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# **RANCHO MURIETA CSD**

## **DEVELOPER FEE STUDY REPORT**

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***PREPARED FOR***



**Rancho Murieta CSD**  
Community Services District

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Rancho Murieta Community Services District

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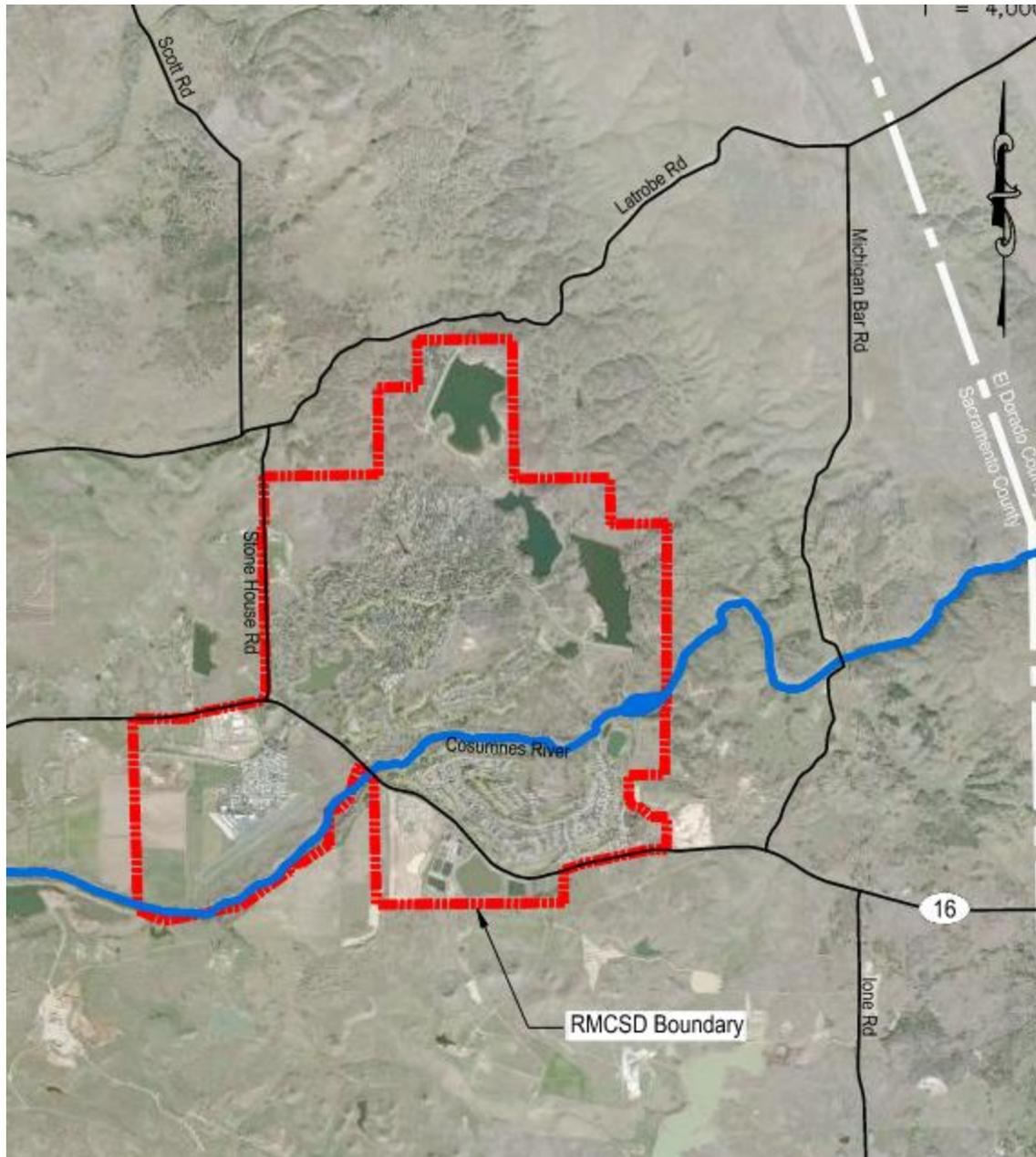
**LIST OF ABBREVIATIONS**

AWWA .....	American Water Works Association
CIP .....	Capital Improvement Plan
FY .....	Fiscal Year
RMCS D.....	Rancho Murieta Community Services District

## **1.0 Introduction and Background**

Rancho Murieta Community Services District (RMCS D) has retained Lumos and Associates (Lumos) to provide an analysis of new connection fees (also referred to as developer fees) for its Water, Sewer, Drainage, and Security utilities. RMCS D was formed in 1982 and currently serves 2,917 connections in the southeastern part of Sacramento County. Figure 1.1 shows the location and boundary of RMCS D.

A connection fee is a one-time charge assessed to new service connections to recover a fair share of the cost of system capacity and infrastructure. State law authorizes the District to charge new development for capital facilities, conditioned upon the requirement that the charges imposed on new development bear a reasonable and defensible relationship to the needs created by and the benefits accruing to that development. This authority is granted to the District by Government Code Sections 61115, 61123, and 66013 and other laws. RMCS D last reviewed the connection fees in November 2017. Since that time, the capital improvement plan (CIP) has changed.



**Figure 1.1: RMCS Boundary [1]**

## **1.1 Summary of Key Findings and Recommendations**

The findings and recommendations presented in this study were developed in coordination with RMCS staff. This study evaluated a connection fee structure to recover the full cost of capacity in each utility. Table 1.1 provides a condensed summary of the recommended fee structures discussed in Section 4.2. Appendix A provides a comparison of fees from surrounding agencies.

