

## SANTA YNEZ COMMUNITY SERVICES DISTRICT MEMORANDUM

**TO:** Board of Directors

**FROM:** Loch Dreizler, General Manager, Alicia Marin, Office Manager, the Finance Committee, alongside Willdan Financial Services

**DATE:** February 18, 2026

**SUBJECT:** Review, Discuss, and Provide Direction on the Proposed Wastewater Rate Study

### **Recommendation**

Provide recommendations with approval or additional directions to staff and Willdan Financial Services on finalizing the 2026 Wastewater Rate Study.

**Proposed Motion:** I move that the Board of Directors receive and review the draft 2026 Wastewater Rate Study prepared by Willdan Financial Services, provide any comments and direction to staff and the consultant, and direct staff and Willdan Financial Services to incorporate the Board's feedback and if necessary return with the final Wastewater Rate Study for consideration and adoption at the March 18, 2026 Board meeting.

**Purpose:** At this Board meeting, representatives from Willdan Financial Services will present the draft study based on input from Staff and the Finance Committee. The Board is encouraged to ask questions and provide feedback during the presentation. Direction or modifications from the Board may be incorporated into the final report.

### **Policy Implications**

The District conducts a comprehensive wastewater rate study approximately every five years and revisits rates as needed. This study will establish rates for the next five fiscal years, FY 2026-27 through FY 2030-31, ensuring long-term financial sustainability, infrastructure funding, and compliance with legal requirements.

### **Fiscal Implications**

Costs associated with the rate study are included in our budget. Previously approved expenses cover consultant services, report preparation, public noticing, and related activities required to develop, present, and adopt the final rate study.

## **Alternatives Considered**

The Board will review the draft rate study prepared by Willdan Financial Services. The Board may provide suggestions, request modifications, or direct the incorporation of alternative rate structures or scenarios into a final study, if necessary.

## **Discussion**

The Santa Ynez Community Services District (SYCSD) conducts wastewater rate studies every five years to maintain the financial health of the sewer system. The previous study, prepared by Tuckfield and Associates and adopted in 2021, set rates for FY 2021-22 through FY 2025-26 and is scheduled to expire on June 30, 2026.

The current study, prepared by the District's financial consultant, **Willdan Financial Services**, considers:

- Capital projects identified in the District's ten-year Capital Improvement Plan (CIP) are adequately funded, including any obligations related to regional facilities such as the City of Solvang Wastewater Treatment Plant.
- All operation and maintenance (O&M) costs are recovered through rates.
- Reserve accounts are maintained at prudent levels to provide financial stability and avoid future rate shocks.

Willdan Financial Services has prepared a draft Wastewater Rate Study for Board review. Key objectives of this study include:

- Developing equitable cost-of-service allocations across customer classes.
- Analyzing rate structures and potential increases needed to fund O&M and the CIP.
- Evaluating reserve balances under various rate scenarios.
- Presenting multiple rate options for Board consideration.

## **Proposed Timeline** (Based on Current Rate Study Schedule)

Key upcoming milestones include:

- **Week of February 23, 2026:** Initial draft report refinements.
- **Week of March 9, 2026:** Revise and finalize the Rate Study Report.
- **Week of March 18, 2026:** Present final study to the Board of Directors (target adoption meeting).
- **Week of March 23–30, 2026:** Prepare and mail Proposition 218 notices.
- **Week of May 20, 2026:** Public hearing to consider protests and adopt rates (if no majority protest).

This schedule allows sufficient time for Board review, public noticing, and compliance with the 45-day Proposition 218 requirement.

**Streamlined Overview of the Proposition 218 Process.** Because wastewater rates are property-related fees, the District must follow the procedural requirements of Article XIII D, Section 6 of the California Constitution (Proposition 218). For sewer services, this process does **not** require a voter election. Instead:

- **Notice:** A detailed written notice is mailed to each affected property owner at least 45 days before the public hearing. The notice includes the proposed rates (or increases), the basis for calculation (supported by the cost-of-service study), the reasons for the changes, and hearing details.
- **Public Hearing:** The Board holds a public hearing to receive comments and written protests.
- **Majority Protest:** If written protests are submitted by a majority of the affected parcels (one protest per parcel) by the close of the hearing, the proposed rates cannot be adopted.
- **Adoption:** If there is no majority protest, the Board may adopt the rates by ordinance or resolution. Rates must also satisfy substantive requirements, including that they do not exceed the proportional cost of service to each parcel and that revenues are used only for the wastewater system.

**Attachment:** Draft Wastewater Rate Study Report (to be distributed/presented at Board Meeting)