

TO: James L. App, City Manager

FROM: Doug Monn, Public Works Director; Jim Throop, Administrative Services Director

SUBJECT: Adoption of Proposed Water Rate Structure

DATE: January 20, 2009

NEEDS: For the City Council to conduct a public hearing, and if there is no majority protest, consider introduction of an ordinance establishing a revised water rate structure.

FACTS:

1. The City hired the firm of Kennedy/Jenks Consultants to thoroughly review the City's costs of providing water service to existing customers and to suggest alternative rate structures to provide sufficient revenues to cover such costs.
2. On October 21, 2008, the City Council endorsed a pay-as-you-go rate methodology and authorized staff to proceed with customer notification consistent with requirements of the Proposition 218.
3. Notices were mailed to all property owners and water customers on October 27, 2008, explaining the reasons for the proposed water rates and describing the manner in which protests could be filed.
4. Proposition 218 requires that a public hearing be held no less than 45 days after the notices are mailed. In order to be valid, a protest must be signed by the property owner or water customer and contain the service address or assessor's parcel number; only one protest may be counted per parcel.
5. After further study and in recognition of current economic conditions, staff recommends that there be no increase in the currently existing water user rates until January 1, 2010, by deleting the proposed July 1, 2009 increase indicated on the mailed notices.
6. Government Code Section 53756 was added to the Proposition 218 Omnibus Implementation Act and became effective January 1, 2009. Sub-section (a) of the code amendment effectively limits adoption of scheduled water rate increases to a period of five (5) years. As a result the proposed rates reflected in the staff report and accompanying ordinance reflect proposed rate changes, as shown in the mailed notices, through 2014.

ANALYSIS &

CONCLUSION: A thorough analysis of the revenue needs associated with operations of the City's water system for its existing customers has been prepared and is documented in the report entitled "Water Rate and Revenue Analysis - Pay-As-You-Go Approach – Revised Final Report" by Kennedy/Jenks Consultants dated September 29, 2008.

Details about the proposed water rate structure are included in the attached report. In summary, the recommended water rate structure would have both a fixed monthly rate and a variable component, based on water usage.

The fixed rate component would be \$18.00 per month for all meter sizes.

Under the proposed structure, the variable component would depend on the amount of water actually used. Water usage is measured in increments of "hundred cubic feet," or HCF, which equals 748 gallons. For a single-family residence, there would be a reduced rate for basic health and sanitation needs for 0 HCF to 5 HCF and the higher standard rate over 5 HCF of usage. Currently, a single-family residence pays \$1.32 per HCF, which is increased annually per the CPI index.

By way of comparison, a single -family residence that uses 30 HCF per month currently pays \$57.60 per month (\$18.00 fixed rate plus \$39.60 for 30 HCF). Under the proposed rate structure, this same household would pay \$69.19 in 2010; \$76.50 in 2011; and \$83.81 in 2012.

The proposed rate structure for all types of usage is depicted in the table below:

<u>Meter Size</u>	<u>Existing</u>	<u>1/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>	<u>1/1/2013</u>	<u>1/1/2014</u>
Pay-As-You-Go - Monthly Fixed Rates						
All Sizes	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
Pay-As-You-Go - Consumption Charge (\$/HCF)						
Usage Rate -all users except as set forth below						
	\$1.32	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75
Single Family 0-5 Units	\$1.32	\$1.49	\$1.70	\$1.91	\$2.13	\$2.34

Note: HCF = 100 cubic feet, or 748 gallons. One HCF is One Unit.

Many factors were taken into account in proposing Paso Robles' water rates and charges. Some noteworthy considerations are:

- Currently, the fixed rate component of the water rate structure is the same for all users. The proposed fixed rate component remains the same.
- In the past, the City has allowed customers to apply for a "life line" water rate, thus allowing lower income customers to benefit from lower water rates. The proposed rate structure would extend the "life line" lower rate to all residential customers such that the first tier of water use (up to 5 HCF per month) would be delivered at a reduced unit cost. This tiering has the added benefit of rewarding low water use customers for their water conservation success.