**Table 1.1 Current and Proposed Capital Improvement Fee Schedule**

<b>* Capital Connection Fee per Equivalent Dwelling Unit (EDU)</b>	<b>Current \$ per EDU</b>	<b>New \$ per EDU</b>	<b>% of Total Fees</b>
Water Capital Improvement Fee <sup>1</sup>	\$ 2,196.80	Alt. 1: \$11,577.18	
		Alt. 2: \$1,174.50	5%
Sewer Capital Improvement Fee	\$ 3,059.01	\$885.91	4%
Drainage Capital Improvement Fee	-	\$966.44	4%
Security Capital Improvement Fee	\$ 83.81	\$10.07	0%
<b>Total Capital Improvement Fee</b>	<b>\$ 5,339.62</b>	<b>\$3,036.91</b>	<b>13%</b>
Water Supply Augmentation Fee	\$ 7,540.23	\$20,436.24	87%
<b>Total Capital Components</b>	<b>\$ 12,879.85</b>	<b>\$23,473.15</b>	<b>100%</b>
Water Meter Installation Fee	\$ 507.90	\$1,635.73	
Water Meter Inspection Fee	\$ 160.62	\$1,987.88	
Sewer Inspection Fee	\$ 160.62	\$1,987.88	
<b>Total</b>	<b>\$ 13,709.00</b>	<b>\$29,084.63</b>	

1 – Two alternatives were developed for the Water Fund. As summarized in Section 5.1, the fund does not have sufficient resources to support the scheduled projects. These alternatives are intended to initiate a discussion between RMCS D and the Board on how to address the infrastructure deficiencies while maintaining long-term fund sustainability.

## 2.0 Study Methodology

The successful and sustainable operation of any utility is contingent on sound financial policy and proper utility planning.

The Water and Sewer developer fee study was conducted based on methodologies and principles established by the American Water Works Association (AWWA) in the Manual of Water Supply Practices M1 – Principles of Water Rate, Fees and Charges and Financing and Charges for Wastewater Systems – Manual of Practice No. 27 published by the Water Environment Federation.

The following objectives were used as guiding principles in the preparation of the water and sewer connection fee analysis. According to the AWWA, the objectives for estimating new connection fees are comprised of:

- Determine the future cost to expand the system
- Identify the number of new connections or EDUs
- Calculating the cost of system capacity on a per EDU basis.

According to the AWWA, there are three approaches to estimating new connection fees. The first approach is the “Buy-In” cost methodology. This approach is used when there is existing capacity available for new customers to purchase. The second approach is the “Incremental” cost methodology, which is used when new capacity is needed before new customers can connect to the system. The third approach is the “Hybrid” approach, which is a combination of the previous approaches.

This analysis will use the Incrementation Cost Methodology. All previously constructed projects with excess capacity were fully funded by the new connections that benefit from them. As a result, all existing capacity has already been allocated, and there are no existing projects that new users need to buy into. Appendix B contains the financing and service agreements that document how this capacity was allocated.

Unlike water and wastewater fees, which follow standardized methodologies discussed above, security and drainage fees are governed by the Mitigation Fee Act (Government Code §§ 66000–66025) and rely on a nexus-based impact fee approach rather than connection fees.

Drainage fees and Security fees are justified through a Capital Improvement Plan. In all cases, the fee methodology must demonstrate a clear nexus and proportionality between growth and the capital improvements needed to maintain existing levels of service.

### 3.0 Data And Assumptions

RMCS D provided the 10-year expansion CIP for the Water, Sewer, Drainage, and Security utilities, which helped to determine the cost basis that future customers will buy into.

#### 3.1 New Development

The EDU count was derived from specific developments that are anticipated to connect that will be served by the expansion projects. Table 3.1 summarizes the sum of EDUs that will connect to the system.

**Table 3.1: New Development Connections**

<b>Name of Development</b>	<b>Year</b>
Riverview	86
Residences – East	96
Residences – West	98
Village A (Terrace)	160
Village B (River Canyon)	119
Village C (Highlands)	136
Village H (Calero South)	50
<b>Total</b>	<b>745</b>

## 4.0 Connection Fee Analysis

The developer fee analysis was performed in two phases. The first phase determined the cost-basis for each utility and allocated those costs on an ERU basis. The second phase analyzed system cash flows on an annual basis for a period of 10 years to understand if changes to the CIP were needed to comply with the RMCS D’s financial policies. This section documents the data used for the analysis. Proposed connection fees can be found in Section 5.1.

### 4.1 Connection Fee Cost Basis

RMCS D provided a 10-year CIP for this study, which contained numerous projects that add capacity for new development. The CIP information included the project type and projected cost estimation. For the connection fee analysis, only the portion of the project that expands the capacity of the system and is driven by growth will be factored into the cost basis. This amount is summarized in Table 4.1 through Table 4.6.

This analysis evaluates two alternatives for the Water Capital Fund. Alternative 1 includes the 1-million-gallon storage tank needed to serve one of the new developments, as well as the valve project required to divert water to that specific development. Because these projects benefit only one of the new developments and not all of them, Alternative 2 was developed to reflect capital projects that would provide shared benefits to all new developments. RMCS D will decide how to proceed after discussions with developers.

