

MEMORANDUM

To: CSWD Board of Directors

From: Daniel Keen, Secretary

Date: July 15, 2026

Subject: Public Hearing to Consider Proposed Increase in Sewer Service Charges Pursuant to Article XIII D of the California Constitution (Proposition 218)

Recommendation

Following the close of the public hearing and after consideration of all public testimony and written protests, it is recommended that the Board of Directors:

1. Determine whether a majority protest exists under Article XIII D, Section 6 of the California Constitution.
2. If a majority protest does **not** exist, adopt Resolution No. 26-02 approving the proposed increase in sewer service charges.
3. Authorize implementation of the revised sewer service charges effective July 16, 2026.

Background

The Caspar South Water District owns, operates, and maintains the public sewer collection system serving properties within the District's service area. The District relies almost exclusively on sewer service charges to fund the costs of providing wastewater collection services. Unlike many governmental agencies, the District does not receive property tax revenues sufficient to support its sewer operations.

The District's sewer rates have not kept pace with increasing costs of providing service. As a result, existing revenues are becoming inadequate to fund ongoing operation of the sewer system and to undertake prudent planning necessary to ensure the long-term reliability of the District's infrastructure.

To address these needs, the Board initiated proceedings under Proposition 218 to consider an increase in annual sewer service charges of up to \$300 per developed parcel, and \$200 per undeveloped parcel.

On April 16, 2026, the Board adopted Resolution No. 26-01 declaring its intention to consider the proposed increase, authorized the preparation and mailing of the required notices, and scheduled this public hearing.

Notices of the proposed rate increase were mailed to the record owners of all affected parcels more than forty-five (45) days prior to today's hearing, as required by Article XIII D, Section 6 of the California Constitution.

Purpose of the Proposed Rate Increase

The proposed increase is intended to ensure that the District can continue to provide safe, reliable, and financially sustainable sewer service.

Additional revenue generated by the increase will be used exclusively for costs associated with providing sewer service, including:

- operation and maintenance of the sewer collection system;
- administrative and management costs directly related to sewer service;
- increasing costs of labor, materials, utilities, insurance, and regulatory compliance;
- and
- completion of a comprehensive condition assessment of the District's sewer infrastructure.

The proposed condition assessment represents an important component of responsible asset management. The study will evaluate the condition of the District's collection system, identify maintenance and repair priorities, assess remaining useful life of major infrastructure components, and assist the Board in developing a long-term capital improvement strategy. Conducting this work now will allow the District to identify potential deficiencies before they result in service interruptions or emergency repairs.

Basis for the Proposed Charges

Article XIII D requires that property-related fees not exceed the cost of providing the service and that revenues derived from those fees be used only for that service.

The proposed increase has been developed to recover only the additional revenues reasonably necessary to provide sewer service.

The District currently charges sewer service fees on a uniform per-parcel basis, with a varying rate depending on whether the parcel is developed or undeveloped. The District has determined that this methodology remains appropriate because:

- each parcel connected to the District's sewer system receives substantially similar wastewater collection service;
- the District's collection system is designed to provide comparable service capacity to each connection; and
- the cost of providing basic sewer service is reasonably allocated through a uniform charge applicable to all connected parcels.

The proposed increase does not alter the methodology used to calculate charges. It increases the annual charge by a uniform amount applicable to all connected parcels.

Proposition 218 Compliance

The proposed increase is subject to Article XIII D, Section 6 of the California Constitution.

The District has completed the procedural requirements applicable to property-related sewer service fees by:

- adopting a Resolution of Intention;
- preparing and mailing written notice to all affected property owners;
- providing more than forty-five days' notice of this hearing;
- identifying the proposed amount of the increase, the basis upon which it was calculated, the reason for the increase, and the date, time, and location of the public hearing; and
- receiving written protests submitted prior to the close of today's hearing.

Following the close of the public hearing, staff will determine whether written protests have been submitted by a majority of affected parcels.

If a majority protest exists, the Board is constitutionally prohibited from adopting the proposed increase.

If a majority protest does not exist, the Board may adopt the proposed increase by resolution.

Public Hearing Process

The Chair should conduct the hearing as follows:

1. Open the public hearing.
2. Receive presentation of the staff report.
3. Receive public testimony.
4. Ask whether any additional written protests have been received.

5. Close the public hearing.
6. Direct the Secretary to report the final protest count.
7. Determine whether a majority protest exists.
8. If no majority protest exists, consider adoption of Resolution 26-02 approving the revised sewer service charges.

Fiscal Impact

The proposed increase of \$300 per developed parcel and \$200 per undeveloped parcel is expected to generate approximately \$22,200 annually.

Additional revenues will be used solely for sewer-related purposes and will enable the District to:

- maintain financial stability;
- continue reliable operation of the sewer system;
- address increasing operating costs; and
- complete a comprehensive assessment of the District's sewer infrastructure to support future maintenance and capital planning.

Environmental Review

Approval of the proposed sewer service charge increase is not a project under the California Environmental Quality Act (CEQA) because it constitutes a governmental funding mechanism that does not commit the District to any specific physical project. Alternatively, the action is exempt pursuant to CEQA Guidelines section 15273, which exempts adjustments in rates, tolls, fares, and charges by public agencies for the purpose of meeting operating expenses, purchasing supplies, meeting financial reserve needs, and obtaining funds for capital projects necessary to maintain service.

Attachments

1. Resolution No. 26-02 Approving Sewer Service Charge Increase
2. Proposition 218 Notice of Public Hearing