- Existing City practice has been to provide a credit back to City park/facility and school irrigation in proportion to public usage. Any school that opened its recreational fields for public recreation was eligible for this credit, as was any municipal park or facility. The proposed rate structure would cease this practice and treat City park/facility billings as payable from the General Fund. Sports and event fees will require adjustment to provide a revenue stream for that water billing

POLICY

REFERENCE: General Plan, Economic Strategy; Urban Water Management Plan; Integrated Water Resource Plan; Nacimientto Water Project Entitlement Contract.

FISCAL IMPACT: The City is contractually obligated to pay its share of the debt service payments for the bonds that have been issued to pay for the construction of the Nacimientto Pipeline project. Additionally, one of the facts noted in the Kennedy/Jenks report is that the City has had to draw on reserves to pay for current operations for the last two years because operating expenses have exceeded revenues.

If new water rates are not adopted to pay for the costs of water service the General Fund will, ultimately, have to make up any revenue shortfall.

The General Fund pays for operations such as library services, children's and senior programs, parks, as well as police and fire. Serious budget cuts and significant reductions in services could result.

- OPTIONS:**
- a. Close the public hearing and
 1. Establish whether sufficient valid protests have been received per Proposition 218 procedures to prohibit adoption of the selected water rate structure.
 2. If there is no majority protest, proceed with introduction of Ordinance No. 09-xx.
 3. If, there is a majority protest, direct staff to develop alternatives.
 - b. Amend, modify, or reject the above option.

Attachments

- 1) "Water Rate and Revenue Analysis – Revised Final Report" dated September 29 2008, prepared by Kennedy Jenks Consultants
- 2) Ordinance No. 09-xx

ORDINANCE NO. 09 -XXX N.S.

AN ORDINANCE OF THE CITY OF EL PASO DE ROBLES
AMENDING SECTION 14.04.020 OF THE CITY OF EL PASO DE ROBLES
MUNICIPAL CODE TO ADJUST WATER USER FEES

WHEREAS, the City Council has adopted the Integrated Water Resources Plan and approved participation in the Nacimiento Water Project to help assure a high quality and continuous supply of water to its citizens; and

WHEREAS, current water rates and water capacity charges generate revenues to provide drinking water to residents and businesses from ground water with an allowance for a portion of initial Nacimiento Water Project expenditures; and

WHEREAS, the existing water rates were set before the costs of the Nacimiento Water Project were fully known; and

WHEREAS, the water to be provided by the Nacimiento Water Project and the associated improvements to the City water system are necessary to improve quality and supplement the limited ground water supply especially during peak summertime demand periods, and also to provide adequate distribution, treatment, and water storage capacity; and

WHEREAS, the Nacimiento Water Project infrastructure is designed to have the capacity to serve both existing City water customers as well as those resulting from new development; and

WHEREAS, the City hired the firm of Kennedy/Jenks Consultants to undertake a comprehensive review of the City's water rate revenues and costs of water operations which was presented to the City Council in July 2008; and

WHEREAS, upon further consideration and study and public input, the City Council determined in September 2008 that the initially proposed water user rates would be unduly burdensome upon water customers and directed staff to consider an alternative approach; and

WHEREAS, Kennedy/Jenks presented a revised study, dated September 29, 2008, (the "Revised Water Rate Study") analyzing an alternative pay-as-you-go approach that would phase in water system improvement costs over a 17-year period rather than a 10-year period, and use other available revenues to avoid incurring the additional costs incurred with issuing bonds; and

WHEREAS, the alternative approach would help ensure that users pay for operations and improvements that serve the existing community, while new development would pay for those improvements that offset their impacts; and

WHEREAS, the Revised Water Rate Study recommends that the costs of capital improvements and water utility operating expenses be paid for with a combination of (i) water rates that are charged to existing customers and (ii) water connection fees/capacity

charges that are charged for new development; and

WHEREAS, the City Council believes a combination of a fixed and variable rate structure for water users is the most equitable method of helping pay for a reliable, well-maintained, infrastructure system and reliable water source; and