86 from Riverview that will not benefit

**Table 4.1: Alternative 1 Water Capital Fund Expansion Projects**

Project	Portion of Growth-Related Cost	Year
1 Million Gallon Water Tank	\$7,000,000	2026
WTP Hypo Conversion	\$375,000	2028
Rio Oso Tank Rehab	\$500,000	2028
Valve project at the water plant	\$750,000	2026
<b>Total</b>	<b>\$8,625,000</b>	

**Table 4.2: Alternative 2 Water Capital Fund Expansion Projects**

Project	Portion of Growth-Related Cost	Year
WTP Hypo Conversion	\$375,000	2028
Rio Oso Tank Rehab	\$500,000	2028
<b>Total</b>	<b>\$875,000</b>	

**Table 4.3: Sewer Capital Fund Expansion Projects**

<b>Project</b>	<b>Portion of Growth-Related Cost</b>	<b>Year</b>
Main Lift North Upgrade	\$300,000	2027
Vactor Truck	\$85,000	2027
DAF and Filter Rehab	\$100,000	2028
Pond Dredging	\$25,000	2027
Chlorine Contact Chamber Rehab	\$150,000	2028
<b>Total</b>	<b>\$660,000</b>	

**Table 4.4: Drainage Capital Fund Expansion Projects**

<b>Project</b>	<b>Portion of Growth-Related Cost</b>	<b>Year</b>
Lone Pine Road 5x8 Concrete Culverts	\$720,000	2026

**Table 4.5: Security Capital Fund Expansion Projects**

<b>Project</b>	<b>Portion of Growth-Related Cost</b>	<b>Year</b>
Cameras	\$7,500	2026

**Table 4.6: Water Augmentation Fund Expansion Projects**

<b>Project</b>	<b>Portion of Growth-Related Cost</b>	<b>Year</b>
Well Project	\$15,000,000	2026-2029
Water Study	\$225,000	2026
<b>Total</b>	<b>\$15,225,000</b>	

## **4.2 Water Meter Installation and Inspection, and Sewer Inspection Cost Basis**

The cost basis for Water Meter Installation, Water Meter Inspection, and Sewer Inspection was developed using the estimated staff time required to perform each activity multiplied by the applicable hourly labor rate.

**Table 4.7: Water Meter Installation and Inspection, and Sewer Inspection Cost Basis**

<b>Cost-Basis Summary</b>	<b>Cost Per EDU</b>	<b>Assumptions</b>
Water Meter Cost	\$443	Purchase Price
Water Meter Installation	\$1,193	1.5 hours + Admin Costs
<b>Total Water Meter Installation Fee</b>	<b>\$1,636</b>	
<b>Water Inspection Fee</b>	<b>\$1,988</b>	<b>2.5 hours + Admin Costs</b>
<b>Sewer Inspection Fee</b>	<b>\$1,988</b>	<b>2.5 hours + Admin Costs</b>

## 5.0 Fee Analysis Results

Table 5.1 summarizes the results of the fees per EDU. As discussed in Section 4.1, the water capital improvement fund has 2 alternatives. The fee for Alternative 1 is higher due to the inclusion of the 1-million-gallon tank and the valve project at the water treatment plant. Alternative 2 was ultimately used for the total fee calculation. Figure 5.2 shows the total fee calculation scaled by the type of development and number of EDUs associated with it.

**Table 5.1: Developer Fee**

<b>* Capital Connection Fee per Equivalent Dwelling Unit (EDU)</b>	<b>New \$ per EDU</b>	<b>% of Total Fees</b>
Water Capital Improvement Fee	Alt. 1: \$11,577.18	
	Alt. 2: \$1,174.50	5%
Sewer Capital Improvement Fee	\$885.91	4%
Drainage Capital Improvement Fee	\$966.44	4%
Security Capital Improvement Fee	\$10.07	0%
<b>Total Capital Improvement Fee</b>	<b>\$3,036.91</b>	<b>13%</b>
Water Supply Augmentation Fee	\$20,436.24	87%
<b>Total Capital Components</b>	<b>\$23,473.15</b>	<b>100%</b>
Water Meter Installation Fee	\$1,635.73	
Water Meter Inspection Fee	\$1,987.88	
Sewer Inspection Fee	\$1,987.88	
<b>Total</b>	<b>\$29,084.63</b>	

**Table 5.2: Developer Fee Schedule**

<b>Connection Type</b>	<b>Equivalent Dwelling Unit</b>	<b>New Total Fee</b>
New 4" meter	10	\$ 290,846
Commercial 2" meter	3.2	\$ 93,071
Landscape 1" meter	1	\$ 29,085
Commercial 1" Meter	1	\$ 29,085
Estate lot - 24,000 or more square feet	2.5	\$ 72,712
Estate lot between 12,000 and 24,000 square feet	1	\$ 29,085
Estate lot less than 12,000 square feet	0.9	\$ 26,176
Cottage and circle lots (70' or 90')	0.7	\$ 20,359
Townhouse, half plex, & country club lodge lots	0.5	\$ 14,542

Connection Type	Equivalent Dwelling Unit	New Total Fee
Apartment	0.3	\$ 8,724

## 5.1 Cash Reserves

A 10-year cash flow forecast was completed for this study. The forecast included projected revenues and expenses. The expenses represent CIP projects associated with capital expansion. The revenues projected are based on the estimated number of connections each year multiplied by the proposed connection fee. The cash flow represents the net positive or negative cash flow that ultimately affects the cash reserves. The sections below speak to the health of the cash reserves fund through the cash flow analysis for each utility. The assumption for the revenue projections is based on the following connection schedule, shown in Table 5.3. It should be noted that this developer schedule was developed in coordination with RMCS D and may be subject to change.

