

# **Hilton Creek Community Services District**

**2025 Connection Fee & Standby Fee  
Study**

**Final Report**

**December 12, 2025**



**HILTON CREEK COMMUNITY SERVICES DISTRICT  
2025 CONNECTION FEE AND STANDBY FEE STUDY**

**FINAL REPORT**

Prepared for:

Hilton Creek CSD  
3222 Crowley Lake Drive  
Crowley Lake, CA 93546

Prepared by:

ROBERT D. NIEHAUS, INC.  
140 East Carrillo Street  
Santa Barbara, CA 93101  
(805) 962-0611

RDN Project Number 375





December 12, 2025  
Ms. Lorinda Beatty  
Finance Officer  
Hilton Creek Community Services District  
3222 Crowley Lake Drive  
Crowley Lake, CA 93546

**Subject: 2025 Connection Fee and Standby Fee Study**

Dear Ms. Beatty,

Robert D. Niehaus, Inc. (RDN) is pleased to provide this 2025 Connection Fee and Standby Fee Study Report (Report) for the Hilton Creek Community Services District (HCCSD or District). This study includes an extensive review of the District's Fee calculation methodologies, and derivation of an updated Connection Fee and Standby Fee for the District's consideration.

The proposed fees were developed utilizing the District's fixed asset record, accounting, operating and management records, capital improvement plan, policies, and valuable input from District Staff.

"Connection Fee" is commonly used terminology to describe system development fees imposed on new customers. There are other names commonly used by utilities such as Development Impact Fees, Capacity Fees, Connection Charges, and Capital Recovery Charges. Though they all mean the same thing and are used for the same purpose, the variety of terms often creates confusion. In this Report, RDN uses "Connection Fee" as the term for a system development charge, a one-time fee paid by a new water system customer for its system capacity.

The Standby Fee was developed based on a description of the proposed parcels and assessment boundaries. The description of assessments includes the methodology developed to establish the basis of assessment for apportioning the cost of providing water services, and the facilities needed to provide water services. This report fulfils the requirement of Government Code 54984 to provide an engineering report.

It has been an absolute pleasure to work with your District. We thank you and other District Staff for the support provided during this study.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert D. Niehaus".

Robert D. Niehaus, Ph.D.  
Managing Director/Principal Economist

A handwritten signature in black ink that reads "Anthony Elowsky".

Anthony Elowsky, M.A.  
Project Manager



# TABLE OF CONTENTS

---

TABLE OF CONTENTS .....	i
LIST OF TABLES .....	ii
LIST OF FIGURES.....	ii
<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
Purpose of Study .....	1
Current Connection Fee .....	1
Proposed Connection Fee .....	1
Current Standby Fee.....	2
Proposed Standby Fee.....	2
<b>1. Introduction .....</b>	<b>3</b>
District Overview .....	3
Fee Terminology .....	3
Legal Framework .....	4
Economic Framework.....	5
<b>2. Connection Fee Calculation.....</b>	<b>6</b>
Buy-in Method.....	6
Incremental Cost Method .....	7
Combined Approach.....	7
Proposed Method: Buy-in Approach.....	8
Proposed System Valuation: Original Cost.....	8
Proposed Sewer Connection Fee.....	8
System Demand.....	8
System Valuation.....	8
Fee Calculation .....	9
<b>3. Standby Fee Calculation.....</b>	<b>10</b>
Benefit Unit Method.....	10
Per Acre Method .....	10
Per Parcel Method.....	10
Proposed Method: Benefit Unit Method .....	10
Proposed Sewer Standby Fee .....	11
Cost Allocation for Vacant Parcels.....	11
Benefit Unit Calculation.....	12
Fee Calculation .....	12

Financial Impact of Standby Fees .....	13
<b>4. Conclusion.....</b>	<b>15</b>
<b>5. Appendix.....</b>	<b>16</b>
Asset List, Original Purchase Price .....	16
Vacant Parcel Data .....	18

## LIST OF TABLES

---

Table 1. Current and Proposed Connection Fee .....	2
Table 2. Current and Proposed Standby Fee.....	2
Table 3. Developed vs Vacant Parcels within District Service Area.....	8
Table 4. Sewer System Asset Valuation.....	9
Table 5. Buy-in Fee Calculation for Sewer System (per parcel).....	9
Table 6. Unit Counts by Methodology.....	11
Table 7. Five-year Capital Improvement Spending by Category .....	11
Table 8. Allocation of Repair and Replacement Costs to Vacant Parcels.....	12
Table 9. Total Vacant Parcel Benefit Units by Land Use Category .....	12
Table 10. Standby Fee Calculation for Sewer System (per Benefit Unit) .....	12
Table 11. Example Standby Fee Calculation.....	13
Table 12. Future Rate Increase Reduction with updated Standby Fee .....	13
Table 13. Proposed Rates from 2023 Rate Study, FY 2025-26 – FY 2027-28 .....	13
Table 14. Proposed Rates with Standby Fee Implementation, FY 2025-26 – FY 2027-28 .....	14
Table 15. Proposed Connection and Standby Fee.....	15

## LIST OF FIGURES

---

Figure 1. Hilton Creek Community Services District Service Area.....	3
Figure 2. Buy-in Methodology .....	7
Figure 3. Incremental Cost Method.....	7
Figure 4. Combined Cost Method.....	7



# EXECUTIVE SUMMARY

---

## Purpose of Study

Robert D. Niehaus (RDN) was engaged by Hilton Creek Community Services District (HCCSD, District) to review and update the District's Connection Fees and Standby Fees. The current fees require an update to accurately reflect the investment in the system and the number of customers utilizing the system.