WHEREAS, the City Council, on October 21, 2008, authorized staff to mail the notices required by Proposition 218 to all property owners and water customers and set January 20, 2009 as the date for a public hearing on the proposed adoption of new water user rates; and

WHEREAS, Section 53756 of the Government Code, which took effect January 1, 2009, authorizes an agency providing water service to adopt a schedule of adjustments to fees, which schedule may be for up to a period of five (5) years; and

WHEREAS, notices were mailed to all property owners and water customers on October 27, 2008; and

WHEREAS, at the public hearing on January 20, 2009, the Deputy City Clerk attested that written protests by the owners of a majority of the affected properties had not been presented; and

WHEREAS, the staff report and the Water Rate Study, and other public and written testimony presented at the public hearing are incorporated herein by reference;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES ORDAIN AS FOLLOWS:

SECTION 1. Subdivision C of Section 14.04.020 of the Paso Robles Municipal Code is hereby amended to read as follows:

"C. FEES—WATER USAGE RATES. The monthly rates to be charged and collected for all water consumption including bulk water delivery, or fire hydrant usage from every person, school, firm, or corporation shall be charged at rates established by ordinance of the City Council and adopted in accordance with the procedures required by law.

Commencing July 1, 2009, the rate for water users shall be a combination of (i) a fixed rate, plus (ii) a variable rate based on consumption. The variable rate component shall be further adjusted every January 1st thereafter as set forth in the following table:

Monthly Fixed Rate	7/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
All Meters	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00

Variable Consumption Charges (\$/HCF*)

Usage Rate (all users except as set forth below)	\$1.36	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75
Single Family 0-5 Units*	\$1.36	\$1.49	\$1.70	\$1.91	\$2.13	\$2.34

*One Unit is equivalent to 748 gallons, or one Hundred Cubic Feet ("HCF")

The water usage fees shall further be reviewed no less than biennially in conjunction with the update of the City's budget to ensure that the water user charges then in existence do not exceed the costs of providing water service within the City."

SECTION 3. Severability

If any action, subsection, sentence, clause or phrase of this ordinance is, for any reason, held by a court of competent jurisdiction to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance.

SECTION 4. Publication

The City Clerk will certify to the passage of this Ordinance by the City Council of the City of El Paso de Robles, California, and cause the same to be published once in a newspaper of general circulation, published and circulated in the City of El Paso de Robles.

SECTION 5. Effective Date.

This Ordinance will take effect thirty (30) days after its final passage.

Introduced at a regular meeting of the City Council held on January 20, 2009 for first reading by the City Council of the City of El Paso de Robles, and adopted on the 3rd day of February, 2009 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane Picanco, Mayor

ATTEST:

Cathy M. David, Deputy City Clerk

Kennedy/Jenks Consultants

2355 Main Street Suite 140
Irvine, CA 92614
949-261-1577
949-261-2134 (Fax)

City of Paso Robles Water Rate and Revenue Analysis Pay-As-You-go Approach Revised Final Report

September 29, 2008

Prepared for

**City of Paso Robles
Department of Public Works**
1000 Spring Street
Paso Robles, CA

K/J Project No. 0883005

Kennedy/Jenks Consultants

Engineers & Scientists

2355 Main Street, Suite 140

Irvine, California 92614

949-261-1577

949-261-2134 (Fax)

29 September 2008

Mr. Doug Monn, Director of Public Works
City of Paso Robles
1000 Spring Street.
Paso Robles, California 93446

Subject: Revised Final Report - Water Rate and Revenue Analysis
Pay-As-You-Go-Approach
K/J 0883005

Dear Mr. Monn:

Kennedy/Jenks Consultants is pleased to submit the Water Rate and Revenue Analysis Revised Final Report to the City of Paso Robles (City). By way of process, we have submitted this report as a digital ".pdf" file for the City's distribution as appropriate.