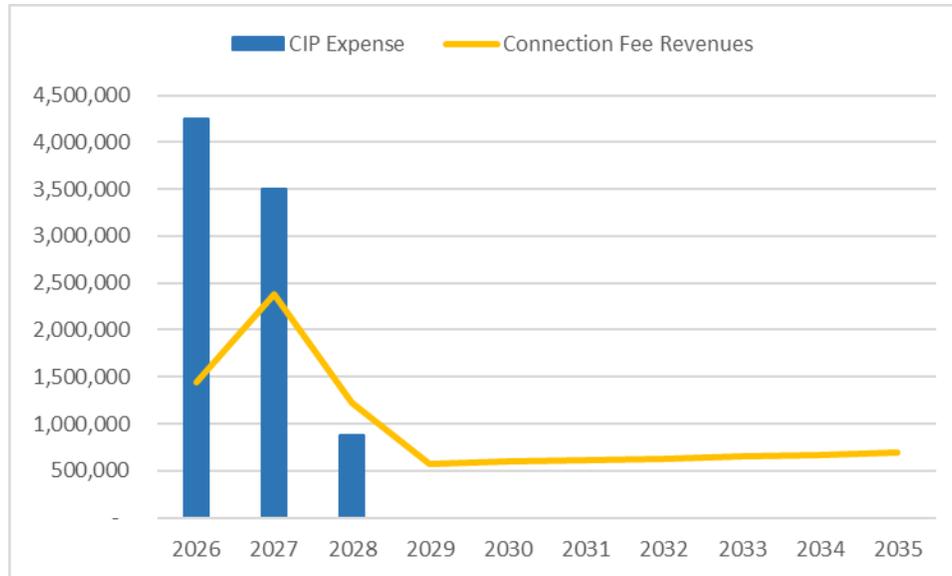
**Table 5.3: Projected 10-Year New Development Connection Schedule**

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
# New Conn.	125	200	100	19	19	19	19	19	19	19

### 5.1.1 Water Capital Fund

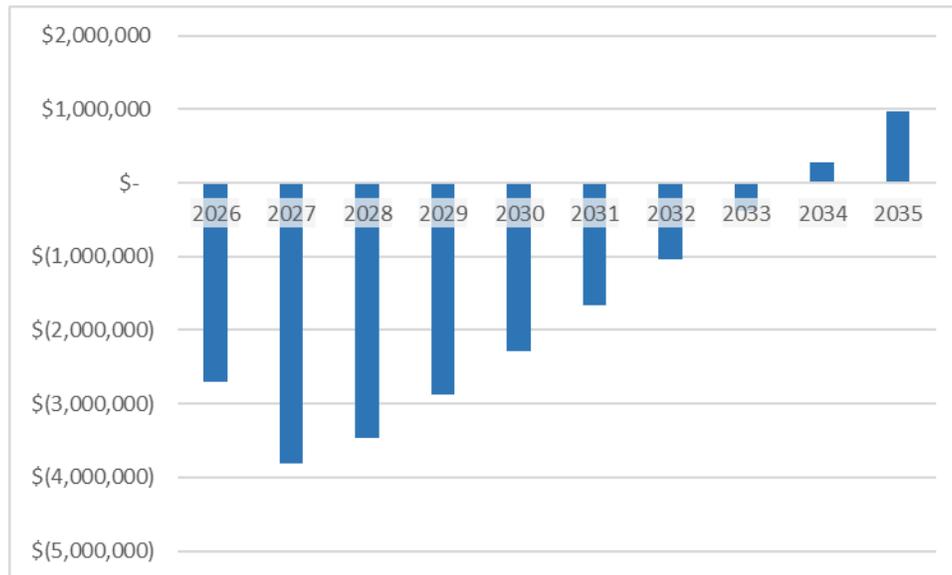
RMCS D has acknowledged the significant funding challenges in the Water Fund, which begins Fiscal Year (FY) 2024 with only \$106,255 in available cash. The following water alternatives are intended to illustrate the severity of the current financial situation and prompt a discussion with the Board regarding potential solutions. RMCS D and the Board will continue evaluating these issues in greater detail during future meetings.

As shown in Figure 5.1, Alternative 1 proposes \$8.6 million in capital improvements, with most projects scheduled between FY 2026 and FY 2028. Although connection fee revenues are stable through FY 2028, they are expected to decline thereafter and remain low for the rest of the planning period. This creates a mismatch between when funds are required and when revenues are received.



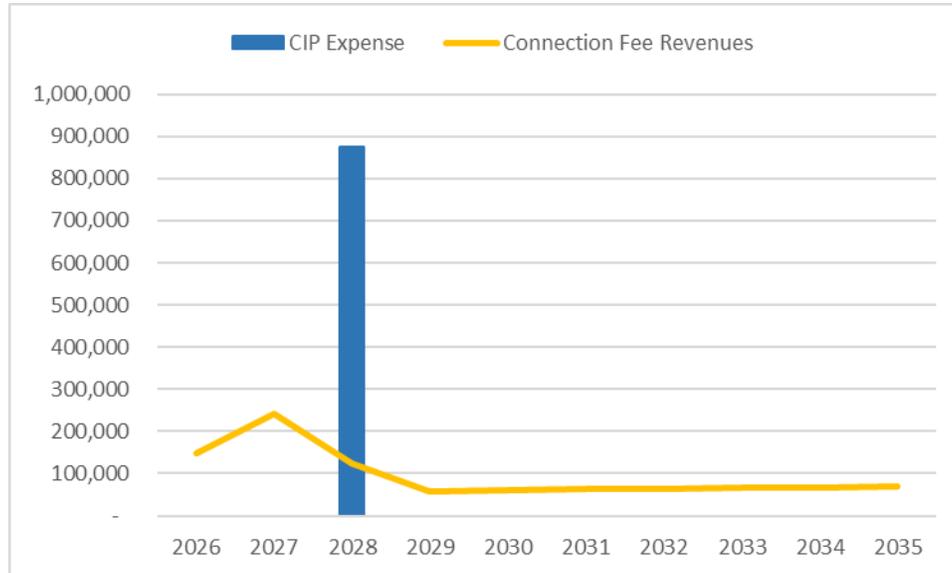
**Figure 5.1: Alternative 1 Water Capital Fund Cash Flow**