RDN began the study by reviewing the District's most up-to-date financial, engineering, and planning documents. RDN reviewed all items and data sources submitted by the District and ensured the recommended fees meet the following objectives:

- Ensure compliance with state regulations regarding Connection Fees and Standby Fees,
- Update the current Connection Fees based on existing available capacity to serve new development
- Update the current Standby Fees based on the apportionment of costs to provide sewer services, and the facilities needed to provide sewer services.

## Current Connection Fee

The District's current Connection Fees were designed by Triad/Holmes Associates in 1993 utilizing the Incremental Cost Method as the fee was intended to fund an expansion of the District's treatment plant. The current Connection Fees are assessed by connection. A portion of the treatment plant expansion cost was divided by the expected number of new connections to determine the Connection Fee of \$3,500 per connection. Since 1995, the District has adjusted the fee annually based on the change in the Construction Cost Index published by Engineering News-Record. The most recent adjustment was in 2020, setting the fee at \$7,293.

## Proposed Connection Fee

The proposed Connection Fees are intended to recover utility rate payers' prior investment in capital facilities that support development by carrying extra capacity for new connections. After an extensive review of the previous study, District asset lists, and other data provided by the District, RDN developed the updated Connection Fees, as summarized below and explained in detail in subsequent sections of this report.

- **Methodology:** Connection Fees are based on the Buy-in Method, ensuring new users pay their fair share of the existing system.
- **System Demand:** Demand was measured based on the total number of developed parcels utilizing the sewer system, as provided by the District.
- **System Valuation:** The Original Cost (OC) method was used to determine system value by summing the original purchase cost of each asset.
- **Fee Calculation:** The total system value was divided by existing system demand to determine the proposed fees.

Table 1 displays the current and proposed sewer Connection Fee.

*Table 1. Current and Proposed Connection Fee*

	<b>Unit of Service</b>	<b>Connection Fee</b>
<b>Current</b>	Per Connection	\$7,293.00
<b>Proposed</b>	Per Parcel	\$7,292.73

RDN recommends that the District continue to update the Connection Fee each year to keep pace with construction cost inflation. RDN recommends applying the annual adjustment (increase or decrease) in the CDGS California CCI. Additionally, we recommend that HCCSD conduct a review of the Fee every four to five years or when there are significant changes in the physical system, planned capital projects, or pace of new development.

### **Current Standby Fee**

The District currently charges a Standby Fee of \$10 per year for each vacant parcel. This fee requires an update to more accurately reflect the fixed costs associated with maintaining the sewer system and to ensure that vacant parcels contribute their fair share of these costs.

### **Proposed Standby Fee**

A sewer standby fee is assessed on property owners who have access to the sewer system but have not yet connected. This fee plays a vital role in covering the fixed costs associated with system maintenance, administration, and infrastructure, ensuring that all properties benefiting from the availability of sewer service contribute to its long-term sustainability and operation.

The proposed Standby Fees are calculated using the Benefit Unit Method, ensuring that costs are distributed equitably among vacant parcels based on their proportionate share of system capacity, as summarized below.

- **Methodology:** RDN proposes setting Standby Fees using the Benefit Unit Method.
- **Cost Allocation:** Total costs allocatable to vacant parcels are identified.
- **Benefit Units:** Each vacant parcel is assigned benefit units based on its lot size and land use category, reflecting its proportionate share of system capacity.
- **Per-Benefit-Unit Cost:** The total costs allocated to vacant parcels are divided by the total benefit units to determine a per-benefit-unit cost.
- **Fee Calculation:** Each parcel’s standby fee is calculated by multiplying its assigned benefit units by the per-benefit-unit cost.

Table 2 displays the current and proposed sewer Standby Fee.

*Table 2. Current and Proposed Standby Fee*

	<b>Unit of Service</b>	<b>Standby Fee</b>
<b>Current</b>	Per Parcel	\$10.00
<b>Proposed</b>	Per Benefit Unit	\$26.48

# 1. INTRODUCTION

---

## District Overview

Hilton Creek Community Services District (HCCSD, District) is located in Mono County, just south of Lake Crowley and approximately 15 miles southeast of Mammoth Lakes. Founded in 1963, the District currently provides sewer collection and treatment for nearly 450 residential and commercial customers within the District boundaries. The District boundaries include approximately 460 acres of land in the community of Crowley Lake, 440 acres of privately owned land and 20 acres of public land managed by the US Forest Service. The HCCSD sewage collection system consists of 12 miles of pipes (10-inch collection pipes and 8-inch interceptor pipes), one pump station, and a treatment facility. Sewage is pumped to the treatment facility by two 100-horsepower pumps. The pump station pumps 80-85% of the district's daily sewage flow to the treatment facility. The remaining 15-20% of the daily sewage flow reaches the treatment plant via a gravity fed system. At the treatment plant, sewage is pumped into an extended aeration tank, then into a secondary clarifier, and finally to percolation/evaporation ponds. During the winter months, sludge must be stored in an aeration tank until the percolation/evaporation ponds are clear of snow and ice. The collection system's capacity is 176,000 gpd. Figure 1 shows HCCSD's current service area.

*Figure 1. Hilton Creek Community Services District Service Area*



## Fee Terminology

“Connection Fee” is commonly used terminology to describe system development fees imposed on new customers. There are other names commonly used by utilities such as Development Impact Fees, Capacity Charges, and Capital Recovery Charges. Though they all mean the same thing and are used for the same purpose,

the variety of terms often creates confusion. In this Report, RDN uses “Connection Fee” as the term for a system development charge, a one-time fee paid by a new water system customer for its system capacity. The recommended Fees outlined in this report were developed using industry standard methodologies elaborated by American Water Works Association (AWWA) Principles of Water Rates, Charges, and Charges – Manual of Water Supply Practices (M1).