This Rate Study is a compilation of the analysis and findings of the City's water fund and incorporates the City's comments and direction obtained from previous draft work products. Most notably, this revised report integrates the alternative approach for a phased pay-as-you-go capital improvement program to minimize ratepayer impact. The results of the study are intended to serve as a plan for future revenue and rate adjustments based on the projected costs and utility water demands.

As demonstrated herein, the alternative approach phases capital improvement projects in over 17 years rather than 10, uses operating income, development revenue, and fund balance more aggressively to cover debt obligations, and utilizes a cash based pay-as-you-go approach rather than financing large capital projects. This approach results in a less costly rate and charge structure and is the basis for the capital, operational, and rate-related findings presented herein. It appears that within the next five to seven years planning period, the City's water system cost obligations and associated rate adjustments will have stabilized, positioning the City's water system for long-term financial stability.

It has been a pleasure working with you and the other members of the Rate Study Team on this interesting project and look forward to working with you in the future. Please contact us if you have any questions or need additional information.

Very truly yours,

KENNEDY/JENKS CONSULTANTS



Roger Null, V.P.
Project Manager



Ken Shuey, P.E.
Senior Technical Financial Consultant

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Section 1: Introduction

1.1 Background and Objectives

The City of Paso Robles (City) is a central coast community located in San Luis Obispo County. The City provides commonly sought services, including water and sewer services, to approximately 29,500 residents through 10,000 service connections. To provide a reliable and quality water supply to its customers, the City is now in the implementation phase of a comprehensive long range water system improvement program. Implementation of this program as well as other factors may affect the financial condition of the City's water utility. These factors are:

- The need to assess the future water utility revenue requirements.
- The need to fully implement the financial and operational requirements of the new Nacimiento water supply. These financial obligations include generation of an appropriate level of revenues to pay the annual debt service on the new regional supply pipeline, financing the construction of a proposed water treatment plant to treat the new supply, and funding the increased operating expenses associated with the Nacimiento water supply.
- The need to evaluate the future operating and non-operating revenues and expenses and their effect on the utility's operation.
- The need to fund other capital improvements associated with the City's recent Potable Water Distribution Master Plan and other water system planning projects.
- The need to develop updated rates to fund the projected enterprise financial requirements.
- A need to review and develop an appropriate rate structure to support the water fund's obligations and meet various rate equity and cost recovery requirements.

It is important to note that this Revised Final Report integrates several important considerations that have affected the short and long-term financial obligations of the water fund. Specifically, since the original plan for treating water deliveries from the Nacimiento Water Project resulted in substantial increases in potential water rates and capacity charges, an alternative approach was developed to pay for Nacimiento-related and other water system improvements. The alternative approach phases the water treatment facility, the capital improvement projects in over 17 years rather than 10, uses operating income, development revenue, and fund balance more aggressively to cover debt obligations, and utilizes a cash based pay-as-you-go approach rather than financing large capital projects. This approach results in a less costly rate and charge structure and is the basis for the capital, operational, and rate-related findings presented herein.

Through the development of the phased pay-as-you-go plan, additional analysis was also performed to scrutinize long-term growth and water supply requirements in accordance with the City's adopted General Plan. While build out may not occur in precise accordance with this plan, a long-term financial plan has been prepared to support the level of planned growth as outlined, so that a framework for ongoing and future sources and uses of funds is established. Accordingly, projected growth, water system costs, and cash flow proforma have been prepared to coincide with a vision of build out in the year 2025 and corresponding 17-year capital improvement program (CIP) and are provided in this Revised Final Report.

1.2 Project Scope and Authorization

The City identified the need for a financial evaluation to support the implementation of its long range water system improvement program. As such, the City entered into an agreement with Kennedy/Jenks Consultants on January 15, 2008, to conduct this study to assess the impact of its diversified water supply costs, changing operating expenses, forthcoming debt obligations, and the proposed capital improvement program expenditures. The scope of work for the water rate and revenue study is summarized as follows:

- Perform a financial projection of the City's water enterprise revenue and funding requirements, including the financial impact of future water supply costs.
- Review and develop recommendations regarding appropriate fixed and variable water rates to recover the identified costs.
- Develop a schedule of updated water rates required to meet the financial obligations of the City's water utility.
- Prepare a report of findings that presents the analysis information, conclusions, and recommendations of the water revenue and rate analysis study.