As shown in Figure 5.2 the Water Fund’s cash reserves would be fully depleted when attempting to fund the \$8.6 million in projects. This alternative is not financially viable and would place the fund in violation of California Government Code §66013.



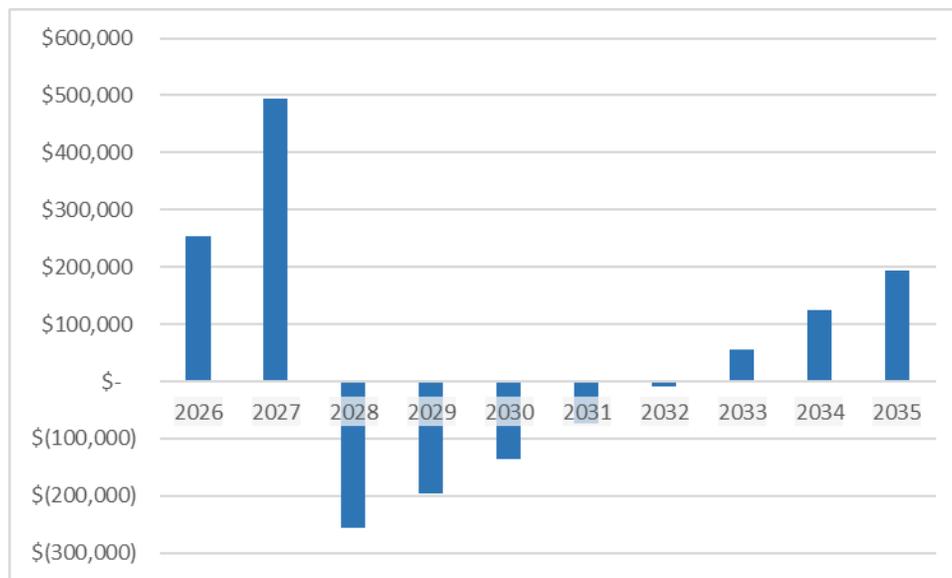
**Figure 5.2: Alternative 1 Water Capital Fund Cash Reserve Projection**

The Water Capital Fund is responsible for funding \$875 thousand in projects. Although connection fee revenues are stable through FY 2028, they are expected to decline thereafter and remain low for the rest of the planning period. This creates a mismatch between when funds are required and when revenues are received.



**Figure 5.3: Alternative 2 Water Capital Fund Cash Flow**

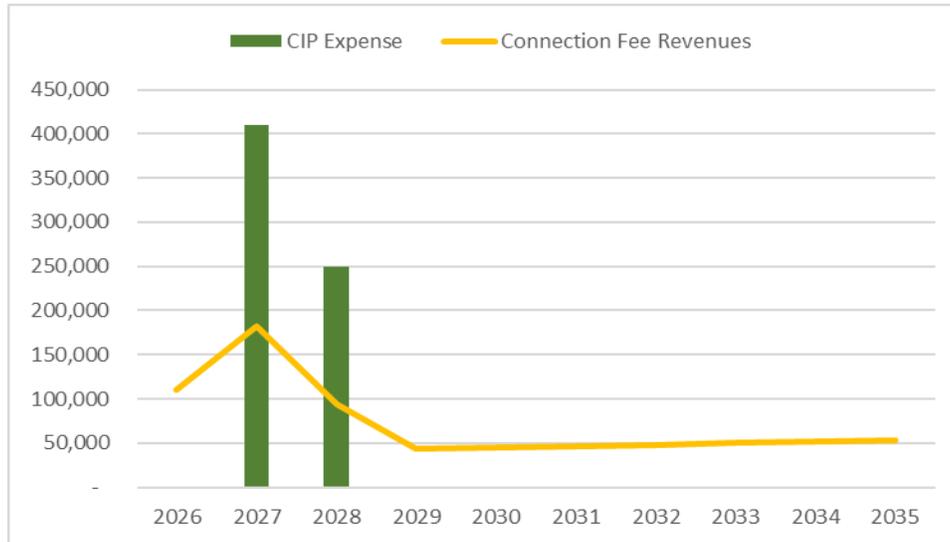
The cash reserve chart shown in Figure 5.4 illustrates that the fund would remain in deficit from 2028 through 2032. This scenario demonstrates that the fee revenues alone are insufficient to support the timing of the planned capital improvements and highlights the need for a solution to maintain fund solvency.