A sewer standby fee is charged to property owners who have access to the sewer system but are not yet connected. This fee helps recover fixed costs associated with system maintenance, administration, and infrastructure, ensuring that all properties potentially benefiting from the system contribute to its upkeep.

## **Legal Framework**

This section of the report describes the legal framework that was considered in the update of the Connection Fees and Standby Fees to ensure that the calculated Fees provide a fair and equitable allocation of costs to current and future customers.

### [California Code 66013](#)

(a) Notwithstanding any other provision of law, when a local agency imposes Charges for water connections or sewer connections, or imposes Capacity Charges, those Charges or charges shall not exceed the estimated reasonable cost of providing the service for which the Charge or charge is imposed, unless a question regarding the amount of the Charge or charge imposed in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue.

(b) “Capacity Charge” means a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities. A “Capacity Charge” does not include a commodity charge.

(c) A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected. Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund.

### [California Government Code Section 54984 et seq. – Uniform Standby Charge Procedures Act](#)

(a) The Uniform Standby Charge Procedures Act authorizes local agencies to levy standby charges for water, sewer, or drainage services on properties that benefit from system availability, even if they are not currently connected. These charges must be justified based on the benefit received and cannot exceed the reasonable cost of providing service availability.

(b) Standby charges may be imposed on an area, frontage, or parcel basis, as determined by the agency. Any new or increased standby charge must follow the procedural and substantive requirements of the Act, ensuring transparency and consistency with state law.

(c) Revenues collected from standby charges must be accounted for separately and may only be used for the purposes for which they were imposed. These funds help recover fixed system costs, such as maintenance, infrastructure replacement, and administrative expenses, thereby ensuring the financial sustainability of the sewer system.

## Economic Framework

The simplest and most succinct economic justification for Connection Fees is the idea that “growth-pays-for-growth,” Essentially, stating that customers who benefit from a service should be the ones who pay for that service. The AWWA Manual M26 states: “the purpose of designing customer-contributed [Connection Fees] is to prevent or reduce the inequity to existing customers that results when these customers must pay the increase in water rates that are needed to pay for added plant costs for new customers.” To effect fair distribution of the value of the system, Connection Fees should reflect a reasonable estimate of the cost of maintaining additional capacity for new users through the oversizing of a system while not disproportionately burdening existing users through a rate increase.

Additionally, according to Nelson<sup>1</sup>, “Local public officials are coming to accept that underpricing of facilities leads to their inefficient use. Development is less intense, more spread out, and more wasteful of facilities when it does not have to pay the full cost of the facilities to which it connects and uses.” By allowing new development to pay for its full share of the cost of facilities, local officials use market principles to determine when new development is feasible.

Connection Fees should also meet rational nexus criteria to assure maximum reasonable acceptance by the development community, local government elected and administrative officials, and courts. At the heart of the rational nexus test is the concept of "proportionate share," which can be defined as that component of the cost of existing facilities that is reasonably related to the demands of new development.

---

<sup>1</sup> Nelson, Arthur C. 1995. System development charges for water, wastewater and stormwater facilities. CRC Press.

## 2. CONNECTION FEE CALCULATION

---

The Connection Fee was developed using guidelines set forth by the AWWA M1. The two primary methods outlined in the M1 used to calculate Connection Fees are the Buy-in and the Incremental Cost methods. The Buy-in method recovers the cost of capacity in those portions of the existing system in which there is still capacity available. The Incremental Cost method is a calculation of the Incremental Costs of additional system capacity needed to add to serve new development. There is also a hybrid approach in which these two methods are combined. The combined approach is most often used when the system has some capacity left to take on new customers, but additional capacity is also needed to serve projected growth in the planning horizon. RDN utilized the Buy-in Method as it is most appropriate for the HCCSD's Fee calculation. In this section each method is described in detail and the rationale is provided for selecting the Buy-in Method for the District's Connection Fee calculation.

### Buy-in Method

Under the Buy-in Method, new development purchases a share of capacity proportionate to the development's estimated demand. This method is typically used when the existing water system has the capacity to accommodate increased demand without large investment in capital projects. There are four generally accepted methods used to determine the existing system value:

- **Original Cost** – asset cost in the year of construction
- **Original Cost less Depreciation** – original cost subtracting the accumulated depreciation of system assets
- **Replacement Cost New (RCN)** – original cost escalated to current dollars using a construction cost index. This method reflects the cost of replicating the existing system.
- **Replacement Cost New less Depreciation (RCLD)** – replacement cost new of existing system subtracted by the accumulated depreciation. This method reflects the current costs of replacing system assets while adjusting the valuation to reflect the remaining life of current assets.

Figure 2 provides a visual representation of a situation where the Buy-in Method best applies. In this example, the commuter bus (utility) has a capacity to seat 10 passengers (system capacity). Of the 10 total seats, eight are taken (existing customers), but there are two extra seats available ready for the new passengers (new customers). A new passenger, who wants to buy a seat on the bus, is expected to pay one tenth of the total value of the bus to secure his/her seat. This method rests on the premise that existing customers have been maintaining not only their share of the system capacity that they use but also for the extra capacity that is not currently being used. New customers therefore should reimburse existing customers for the additional contribution they have made to maintain the extra capacity.

The Buy-in Method is used when there is sufficient capacity left in the existing system to accommodate new development over the planning period, and the goal of this method is to achieve capital equity between existing and new customers.

