Option #2 Year 3		Option #2 Year 4		Option #2 Year 5	
	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
Active	$58.58	$2.20	$60.63	$2.28	$62.75	$2.36	$64.95	$2.44	$67.22	$2.52
Inactive	$58.58		$60.63	$ -	$62.75	$ -	$64.95	$ -	$67.22	$ -
Rate Adjustment Option #3										
Connection Type	Option #3 Year 1		Option #3 Year 2		Option #3 Year 3		Option #3 Year 4		Option #3 Year 5	
	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
Active	$58.58	$2.09	$61.36	$2.19	$64.28	$2.29	$67.33	$2.40	$70.53	$2.52
Inactive	$58.58		$61.36	$ -	$64.28	$ -	$67.33	$ -	$70.53	$ -

6. Conclusions and Recommendations

Key points to remember with any rate adjustment:

- Successful utilities are those that strive to be transparent. In day-to-day operations, SCSD should strive to promote its services (highlights and the low points), and continuously educate residents on why it is necessary to raise and adjust rates.
- The ability of the recommended rate structure to generate adequate revenue will depend on maintaining a vigorous collection and shut-off policy to keep delinquent accounts at a minimum.
- In order to achieve and maintain long-term viability, SCSD should review its rates annually, or no less than a minimum of every two years. Keeping track of customer seasonal and annual water demands will help determine operations needs, budget forecasts and rate adjustments.
- SCSD should raise rates as soon as possible to provide sufficient revenues to fund future operations and to adequately fund reserves.
- SCSD should establish policies for reserve accounts as recommended above.
- SCSD should designate reserves on its financial statements.
- CIP reserves should be moved to and maintained in the highest interest bearing accounts available to offset inflation.

7. Proposition 218

California approved Proposition 218 in 1996 requiring agencies to adopt property fees and charges in accordance with a defined public process found in article XIII D or by associated court decision. Water and water rates are user fees under the definition and must meet the following requirements:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service.
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed.
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for service, unless the service is actually used by, or immediately available to, the owner of the property in question.

Written notice should be given to both the record owners and customers within the area subject to the fee or charge. The notice shall include the following:

- The formula or schedule of charges by which the property owner or customer can easily calculate their own potential charge.
- The basis upon which the amount of the proposed fee or charge is to be imposed on each parcel. An explanation of the costs which the proposed fee will cover and how the costs are allocated among property owners.
- Date, time and location of a public hearing on the rate adjustment. The public hearing must occur 45 or more days after the mailing of the notice.

California's Proposition 218 provides that a customer of SCSD or owner of record of a parcel or parcels subject to the proposed rate increases may submit a protest against any or all of the proposed rate increases by filing a written protest with SCSD at or before the time the public hearing has concluded. Only one protest per parcel is counted. If written protests are filed by a majority of the affected parcels, the proposed rate increases will not be imposed.