**Figure 5.4: Alternative 2 Water Capital Fund Cash Reserve Projection**

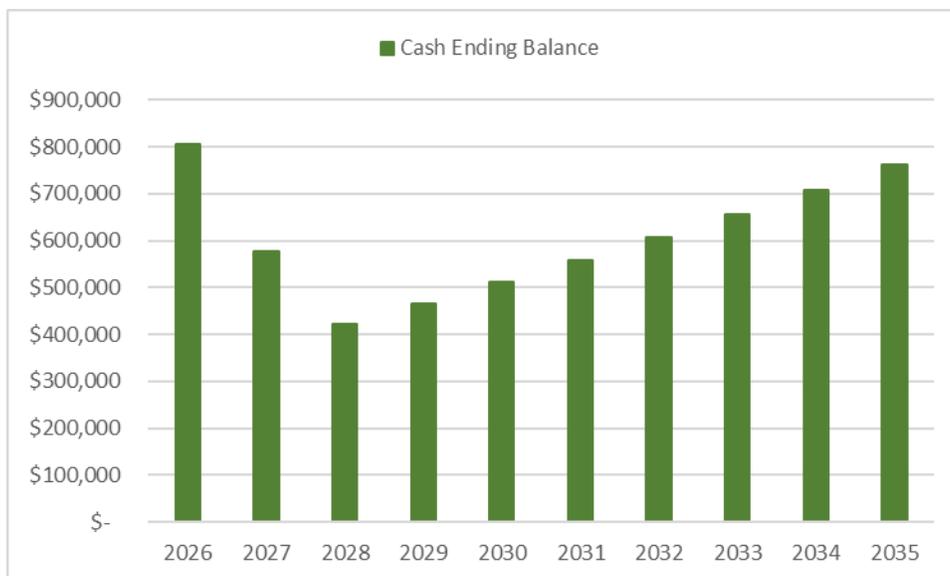
### 5.1.2 Sewer Fund

The cash flow analysis in Figure 5.5 shows that growth-related capital improvements are heavily front-loaded, with a total of \$660,000 work of CIP expenditures occurring in FY 2027 and FY 2028, while connection fee revenues materialize more gradually as development occurs over time.



**Figure 5.5: Sewer Capital Fund Cash Flow**

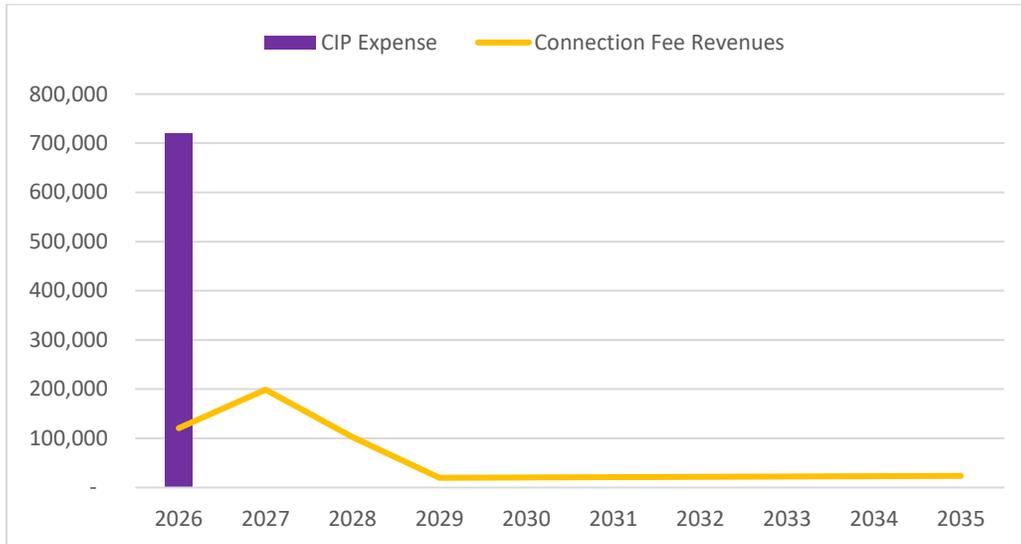
The reserve and ending balance projections shown in Figure 5.6 indicate that the Sewer Capital Fund can accommodate the temporary cash flow shortfalls associated with the proposed projects, assuming a beginning balance of \$694,165 in FY 2024. Despite these early deficits, the connection fee fund remains solvent throughout the planning period and gradually rebuilds its reserves to a level comparable to the beginning of the study period.



**Figure 5.6: Sewer Capital Fund Cash Reserves**

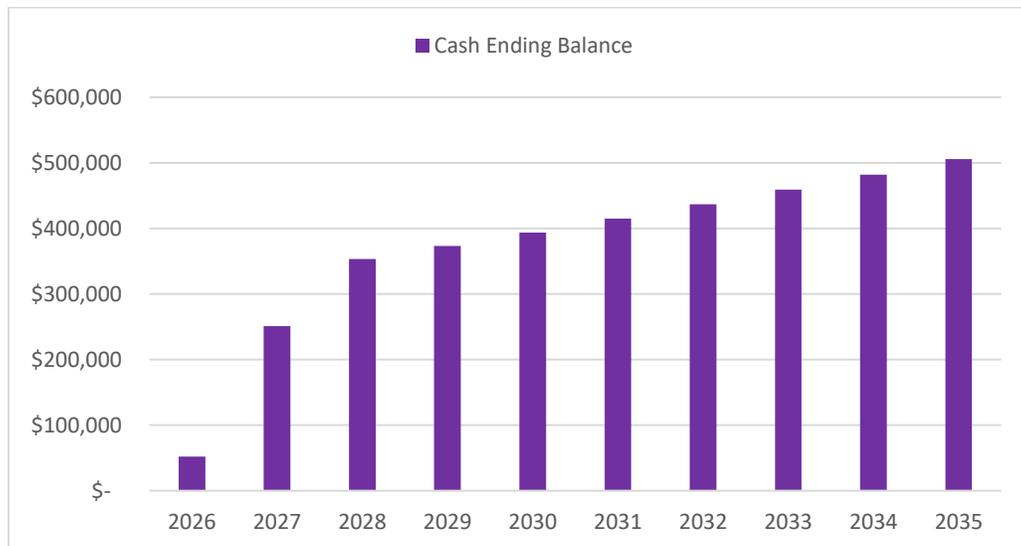
### 5.1.3 Drainage Fund

The cash flow analysis in Figure 5.7 shows that growth-related capital improvements are heavily front-loaded, with \$720 thousand CIP expenditures occurring in FY 2026, while connection fee revenues materialize more gradually as development occurs over time.