Figure 2. Buy-in Methodology



### Incremental Cost Method

While the Buy-in Method is used when the system has sufficient capacity for additional development, the Incremental Cost method is most appropriate when current system capacity is not capable of serving new development without significant investment in new facilities. Under this methodology all the costs of future system expansion are allocated to new customers. This method requires a detailed long-term capital improvement plan (CIP) that clearly identifies the proportion of project cost contributing to expansion of the system. As shown in Figure 3, using the same bus analogy, when the bus is full (at capacity), new passengers must purchase additional cargo for them to secure a seat so that existing customers would not be burdened by the Incremental Costs. This method rests on the premise “growth pays for growth.”

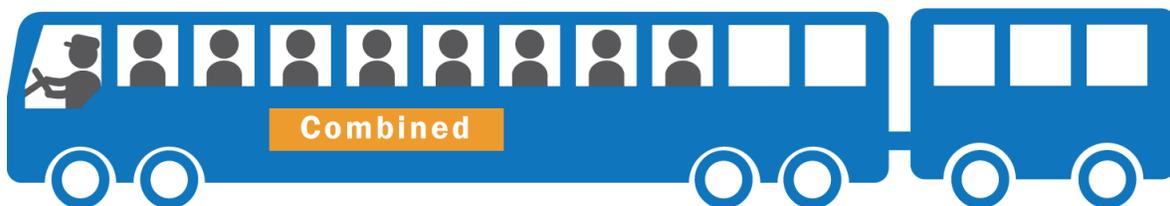
Figure 3. Incremental Cost Method



### Combined Approach

For systems that have the capacity to serve new development in the short-run but require investment in capacity-expanding facilities in the long-run, a combination of Buy-in and Incremental Cost Methods is considered. Connection Fees developed under the combined method reflect the value of the existing system and expansion-related CIPs. In Figure 4 the new passengers are expected to share the costs associated with the available seats in the original section of the bus and extension of the bus that is added to increase additional availability of seats.

Figure 4. Combined Cost Method



## Proposed Method: Buy-in Approach

The current system has enough capacity to accommodate new customers. RDN recommends Connection Fees for the District be calculated based on the Buy-in Method. This approach captures the significant investment made into the existing system by current customers for maintaining excess capacity.

## Proposed System Valuation: Original Cost

The District provided RDN with a comprehensive fixed asset list containing over 80 items with acquisition dates between 1978 and 2020. The asset list included information such as asset number, system function, useful life, and original purchase date and cost of each asset. The original cost paid by the District for backbone system assets is displayed in Table 4.

RDN recommends the Original Cost (OC) method to calculate system value. Under this methodology the allowable asset value reflects the actual cost paid by customers to build the backbone system. Backbone facilities refer to those components of the system that are necessary to provide service to all customers and include the major facilities, but not quickly depreciable assets and non-facilities such as studies, computer software, and vehicles. Backbone assets were determined on a line-item basis for each asset using industry standard practice. The OC method was chosen to ensure that the system value reflects the current customers' actual investment in the system. The allowable asset value (total backbone assets), totals approximately \$3.1 million for the sewer system.

## Proposed Sewer Connection Fee

Connection Fees are assessed per parcel. To calculate the fee for new parcels connecting to the sewer system, the system asset value is divided by the number of developed parcels (current customers). This determines the cost per new connection. The following section provides a detailed explanation of the calculation.

## System Demand

The Buy-in approach uses current system demand as the denominator in the Connection Fee calculation. For the sewer system, demand is based on the number of developed parcels currently served. As of October 2024, the HCCSD service area contained 525 zoned parcels, with just over 80% developed—equating to 427 parcels receiving service. The 427 developed parcels are used as the denominator in the Connection Fee calculation. Table 3 provides a breakdown of parcels within the District, categorized as developed or vacant.

*Table 3. Developed vs Vacant Parcels within District Service Area*

Land Use	Number of Parcels	Share of District
Developed	427	81.3%
Vacant	98	18.7%
<b>Total</b>	<b>525</b>	<b>100%</b>

## System Valuation

The sewer system consists of Waste Disposal and Equipment backbone assets derived from the District-provided asset list and depreciation schedule. The OC valuation of the sewer system is \$3,113,994. Sewer system valuation is shown in Table 4. A complete list of assets and original cost are shown in the appendix.

*Table 4. Sewer System Asset Valuation*

<b>Asset Class</b>	<b>Original Cost (OC)</b>
Sewer Total	\$3,113,994

### **Fee Calculation**

To calculate the sewer Connection Fee RDN divided the OC sewer system value in Table 4 by the number of developed parcels shown in Table 3. This calculation yields a per parcel Connection Fee of \$7,293 and is shown in Table 5.

*Table 5. Buy-in Fee Calculation for Sewer System (per parcel)*

<b>Connection Fee Calculation</b>	
Sewer System Value	\$3,113,994
÷ Units of Service	427
<b>Connection Fee per Parcel</b>	<b>\$7,293</b>

## 3. STANDBY FEE CALCULATION

---

A sewer standby fee is assessed on property owners who have access to the sewer system but have not yet connected. This fee is designed to cover the fixed costs associated with system maintenance, administration, and infrastructure, ensuring that all properties benefiting from the availability of sewer service contribute to its long-term sustainability and operation. Additionally, it helps maintain equity between active and inactive properties by ensuring that those with future access to the system share in the financial responsibilities, rather than placing the entire burden on connected users.

The Standby Fee was developed in accordance with the provisions of Section 54984 et seq. of the California Government Code, Chapter 12.4, known as the “Uniform Standby Charge Procedures Act,” as well as industry-standard practices. RDN evaluated three methodologies to determine the most appropriate calculation for the District’s Standby Fee. The following section provides a detailed description of each method and explains the rationale for selecting the Benefit Unit Method as the basis for the District’s Standby Fee calculation.

