City of Clearlake

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Lake County Board of Supervisors
County of Lake
255 N. Forbes St.
Lakeport, CA 95453

Dear Board Members,

Concerns Regarding Proposed Special Districts User Fees – Item 7.3
The July 31, 2026 User Fee Study proposes a new standardized schedule of administrative, water, and wastewater fees intended to recover the County's full cost of providing various services. Before adopting these fees, the Board should address several fundamental legal, financial, and policy questions that are not answered by the study.

1. What has changed, and why are these fees necessary now?
Many of the activities being converted into separate charges—plan review, inspections, site visits, sewer permitting, main-line review, regulatory enforcement, and development review—appear to be normal functions of operating a public water or wastewater utility.

To the extent these services have historically been provided without separate charges, what has changed?

The study explains how the proposed fees were calculated, but it does not identify a change in law requiring them, quantify a funding shortfall they are intended to correct, explain how these activities have historically been funded, or estimate the total new revenue the fees will generate. The consultant expressly states that the County may charge less than the calculated full cost and fund the difference from other revenue sources. Full cost recovery through separate applicant fees therefore appears to be a policy choice, not a requirement established by this study.

2. Are ratepayers already paying for these services?
The proposed fees are primarily calculated from the salaries and benefits of existing County employees.

Before separately charging customers and developers for their time, the Board should understand how these employees and activities are currently funded. If their salaries, benefits, administrative costs, and ordinary duties are already included in existing water or wastewater revenue requirements, how will new fee revenue be accounted for?

The County should demonstrate that these charges represent properly allocated applicant-specific costs and do not result in ratepayers and applicants recovering the same underlying costs twice.

3. Who has legal authority to impose each fee?
The study proposes one standardized schedule for services administered by Special Districts Administration but does not analyze which governmental entity has authority to impose each charge.

This is particularly important for the Lake County Sanitation District (LACOSAN) as it transitions to a governing board separate from the Board of Supervisors. County employees may continue providing services to LACOSAN, and this study may establish the cost of those services. That does not necessarily establish the Board of Supervisors' authority to impose fees upon LACOSAN customers, permit applicants, or developers.

For LACOSAN permits, inspections, plan reviews, enforcement actions, and other LACOSAN regulatory functions, the Board should identify the statutory authority allowing the Board of Supervisors—rather than LACOSAN's governing board—to establish the charge.

4. Several individual fees require additional justification.

CEQA Review — $1,008.46. The fee assumes four hours of Administrator time and four hours of Compliance Coordinator time, plus overhead. The study does not distinguish between CEQA work performed as a lead agency and review of CEQA documents prepared by another lead agency, such as a city. The County should identify the authority for charging applicants for the particular CEQA activity contemplated and which entity is performing that CEQA role.

Letter of Violation — $141.97. The proposal assumes two hours of staff time to review a violation and provide a violation letter. The County should identify the authority for imposing this enforcement charge, explain when the obligation to pay arises and how it may be contested, and demonstrate that two hours reasonably reflects actual costs.

Main Line Extension — $997.54. This deposit assumes two hours each from five separate staff classifications—ten total staff hours. The Board should ask whether actual historical workload data supports that assumption.

5. Deposits and overhead require greater transparency.
Several charges are called "deposits," yet applicants may also be billed additional time and materials if actual costs exceed the deposit. The proposal should expressly explain whether unused amounts will be refunded when actual costs are lower.

Every calculation also includes a 5% administrative overhead charge. The consultant acknowledges that this is an estimated allocation and recommends updating it if the County performs a cost-allocation or indirect-cost study. The Board should understand the factual basis for this percentage before adopting it across the fee schedule.

6. Does this proposal support—or discourage—new utility connections and economic development?
A healthy utility generally benefits from responsible growth of its customer base. New development can create new service connections, expand the number of customers contributing to the utility system, and support the long-term economic vitality of the community. Utility operators therefore ordinarily have a strong practical interest in working with applicants to accommodate feasible new connections while protecting system capacity, existing customers, and regulatory compliance.

This proposal appears to move in the opposite direction. Instead of treating plan review, inspections, site visits, permitting, extension review, and coordination with development as part of the utility's role in facilitating appropriate new connections, it proposes separately charging applicants for numerous individual steps in that process.

A single project could face a plan-check deposit, inspection fee, site-visit deposit, sewer-permit deposit, main-line-extension deposit, CEQA-review deposit, additional time-and-materials charges, and potentially outside consultant charges. The proposed schedule expressly allows additional T&M charges on top of several deposits.

The result may be more than the sum of the individual fees. It can create uncertainty about the ultimate cost of obtaining utility service, particularly where deposits can be supplemented by open-ended time-and-materials and consultant charges. That uncertainty itself can discourage investment.

The Board should consider the broader purpose of a public utility. Protecting existing ratepayers from costs uniquely attributable to a particular development is legitimate. But utilities also have an interest in facilitating appropriate growth and bringing new customers onto their systems. New connections are not merely an administrative burden—they can also represent new customers, new rate revenue, and economic activity in the communities the utilities were created to serve.

If Lake County is seeking additional housing, business investment, job creation, and expansion of its tax base, its utility policies should work in concert with those goals. A fee structure that makes connecting to public water and sewer more expensive, complicated, and unpredictable risks creating a disincentive to the very development the County says it wants to encourage.

Before adopting the proposal, the Board should therefore evaluate not merely whether each fee can be mathematically cost-justified, but whether the cumulative fee structure advances the County's broader economic-development objectives and the utilities' long-term interest in adding customers and connections.

Questions the Board Should Answer Before Adoption

1. What has changed that requires these fees now?
2. How have these services historically been funded?
3. Are any of these costs already recovered through existing utility rates?
4. What statutory authority allows the Board to impose each fee, particularly for LACOSAN?
5. What evidence supports the assumed staff hours and 5 percent overhead?
6. Will unused deposits be refunded?
7. What total revenue is expected from these fees?
8. Has the County evaluated whether the cumulative cost and uncertainty of these charges will discourage new utility connections, housing, business investment, and economic development?

The Board should have clear answers to these questions before creating a substantial new layer of charges on utility customers and development.

Sincerely,

Alan Flora
City Manager

Cc: Clearlake City Council