**Figure 5.7: Drainage Capital Fund Cash Flow**

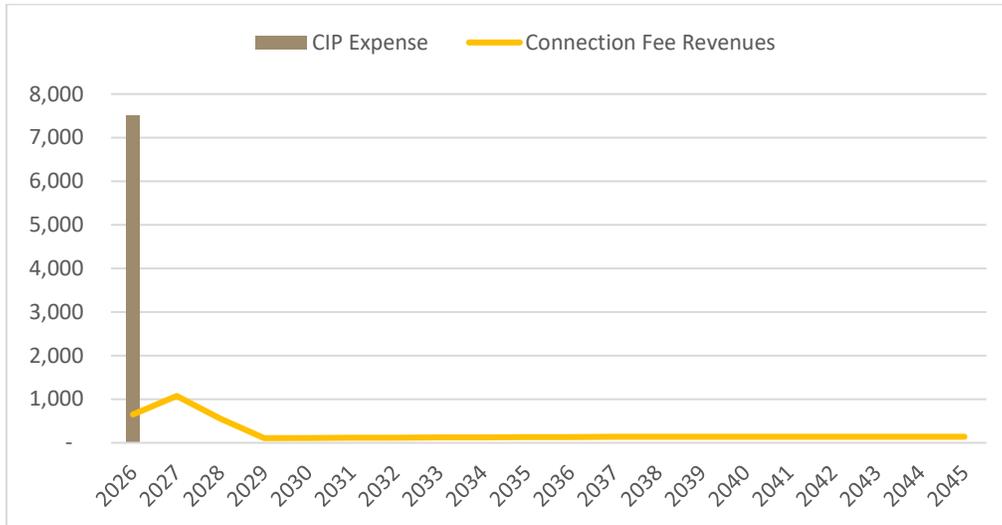
The reserve and ending balance projections shown in Figure 5.8 demonstrate that the fund can accommodate the temporary shortfall required to finance the proposed project, assuming a beginning cash balance of \$651,044. Despite the cash flow deficit in FY 2026, the connection fee fund remains solvent throughout the planning period and gradually rebuilds to a stable reserve level, supporting long-term financial sustainability and compliance with Government Code requirements.



**Figure 5.8: Drainage Capital Fund Cash Reserves**

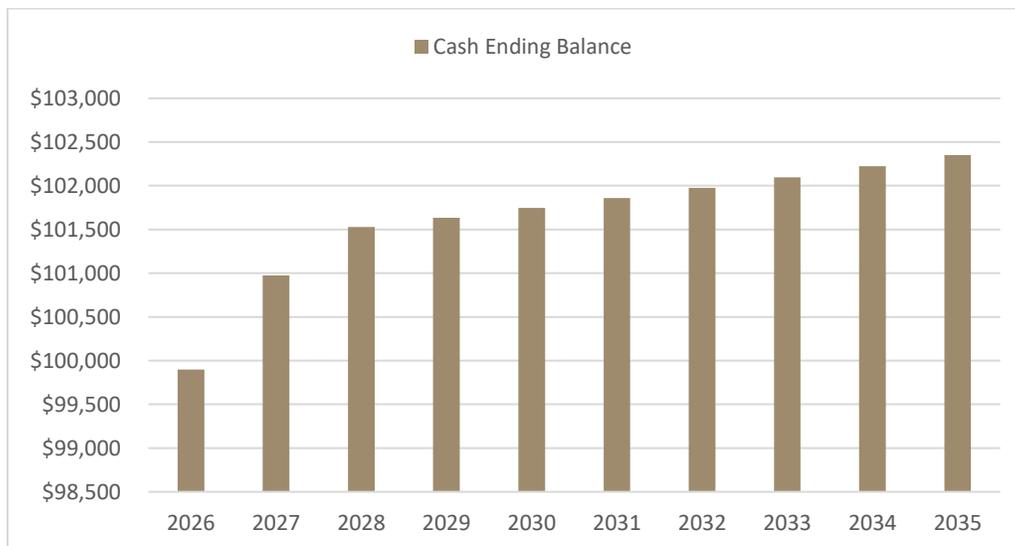
### 5.1.4 Security fund

The cash flow analysis in Figure 5.9 shows that growth-related capital improvements are \$7,500 occurring in FY 2026, while connection fee revenues materialize more gradually as development occurs over time.