### Benefit Unit Method

Under the Benefit Unit Method, vacant lots are assessed standby fees that are equitable and based on the proportionate share of system capacity they require. These fees reflect the benefits that a vacant lot receives from the sewer system, even if it is not yet connected. In this method, benefit units are assigned to each vacant parcel based on lot size and zoned land use (e.g., Single-Family, Commercial, etc.). A benefit-unit cost is then calculated by dividing the total costs apportioned to vacant lots by the total number of benefit units. The Standby Fee is then calculated by multiplying a vacant lot’s benefit units by the per-benefit-unit cost.

### Per Acre Method

Under the Per Acre Method, standby fees for vacant lots are determined based on parcel size, with larger parcels paying a higher fee to reflect their proportional impact on the system. This approach ensures that all vacant properties contribute fairly to the ongoing costs of maintaining sewer infrastructure, regardless of whether they are currently connected. Under this method, the total cost allocated to vacant parcels is divided by the total number of vacant acres to establish a standard per-acre fee. Each vacant lot’s standby fee is then calculated by multiplying its acreage by this per-acre rate.

### Per Parcel Method

Under the Per Parcel Method, standby fees are assigned equally to all vacant lots, ensuring that each parcel contributes the same amount toward the sewer system’s fixed costs. This method simplifies the fee structure by charging a uniform rate per parcel, regardless of lot size or land use designation. The total cost allocated to vacant parcels is divided by the total number of vacant parcels to determine a flat per-parcel fee. Each vacant lot is then assessed this standard fee, ensuring consistency and ease of implementation. A complete list of vacant parcels is included in the appendix.

### Proposed Method: Benefit Unit Method

RDN recommends Standby Fees for the District be calculated based on the Benefit Unit Method. This approach is the most equitable approach because it accounts for both lot size and land use, ensuring that each vacant parcel contributes a fair share based on its potential impact on the sewer system. Table 6 presents the total units under each methodology, including the selected 590.24 Benefit Units used for fee setting, as described in the next section.

*Table 6. Unit Counts by Methodology*

	<b>Benefit Units</b>	<b>Vacant Acres</b>	<b>Vacant Parcels</b>
Units	<b>590.24</b>	195.83	98.00

## Proposed Sewer Standby Fee

Standby fees ensure that property owners with access to the sewer system contribute to its maintenance and long-term sustainability, even if they are not yet connected. The proposed Standby Fees are assessed based on each parcel’s assigned benefit units. To determine the fee for new parcels joining the sewer system, the total costs allocated to vacant parcels are divided by the total number of benefit units, establishing a per-benefit-unit cost. Each new parcel's fee is then calculated by multiplying its assigned benefit units by this rate. The following section provides a detailed explanation of this process.

## Cost Allocation for Vacant Parcels

The first step in determining the District’s Standby Fees is identifying the portion of costs attributable to vacant parcels that are not yet connected to the sewer system. Although these vacant lots are not actively using the system, they still benefit from the availability of sewer service and must contribute to its maintenance. The District’s capital expenses for repairing and replacing system components were selected as the basis for cost allocation, as these are fixed costs that remain constant regardless of customer usage. RDN reviewed the capital expenses planned in the District’s most recent rate study<sup>2</sup> (2023). Table 7 presents the most recent capital spending plan, categorized by project type, along with the five-year average annual capital expenditure for each category.

*Table 7. Five-year Capital Improvement Spending by Category*

<b>Project Category</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>5 Year Average</b>
<b>Repair and Replacement</b>	\$39,061	\$39,061	\$40,328	\$40,475	\$41,779	<b>\$40,141</b>
System Expansion	\$62,948	\$62,948	\$61,681	\$64,956	\$64,608	\$63,428
Total CIP	\$102,009	\$102,009	\$102,009	\$105,431	\$106,387	\$103,569

Of the approximately \$100,000 in annual capital improvement spending, about \$40,000 was allocated to repair and replacement projects each year. However, vacant lots are only responsible for a fair share of these costs rather than the full amount. To determine the vacant lot share, the five-year average annual repair and replacement costs were multiplied by the percentage of District acreage that remains vacant. Since 39 percent of the District’s land is vacant, these parcels should be responsible for funding 39 percent of the repair and replacement costs. Table 8 summarizes the total annual repair and replacement spending, the percentage of vacant land in the District, and the corresponding cost allocation for vacant parcels.

<sup>2</sup> Hilton Creek Community Services District (2023) Financial Planning, Revenue Requirements, Cost of Service, and Rate Setting Analysis. RDN.

*Table 8. Allocation of Repair and Replacement Costs to Vacant Parcels*

Category	Value
Total District Acreage	411
Vacant Acreage	160
Percentage of District Acreage That Is Vacant	39%
Annual Repair and Replacement Budget	\$40,141
<b>Repair &amp; Replacement Costs Allocated to Vacant Parcels</b>	<b>\$15,628</b>

### Benefit Unit Calculation

Benefit units are determined based on the proportionate share of system capacity that each parcel requires. For the District, the total number of benefit units is calculated by assessing all vacant parcels in relation to their lot size and designated land use category (e.g., Single-Family, Commercial, etc.). Larger parcels and those with higher potential wastewater demand are assigned more benefit units to reflect their greater impact on system capacity. To allocate benefit units, a standardized land use factor is applied to each zoning category. The total benefit units for vacant parcels are then determined by multiplying the land use factors by the total vacant acreage in each zoning category. The total number of benefit units across all vacant parcels is used to distribute the standby fee equitably. Parcels smaller than one acre were rounded up to one acre to ensure a minimum level of cost participation, recognizing that even the smallest parcels impose baseline demands on the sewer system and benefit from its availability. Table 9 presents the vacant acreage, land use factors for each zoning category, and the resulting total benefit units for the District’s vacant parcels.