Section 2: Historical and Current Conditions

2.1 Evaluation of Historical & Current Financial Condition

The financial condition of the City's water utility was reviewed and a summary of financial performance is presented in Table 1. The information presented in this table was derived from the City's Comprehensive Annual Financial Reports (CAFRs). The CAFR for Fiscal Year (FY) 06-07 represents the most recent audited financial document of the water utility's financial performance.

The financial condition of a water utility is assessed by contrasting several financial parameters with the financial performance as reported in the City's CAFRs. Foremost among these parameters are criteria for net operating revenues and an assessment of the utility's fund balance. The findings related to each of these elements are provided as follows.

Net operating revenues are an important financial parameter of a utility's performance. This financial parameter is generally desired to be at least 20% of total operating revenues to generate adequate capital improvement funding for new and replacement (depreciation-based) assets. As shown in Table 1, the water utility has historically fallen short of this parameter, in the last three years and there has been a steady decline in operating financial performance. During the three year period, this parameter has ranged from a positive 7% in FY 04-05 to a negative 7% in FY 06-07. In this last fiscal year, the utility fell short of the 20% benchmark parameter by approximately 27%. *As such, the utility currently is not generating sufficient funds to provide for future capital expenditures and increased water utility operating expenses.*

In addition to this operational performance, the impact of various non-operating revenues and capital expenditures is included so that an assessment of the annual ending cash fund balance can be derived. As indicated at the bottom of Table 1, the water fund has experienced a drawdown in cash reserves in the last two years. In FY 06-07, this drawdown was approximately \$2.3 million, or 15% of the available water fund balance.

In consideration of these factors, additional revenues from water rates appear to be needed to improve the financial position of the water fund. The following sections of this study provide the supporting information for the level and timing of proposed rate adjustments to meet the water funds current and future financial requirements.

TABLE 1
HISTORICAL OPERATING REVENUES AND EXPENSES

Sources and Uses of Funds	Actuals	
	FY 04-05	FY 05-06
Operating Revenues		
Charges for Service	3,378,686	3,590,654
Other	(11,898)	(4,507)
Total Operating Revenues	3,366,788	3,586,147
Operating Expenses		
Maintenance, Operations, & Administration	2,690,697	3,045,284
Depreciation and Amortization	452,106	688,798
Total Operating Expenses	3,142,803	3,734,082
Net Operating Income (Loss)		
Net Op Rev as % of Total Op Rev	7%	-4%
Non-Operating Revenue (Expense)		
Interest Revenue	389,548	489,045
Water Connection Fees	NA	1,745,683
Nacimiento Water Fees	0	701,862
Total Non-Op Revenues (Exp.)	389,548	2,936,590
Net Income (Loss) Before Capital/Other Costs	613,533	2,788,655
Net Increase (Decrease) in Cash (a)	\$1,221,622	(\$1,111,385)
Beginning Cash and Equivalents	\$15,108,839	\$16,330,461
Ending Cash and Equivalents	\$16,330,461	\$15,219,076
		\$12,943,348

Source: City of Paso Robles, CAFRs

(a) Includes the integration of capital expenditures and other non-operating costs.

2.2 Current Accounts and Water Demands

As noted in the City's annual report to the Department of Water Resources (DWR), the City provides water service for approximately 10,000 accounts. The City's Calendar Year (CY) 2007 customer information related to general customer types, number of accounts, and water demands are detailed in Table 2. As shown, the majority of these water accounts are represented by base-level residential customers with 5/8" and 3/4" meters.

Also shown in Table 2 is the utility's water consumption data. In CY 2007, the total annual water consumption was approximately 3,305,868 Hundred cubic foot (HCF) and the average consumption per account was approximately 315 HCF per year, or 26 HCF per month (640 gallons per day).