**Figure 5.9: Security Capital Fund Cash Flow**

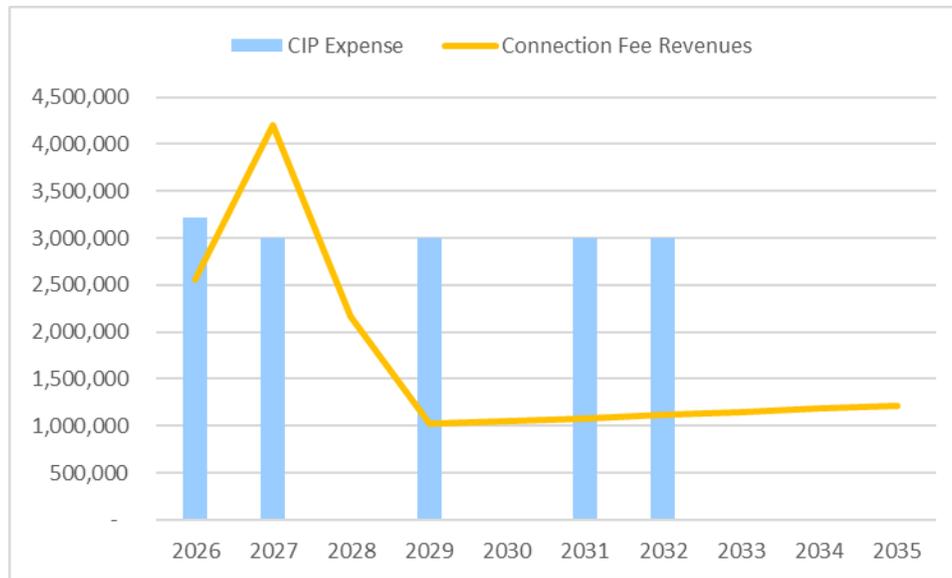
The reserve and ending balance projections shown in Figure 5.8 demonstrate that the fund can accommodate the temporary shortfall required to finance the proposed project, assuming a beginning cash balance of \$106,748. Despite the cash flow deficit in FY 2026, the connection fee fund remains solvent throughout the planning period and gradually rebuilds to a stable reserve level, supporting long-term financial sustainability and compliance with Government Code requirements.



**Figure 5.10: Security Capital Fund Cash Reserves**

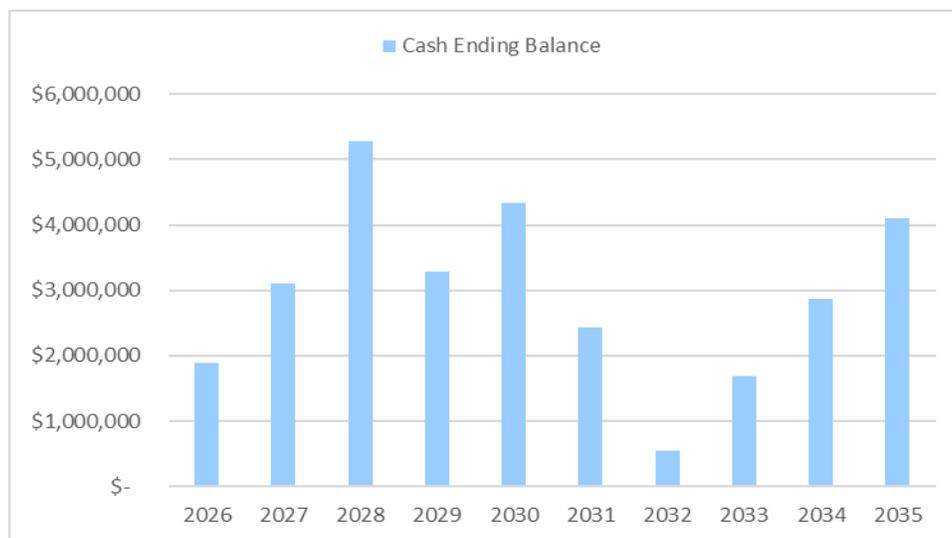
### 5.1.5 Water Augmentation Fund

The Water Augmentation Fund cash flow results in Figure 5.11 show that capital projects occur in 2026, 2027, 2031, and 2032 for a total of \$15 million in projects.



**Figure 5.11: Water Augmentation Cash Flow**

The ending balance projections in Figure 5.12 show that, even with a front-loaded CIP program, the Water Augmentation Fund maintains a positive cash balance throughout the planning horizon. Reserves decline during years with significant CIP spending but gradually recover as expenditures taper off and fee revenues remain steady. By 2035, the fund returns to a strong reserve level, demonstrating that the financing strategy is sufficient to support the program while maintaining long-term financial stability.



**Figure 5.12: Water Augmentation Fund Cash Reserves**

## **6.0 Conclusion and Recommendations**

Lumos recommends that RMCS D meet with the Board to discuss options for addressing the reserve deficiencies in the Water Fund. One viable option is a temporary interfund loan. This may be justified because major water capital projects must be constructed before sufficient connection fee revenues are collected. Under Government Code §66013, capacity fees must reflect the reasonable cost of providing capacity and must be used exclusively for capital facilities, while §66006 allows documented loans between funds when they are properly accounted for and fully repaid. Given that CIP costs exceed near-term fee revenues, a formal interfund loan—approved by the Board, bearing interest, and repaid solely from future connection fee revenues—provides a compliant mechanism to bridge the timing gap without creating a subsidy across utilities.

It is also recommended that the Capital Facilities Fee be adjusted annually using the ENR Construction Cost Index, based on either the 20-City Average or the San Francisco index. Additionally, Coastland recommends reviewing the identified projects, equipment, fee methodology, and fee levels every five years to ensure they continue to reflect current costs and district needs. If RMCS D's conditions change or construction costs shift significantly before the next scheduled update, the fee study and ordinance can be amended as needed.

## **7.0 References**

- [1] Coastland, "Water Supply Augmentation Fee and Facilities Capital Improvement Fee Study Update," 2017.
- [2] A. Engineering, "Rancho Murieta Integrated Water Master Plan," 2024.