*Table 9. Total Vacant Parcel Benefit Units by Land Use Category*

Land Use	Vacant Acres	Use Factor	Total Benefit Units
SFR	116.39 x	2.50 =	290.98
MFR	60.94 x	4.00 =	243.76
COMMERCIAL	13.50 x	3.00 =	40.50
MUNICIPAL	5.00 x	3.00 =	15.00
<b>Total</b>	<b>195.83</b>		<b>590.24</b>

### Fee Calculation

To calculate the sewer Standby Fee RDN divided the vacant parcel’s share of repair and replacement (R&R) capital spending by the total vacant parcel benefit units. The per-benefit-unit cost is calculated by dividing the total costs allocated to vacant parcels by the total benefit units. This calculation yields a per benefit unit Standby Fee of \$26.48 as is shown in Table 10.

*Table 10. Standby Fee Calculation for Sewer System (per Benefit Unit)*

Standby Fee Calculation	
Vacant Share of R&R Spending	\$15,628
÷ Benefit Units	590.24
<b>Annual Standby Fee per Benefit Unit</b>	<b>\$26.48</b>

Standby Fees for individual parcels are calculated by multiplying the per-benefit-unit cost by the number of benefit units assigned to each parcel. For example, a two-acre vacant parcel zoned for Single-Family has a land use factor

of 2.5 (see Table 9). Multiplying the two acres by the 2.5 land use factor results in a total of five benefit units. With a per-benefit-unit cost of \$26.48, this parcel’s annual Standby Fee would be \$132.40.

*Table 11. Example Standby Fee Calculation*

Land Use	Acres	Use Factor	Total Units	Per Benefit Unit Fee	Annual Standby Fee
SFR	2.0 x	2.5 =	5.0 x	\$26.48 =	<b>\$132.40</b>

### Financial Impact of Standby Fees

By allocating a portion of repair and replacement costs to vacant parcels through the updated Standby Fee, the financial burden on active customers has been reduced. Previously, these fixed costs were fully recovered through rates paid by connected users. With inactive parcels now contributing their fair share, the total revenue requirement placed on ratepayers has decreased. As a result, future rate increases could be mitigated, promoting a more equitable distribution of costs and ensuring that all properties benefiting from the sewer system share in its upkeep. Table 12 presents the rate adjustments for the next three fiscal years proposed in the District’s most recent Rate Study. With the implementation of the updated Standby Fees, the District would be able to reduce the necessary rate increases by 2.0 percent in FY 2025-26, 1.0 percent in FY 2026-27, and 0.3 percent in FY 2027-28.

*Table 12. Future Rate Increase Reduction with updated Standby Fee*

Revenue Adjustments	FY 2025-26	FY 2026-27	FY 2027-28
Proposed	15.0%	10.0%	5.3%
w/ Standby Fee	13.0%	9.0%	5.0%
<b>Difference</b>	<b>-2.0%</b>	<b>-1.0%</b>	<b>-0.3%</b>

Table 13 presents the rates for the next three fiscal years under the proposed rates from the last rate study, while Table 14 shows the potential rates reflecting the implementation of the proposed Standby Fee if all other economic projections from the rate study remain the same.

*Table 13. Proposed Rates from 2023 Rate Study, FY 2025-26 – FY 2027-28*

Proposed Rates	FY 2025-26	FY 2026-27	FY 2027-28
SFR/MFR 1st. Unit	\$201.90	\$222.09	\$233.86
MFR 2nd Unit+	\$162.44	\$178.69	\$188.16
Commercial	\$89.09	\$98.00	\$103.19
Studios/Hotel Rooms	\$108.30	\$119.13	\$125.44
School/Church	\$5.64	\$6.20	\$6.53
Kitchen	\$139.93	\$153.92	\$162.08
Toilets	\$110.24	\$121.26	\$127.69

*Table 14. Proposed Rates with Standby Fee Implementation, FY 2025-26 – FY 2027-28*

<b>Proposed Rates with Standby Fee</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>
SFR/MFR 1st. Unit	\$198.39	\$216.24	\$227.05
MFR 2nd Unit+	\$159.62	\$173.98	\$182.68
Commercial	\$87.54	\$95.42	\$100.19
Studios/Hotel Rooms	\$106.41	\$115.99	\$121.79
School/Church	\$5.54	\$6.04	\$6.34
Kitchen	\$137.49	\$149.87	\$157.36
Toilets	\$108.32	\$118.07	\$123.97

## 4. CONCLUSION

---

RDN updated the District’s fees, which conform to State guidelines. The proposed Connection Fees are proportional to the value of the sewer system and equitably reimburse current customers for their prior investment in the system. The updated study resulted in a Connection Fee of \$7,293 for the sewer system—nearly identical to the current fee, as the Construction Cost Index closely tracked the system value escalation over the same period. The proposed Standby Fees ensure a more equitable distribution of fixed costs by requiring inactive parcels to contribute their fair share toward system maintenance and long-term sustainability. This reduces the financial burden on active customers, helping to stabilize rates and mitigate future increases while ensuring all properties that benefit from system capacity participate in system upkeep. This study resulted in a Standby Fee of \$26.48 per Benefit Unit for vacant parcels.

RDN recommends that the District conduct a review of the Connection Fee every four to five years or when there are significant changes in the physical system, planned capital projects, pace of new development, or other major changes.

Lastly, RDN recommends that the District update Standby Fees as part of the next rate study process to ensure they remain aligned with the District’s financial needs and cost allocation methodology. Periodic review will help maintain equity in cost distribution and ensure that vacant parcels continue to contribute their fair share of fixed system costs. Regular updates will also allow the District to account for changes in system costs, land use, and demand patterns, supporting long-term financial sustainability while mitigating future rate increases for active customers. Table 15 presents the proposed Connection and Standby Fees based on the analysis detailed in this report.