The City's water fund has two primary sources of revenue. These are the sale of water to its customers and the Nacimiento water charge that is assessed monthly to each account. At a current water rate of \$1.32 per HCF, the sale of water is estimated to generate approximately \$4.36 million per year based on CY 2007 usage. Similarly, applying the \$18 monthly fixed charge per account to the City's 10,422 accounts generates approximately \$2.25 million per year. Combined, these sources generate approximately \$6.6 million per year.

It should be noted that the data in Table 2 has been updated from an earlier draft version of this Water Rate Study. The prior data was derived from an account-level user defined report that apparently did not include all of the City's accounts and some of the associated water consumption. Upon review, the customer characteristics derived in the DWR report appeared to accurately depict the CY 2007 data and has therefore been utilized as the source document for this information in the Final Report. System statistics, as well as the account consumption averages and revenues, have also been updated to reflect these data. A copy of the City's annual report to the DWR for CY 2007 is provided in Appendix A as supporting documentation.

TABLE 2
CURRENT ACCOUNTS AND WATER CONSUMPTION

Customer Type	Metered Accounts	Total Usage (HCF)
Single Family Residential	8,788	1,996,359
Multi-Family Residential	399	307,114
Commercial/Institutional	759	456,430
Industrial	68	73,088
Landscape Irrigation	357	398,077
Other	51	74,800
Water System Totals	10,422	3,305,868

Source: City of Paso Robles; CY 2007 Department of Water Resources Report

Notes: Metered accounts are the average number of active meters; total usage is the amount of metered water consumption by customer type.

Section 3: Future Revenue Requirements

An evaluation of future revenue requirements can be focused in the projection of four specific areas. These areas are customer growth, water supply costs, capital-related expenditures, and operating costs. The following sections discuss the impact of these factors on the City's water utility revenue requirements over the next five years.

3.1 Projected Customer Growth and Water Sales

Customer growth affects the revenue requirements of the City's water utility in two ways. First, it increases the customer base that is paying for more water usage through the water usage rate, is subject to the monthly service charge, and pays a connection fee to buy into to system capacity. Second, it increases the level of those costs that vary with the quantity of water used such as water supply, treatment, and pumping expenses. In financial planning, applying low to moderate growth factors provides a conservative assessment of future utility revenue requirements.

Based on discussions with City staff, current economic factors suggest a minimal level of additional growth in the next several years. Current growth estimates in additional equivalent meter units (EMUs) and accounts for the next five years are highlighted below.

- FY 2008-09 No New EMUs/Accounts
- FY 2009-10 60 EMUs/47 Accounts
- FY 2010-11 100 EMUs/78 Accounts
- FY 2011-12 150 EMUs/117 Accounts
- FY 2012-13 225 EMUs/175 Accounts
- FY 2013-14 325 EMUs/253 Accounts

In addition to the projection of new account growth, it is also important to project changes in water sales that may affect the utility's financial performance. For the City, foremost among the factors that needs to be considered is the impact of reduced water usage associated with increased water costs and rates. Since the current pay-as-you-go approach results in less costly rate increases, projected reductions in water usage have been tempered from a projected reduction of 25% in year one, to a 20% reduction in water usage over the next three years. This projected level of conservation is consistent with national data related to pricing-induced water conservation experienced by other communities. It is further projected that the City's water usage will gradually return to current levels through the addition of new water system customers.

It should be noted that predicting annual growth and water usage can not be derived as precise values. As such, the future growth and water demand values used herein are to be considered as estimates only and are intended to provide a realistic yet conservative forecast of new customers so that connection fee revenues are not overestimated. Similarly, while it can be assumed that water usage should decline with the forthcoming increase in water costs and rates, behavioral changes can not be quantified. Accordingly, the magnitude of future water conservation included in the Water Rate Study is only an estimate used for the purpose of projecting future water sales. All of these factors will be evaluated and integrated in the City's ongoing rate and budget review process to evaluate the financial performance of the City's water fund.

