



Fee Study Frequently Asked Questions

How many customers does the Murphys Sanitation District serve?

The District has 852 active accounts including residential and commercial customers.

What are the revenues required to operate and maintain the sewer system?

The District has three main areas of revenue needs: Operating Expenses, System Rehabilitation and Debt Service.

- Operating expenses include personnel, general operations and repair, licenses and permits, insurance and professional services. The current operating budget is about \$950,000, and it is projected to increase about 5-6% each year, mostly due to the need to fund system rehabilitation and inflation.
- System rehabilitation costs are for capital improvement projects that are necessary to keep the sewer system compliant with regulations and provide safe, reliable sanitary services. These costs vary year to year depending on when projects are implemented and how projects are funded – District reserves, loans, grants or a combination of these funding sources.
- Debt service is the amount of money owed by the District for loans needed to fund capital improvements. Debt service varies based on the amount of money that is needed to complete necessary capital improvements.

How is Murphys Sanitation District funded?

Most of the operating costs are paid through customer rates. Capital costs are paid for by a combination of rates, property taxes, connection fees, investment income and loans and grants received.

What are the significant reasons for the proposed rate increase?

Murphys SD has not raised wastewater rates since 2009. Residential rates have remained at \$60 per month for more than 15 years. Sound fiscal management has allowed the District to use reserves to pay cash for improvement projects, but the District cannot continue to use reserves for this purpose. An increased revenue stream is needed to continue to operate and construct necessary improvement projects over the next 5-10 years.

Why did the District not implement rate increases previously?

The District has been diligently managing revenue streams, building prudent reserves, and has managed to pay for operational expenses and some improvement projects without the need to raise rates. However, recently identified capital improvements and the costs to complete them are more than what the District can feasibly support without increasing revenues.

What capital projects are needed and why?

A 10 year Capital Improvement Plan (CIP) was developed in 2024. The CIP identified rehabilitation and replacement projects needed at the wastewater treatment plant and in the collection systems. The projects were classified as urgent, immediate, short-term and long-term. Urgent and immediate projects are necessary to maintain proper working of the entire system and remain compliant with state regulations. It is estimated that the District will need approximately \$10.75 million to fund those projects over the next five years.

Are there any significant changes to how residential and commercial rates are calculated?

Current rates for all customers are based on equivalent dwelling units (EDUs). An EDU is the average wastewater discharge from a single family home. Single family residential homes are charged as one EDU, or one billing unit. Other residential – mobile homes, apartments, duplexes/triplexes – are charged per unit or space.

Commercial users have been charged based on winter water usage. Winter water usage has not been calculated since 2017, therefore commercial accounts have been paying the same calculated rates for the last eight years.

The proposed rate structure for all customers will charge 1) a flat fee per wastewater account and 2) a fee based on the demand placed on the wastewater system.

What is the proposed wastewater rate methodology?

Residential customers will be charged per residential unit. The rate will include a flat fee for the account and a flat fee for the home's impact to the wastewater system, where impact is measured by wastewater discharge (flow) and load (strength of the wastewater which affects the level of treatment needed).

Commercial accounts will be charged a flat fee for the account plus a flat fee for flow and load generated by the number of commercial billing units associated with the account. Billing units are determined by the number of connections or the number of businesses served by the account. Most commercial customers are grouped by wastewater strength (low, medium, medium/high and high) and charged for flow and load by business unit. Certain commercial and institutional wastewater accounts will be charged differently, as follows:

- School – per student
- Hotel/motel – per room
- Car wash – per facility
- Grocery store – per store
- Church – per church

How will the new rates impact a single family home?

The current monthly charge for a single family home is \$60. The proposed new rate will have a base charge of \$23.42 plus a flow charge of \$56.88 which equals \$80.30 per single family home starting in fiscal year 2026.

How will the new rates impact commercial bills?

The new rates will have greatest impact on commercial customers because customers are not currently paying for their cost of service. The new rate methodology allocates costs to customers based on the cost to serve each customer type. As a result, some commercial customers will have increased bills and some commercial customers will have decreased bills compared to what is currently paid. The District has an estimate of impact for each commercial customer. Contact the District office to obtain an estimate of impact to your account.

Who makes the decision to implement the new rates?

The Board of Directors makes the decision to implement new rates based on the rate study, input from customers, and consultant and District staff recommendations.

How will the additional revenue generated from increased rates benefit customers?

The largest benefit to customers is reliability of the wastewater system to provide safe, regulatory compliant wastewater services. Capital improvements, funded in part by customers rates, maintain and enhance system reliability and safety, which ultimately protects all users, public health and the environment.

Has Murphys considered grants or loans to offset capital improvement costs?

Murphys SD continually researches ways to keep costs generated by improvement projects as low as possible; whether using reserves, applying for grants or securing low interest loans. The District pursues all avenues funding which will result in the lowest bill impact to customers when budgeting for capital improvements. Some grants require the District to pay in advance for the projects, then receive reimbursement while others provide the funding in advance. The District needs to have the revenue to pay for projects under the assumption it will need to provide upfront capital for projects.

Do customers have a say in the rate increases?

Yes. Under California law, any adjustment to rates must follow a Proposition 218 process. All property owners will receive a notice that explains the changes to rates, the reasons why, details about the hearing to consider adoption of new rates, and how to submit a protest against the proposed rates.

How do I learn more?

- ✓ Attend a board meeting – Meetings are held the second Thursday of each month at the District office, 15 Ernest Street.
- ✓ Visit www.murphyssd.org to review rate related materials, a calendar of meetings, and project updates.
- ✓ Email the office at office@murphyssd.org.