*Table 15. Proposed Connection and Standby Fee*

<b>Fee Type</b>	<b>Unit of Service</b>	<b>Fee</b>
<b>Connection Fee</b>	Per Parcel	\$7,293
<b>Standby Fee</b>	Per Benefit Unit	\$26.48

## 5. APPENDIX

### Asset List, Original Purchase Price

Asset ID	Asset Class	System	Backbone Assets	Purchased Price
22	Waste Disposal	Sewer	Yes	\$1,861,175
24	Waste Disposal	Sewer	Yes	\$3,682
25	Waste Disposal	Sewer	Yes	\$5,227
26	Waste Disposal	Sewer	Yes	\$406
27	Waste Disposal	Sewer	Yes	\$1,244
30	Waste Disposal	Sewer	Yes	\$5,800
32	Waste Disposal	Sewer	Yes	\$1,503
33	Waste Disposal	Sewer	Yes	\$1,689
34	Waste Disposal	Sewer	Yes	\$2,043
35	Waste Disposal	Sewer	Yes	\$1,593
36	Waste Disposal	Sewer	Yes	\$159,822
37	Waste Disposal	Sewer	Yes	\$33,677
38	Waste Disposal	Sewer	Yes	\$2,485
39	Waste Disposal	Sewer	Yes	\$48,446
41	Waste Disposal	Sewer	Yes	\$466,906
42	Waste Disposal	Sewer	Yes	\$23,201
43	Waste Disposal	Sewer	Yes	\$23,201
44	Waste Disposal	Sewer	Yes	\$23,201
45	Waste Disposal	Sewer	Yes	\$23,201
46	Waste Disposal	Sewer	Yes	\$23,200
47	Waste Disposal	Sewer	Yes	\$23,200
48	Waste Disposal	Sewer	Yes	\$23,200
49	Waste Disposal	Sewer	Yes	\$2,300
50	Waste Disposal	Sewer	Yes	\$11,640
51	Waste Disposal	Sewer	Yes	\$12,215
52	Waste Disposal	Sewer	Yes	\$4,233
53	Waste Disposal	Sewer	Yes	\$9,325
55	Waste Disposal	Sewer	Yes	\$16,498
56	Waste Disposal	Sewer	Yes	\$512
58	Waste Disposal	Sewer	Yes	\$1,186
59	Waste Disposal	Sewer	Yes	\$600
60	Waste Disposal	Sewer	Yes	\$11,060
63	Waste Disposal	Sewer	Yes	\$71,735
64	Waste Disposal	Sewer	Yes	\$7,585
66	Waste Disposal	Sewer	Yes	\$4,585
67	Waste Disposal	Sewer	Yes	\$5,231
68	Waste Disposal	Sewer	Yes	\$7,597
69	Waste Disposal	Sewer	Yes	\$1,275
72	Waste Disposal	Sewer	Yes	\$5,350
73	Waste Disposal	Sewer	Yes	\$12,730

Asset ID	Asset Class	System	Backbone Assets	Purchased Price
75	Waste Disposal	Sewer	Yes	\$1,083
76	Waste Disposal	Sewer	Yes	\$6,166
77	Waste Disposal	Sewer	Yes	\$2,091
78	Waste Disposal	Sewer	Yes	\$717
79	Waste Disposal	Sewer	Yes	\$2,096
80	Waste Disposal	Sewer	Yes	\$4,863
81	Waste Disposal	Sewer	Yes	\$3,730
87	Waste Disposal	Sewer	Yes	\$1,200
88	Waste Disposal	Sewer	Yes	\$600
89	Waste Disposal	Sewer	Yes	\$27,258
90	Waste Disposal	Sewer	Yes	\$29,012
91	Waste Disposal	Sewer	Yes	\$44,279
92	Waste Disposal	Sewer	Yes	\$2,533
97	Waste Disposal	Sewer	Yes	\$1,538
98	Waste Disposal	Sewer	Yes	\$11,873
99	Waste Disposal	Sewer	Yes	\$3,166
100	Waste Disposal	Sewer	Yes	\$1,164
101	Waste Disposal	Sewer	Yes	\$3,161
102	Waste Disposal	Sewer	Yes	\$4,515
103	Waste Disposal	Sewer	Yes	\$7,603
104	Waste Disposal	Sewer	Yes	\$2,474
3	Equipment	Sewer	No	\$11,365
4	Equipment	Sewer	No	\$906
5	Equipment	Sewer	No	\$766
6	Equipment	Sewer	No	\$2,664
71	Equipment	Sewer	No	\$638
74	Equipment	Sewer	No	\$24,999
82	Equipment	Sewer	Yes	\$4,650
83	Equipment	Sewer	Yes	\$2,680
84	Equipment	Sewer	No	\$481
85	Equipment	Sewer	No	\$24,999
86	Equipment	Sewer	Yes	\$983
93	Equipment	Sewer	No	\$2,098
94	Equipment	Sewer	Yes	\$800
8	Other Equipment	Sewer	No	\$3,746
9	Other Equipment	Sewer	No	\$3,293
11	Other Equipment	Sewer	No	\$2,102
12	Other Equipment	Sewer	No	\$1,008
14	Other Equipment	Sewer	No	\$1,000
16	Other Equipment	Sewer	No	\$1,299