3.2 Budgeted/Projected Operating Expenses

Costs associated with the management, administration, and operations of the City's water utility are contained primarily in two Departments/Divisions. Utility Billing and Cashiering is responsible for the billing, accounting, and administration of the water fund, while Water Production and Distribution is responsible for the operation, maintenance, and management of the water system. The budgeted and projected water utility costs for these Departments are shown in Table 3. These projections are primarily inflation driven, with the integration of some additional costs associated with anticipated future personnel and cost allocation adjustments. The line item detail of these programs as reflected in the City's budget is provided in Appendix A.

In addition to these base-level costs, an additional operational cost assessment is derived to forecast new water fund operation and maintenance expenses associated with the new Naciminto water supply and with other planned system improvements. As shown in Table 3, water fund operating costs are projected to increase significantly over time to integrate the new water supply. This cost increase is expected, as the City has proactively determined the need to diversify its water portfolio, and begin to switch from its local groundwater supply to a new high quality/reliable surface water supply over the next seventeen years.

It is important to note that one element of the City's operation and maintenance expenses not reflected in Table 3 is depreciation. While depreciation is a non-cash expense, it does represent the estimated costs associated with the annual wear and tear of the City's assets. Although the City currently does not specifically fund depreciation, it does fund an ongoing local capital improvement program (CIP) that includes specific repair and replacement capital project costs. As such, a portion of this cost is implicitly recovered in the City's CIP.

To proactively plan for this activity like any private business, the City should consider integrating the full recovery of depreciation on an annual basis through its rates and charges to ensure adequate funds are available for future capital reinvestment in significant water fund assets. This activity could be accounted for through a new capital repair and replacement program reserve fund. The estimated annual depreciation associated with the City's existing and future water system assets is provided in the following capital improvement program section. Fund reserves are also further discussed in a subsequent section of this study.