## Vacant Parcel Data

APN	Account Number	Land Use	Status	Acres
060-120-004	A6012004	SFR	VACANT	0.32
060-120-010	A6012010	SFR	VACANT	1.80
060-120-011	A6012011	SFR	VACANT	1.82
060-120-012	A6012012	SFR	VACANT	1.71
060-120-015	A6012015	SFR	VACANT	5.02
060-120-017	A6012017	SFR	VACANT	1.67
060-130-003	A6013003	SFR	VACANT	0.46
060-130-013	A6013013	SFR	VACANT	1.26
060-130-014	A6013014	SFR	VACANT	1.74
060-130-015	A6013015	SFR	VACANT	0.33
060-130-016	A6013016	SFR	VACANT	0.22
060-130-018	A6013018	SFR	VACANT	1.57
060-140-004	A6014004	MFR	VACANT	1.52
060-150-004	A60150004	SFR	VACANT	1.04
060-150-005	A6015005	SFR	VACANT	1.00
060-150-007	A6015007	MUNICIPAL	VACANT	0.94
060-150-008	A6015008-001	MUNICIPAL	VACANT	0.98
060-150-014	A6015014	SFR	VACANT	0.17
060-150-021	A6015021	MUNICIPAL	VACANT	0.49
060-150-022	A6015022	MUNICIPAL	VACANT	0.32
060-150-024	A6015024	MUNICIPAL	VACANT	0.59
060-160-015	A6016015	SFR	VACANT	0.69
060-170-001	A6017001	SFR	VACANT	0.97
060-170-005	A6017005	SFR	VACANT	0.69
060-170-012	A6017012	SFR	VACANT	1.04
060-170-024	A6017024	SFR	VACANT	1.03
060-170-025	A6017025	SFR	VACANT	0.20
060-170-028	A6017028	SFR	VACANT	0.32
060-170-031	A6017031-001	SFR	VACANT	0.47
060-180-001	A6018001	SFR	VACANT	1.09
060-180-005	A6018005	COMMERCIAL	VACANT	1.31
060-180-013	A6018013	SFR	VACANT	1.09
060-180-022	A6018022	SFR	VACANT	0.36
060-200-006	A602006	SFR	VACANT	1.85
060-200-016	A6020016-001	SFR	VACANT	0.28
060-210-008	A6021008	SFR	VACANT	1.31
060-210-025	A6021025	SFR	VACANT	1.10
060-210-026	A6021026	SFR	VACANT	0.91
060-210-027	A6021027	COMMERCIAL	VACANT	1.24
060-210-031	A6021031	COMMERCIAL	VACANT	8.95
060-210-043	A6021043	SFR	VACANT	0.42
060-210-045	A6021045	SFR	VACANT	0.43
060-210-052	A6021052	SFR	VACANT	0.38
060-210-057	A6021057	SFR	VACANT	2.11
060-210-058	A6021058	SFR	VACANT	1.99
060-220-008	A6022008	MFR	VACANT	59.42
060-230-033	A6023033	SFR	VACANT	0.23
060-240-001	A6024001	SFR	VACANT	1.96

APN	Account Number	Land Use	Status	Acres
060-250-012	A6025012	COMMERCIAL	VACANT	2.00
060-300-005	A6030005	SFR	VACANT	0.56
060-300-011	A6030011	SFR	VACANT	0.50
060-300-012	A6030012	SFR	VACANT	0.54
060-300-015	A6030015	SFR	VACANT	0.59
060-310-004	A6031004-001	SFR	VACANT	0.53
060-310-011	A6031011	SFR	VACANT	0.37
060-310-013	A6031013	SFR	VACANT	0.41
060-320-007	A6032007	SFR	VACANT	0.45
060-330-014	A6033014	SFR	VACANT	0.55
060-330-021	A6033021	SFR	VACANT	0.46
060-340-012	A6034012	SFR	VACANT	0.35
060-340-016	A6034016-001	SFR	VACANT	0.20
060-340-030	A6034030	SFR	VACANT	0.82
060-340-034	A6034034-002	SFR	VACANT	0.34
060-340-035	A6034035	SFR	VACANT	0.34
060-340-036	A6034036	SFR	VACANT	0.40
060-340-037	A6034037-001	SFR	VACANT	0.34
060-360-002	A6036002	SFR	VACANT	0.38
060-360-004	A6036004	SFR	VACANT	0.45
060-360-005	A6036005	SFR	VACANT	0.42
060-360-006	A6036006	SFR	VACANT	0.42
060-360-007	A6036007	SFR	VACANT	0.45
060-360-008	A6036008	SFR	VACANT	0.61
060-360-009	A6036009	SFR	VACANT	0.57
060-360-010	A6036010	SFR	VACANT	0.65
060-360-011	A6036011	SFR	VACANT	0.74
060-360-014	A6036014	SFR	VACANT	0.34
060-360-015	A6036015	SFR	VACANT	0.36
060-360-016	A6036016	SFR	VACANT	0.40
060-360-017	A6036017	SFR	VACANT	0.35
060-360-018	A6036018	SFR	VACANT	0.36
060-360-021	A6036021-001	SFR	VACANT	0.52
060-360-022	A6036022	SFR	VACANT	0.52
060-360-023	A6036023	SFR	VACANT	0.57
060-360-024	A6036024	SFR	VACANT	0.39
060-360-025	A6036025	SFR	VACANT	0.35
060-360-026	A6036026	SFR	VACANT	0.44
060-360-027	A6036027	SFR	VACANT	0.36
060-360-028	A6036028	SFR	VACANT	0.37
060-360-029	A6036029	SFR	VACANT	0.35
060-360-030	A6036030	SFR	VACANT	0.42
060-360-031	A6036031	SFR	VACANT	0.41
060-360-032	A6036032	SFR	VACANT	0.38
060-370-001	A6037001	SFR	VACANT	1.55
060-370-002	A6037002	SFR	VACANT	2.93
060-370-003	A6037003	SFR	VACANT	6.49