TABLE 3
BUDGETED AND PROJECTED OPERATION AND MAINTENANCE EXPENSES

Description	Adjusted Budget	Projected																Add'l WTP		Add'l WTP	
		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26		
Utility Billing and Cashing																					
Dept. No. 140 - Division No. 127																					
Department Salaries and Benefits	\$309,300	\$321,672	\$334,539	\$347,920	\$361,837	\$376,311	\$391,363	\$407,018	\$423,298	\$435,997	\$449,077	\$462,550	\$476,426	\$490,719	\$505,440	\$520,604	\$536,222	\$552,308			
Maintenance - Utilities	\$1,300	\$1,352	\$1,406	\$1,462	\$1,521	\$1,582	\$1,645	\$1,711	\$1,779	\$1,833	\$1,887	\$1,944	\$2,002	\$2,063	\$2,124	\$2,188	\$2,254	\$2,321			
Charges from Other Departments	\$23,100	\$24,024	\$24,985	\$25,984	\$27,024	\$28,105	\$29,229	\$30,398	\$31,614	\$32,862	\$33,539	\$34,545	\$35,582	\$36,649	\$37,749	\$38,881	\$40,048	\$41,249			
Other Expenses	\$221,400	\$230,256	\$239,466	\$249,045	\$259,007	\$269,367	\$280,142	\$291,347	\$303,001	\$312,091	\$321,454	\$331,098	\$341,031	\$351,261	\$361,799	\$372,653	\$383,833	\$395,348			
Subtotal - Utility Billing and Cashing	\$555,100	\$577,304	\$600,396	\$624,412	\$649,388	\$675,364	\$702,379	\$730,474	\$759,693	\$782,483	\$805,958	\$830,137	\$855,041	\$880,692	\$907,113	\$934,326	\$962,356	\$991,227			
Water Production and Distribution																					
Dept. No. 310 - Division No. 165																					
Department Salaries and Benefits (a)	\$1,181,600	\$1,228,864	\$1,278,019	\$1,329,139	\$1,382,305	\$1,437,597	\$1,495,101	\$1,554,905	\$1,617,101	\$1,685,614	\$1,715,583	\$1,767,050	\$1,820,062	\$1,874,663	\$1,930,903	\$1,988,830	\$2,048,495	\$2,109,950			
Maintenance - Utilities	\$940,000	\$977,600	\$1,016,704	\$1,057,372	\$1,099,667	\$1,143,654	\$1,189,400	\$1,236,976	\$1,286,455	\$1,325,049	\$1,364,800	\$1,405,744	\$1,447,916	\$1,491,354	\$1,536,094	\$1,582,177	\$1,629,643	\$1,678,532			
Charges from Other Departments	\$249,500	\$259,480	\$269,859	\$280,654	\$291,880	\$303,555	\$315,687	\$328,325	\$341,458	\$351,702	\$362,253	\$373,120	\$384,314	\$395,843	\$407,719	\$419,950	\$432,549	\$445,525			
Other Expenses	\$675,200	\$702,208	\$730,296	\$759,508	\$789,888	\$821,484	\$854,343	\$888,517	\$924,058	\$951,780	\$980,333	\$1,009,743	\$1,040,035	\$1,071,236	\$1,103,373	\$1,136,475	\$1,170,569	\$1,205,686			
Subtotal - Water Production and Distribution	\$3,046,300	\$3,168,152	\$3,294,878	\$3,426,673	\$3,563,740	\$3,706,290	\$3,854,541	\$4,008,723	\$4,169,072	\$4,294,144	\$4,422,968	\$4,555,657	\$4,692,327	\$4,833,097	\$4,978,090	\$5,127,433	\$5,281,256	\$5,439,693			
Charges to Other Departments	(310,200)	(\$322,608)	(\$335,512)	(\$348,933)	(\$362,890)	(\$377,406)	(\$392,502)	(\$408,202)	(\$424,530)	(\$437,266)	(\$450,384)	(\$463,896)	(\$477,812)	(\$492,147)	(\$506,911)	(\$522,118)	(\$537,782)	(\$553,916)			
Total Existing O&M Expenses	\$3,291,200	\$3,422,800	\$3,559,800	\$3,702,200	\$3,850,200	\$4,004,200	\$4,164,400	\$4,331,000	\$4,504,200	\$4,639,400	\$4,778,500	\$4,921,900	\$5,069,600	\$5,221,600	\$5,378,300	\$5,539,600	\$5,705,800	\$5,877,000			
Forecasted Changes in O&M Expenses (b)																					
Water Treatment Plant O&M		\$160,000	\$346,100	\$360,000	\$374,400	\$389,300	\$404,900	\$421,100	\$437,900	\$451,500	\$970,500	\$1,008,400	\$1,047,700	\$3,946,500	\$4,100,400	\$4,260,300	\$4,426,500	\$4,599,100			
Water Utility Staffing to Supplement Current Levels		\$417,000	\$610,300	\$731,200	\$760,500	\$955,900	\$994,100	\$1,033,900	\$1,075,200	\$1,118,200	\$1,163,000	\$1,209,500	\$1,257,900	\$1,308,200	\$1,360,500	\$1,414,900	\$1,471,500	\$1,530,400			
Regional Naciminto O&M Cost Share		\$350,000	\$1,100,000	\$1,300,000	\$1,352,000	\$1,406,100	\$1,462,300	\$1,520,800	\$1,581,600	\$1,644,900	\$1,710,700	\$1,779,100	\$1,850,300	\$2,886,500	\$3,002,000	\$3,122,100	\$3,247,000	\$3,376,900			
Subtotal New Water Supply O&M Costs		\$927,000	\$2,056,400	\$2,391,200	\$2,486,900	\$2,751,300	\$2,861,300	\$2,975,800	\$3,094,700	\$3,214,600	\$3,844,200	\$3,997,000	\$4,155,900	\$8,141,200	\$8,462,900	\$8,797,300	\$9,145,000	\$9,506,400			
Total New and Existing Forecasted Water Fund Costs	\$3,291,200	\$4,349,800	\$5,616,200	\$6,093,400	\$6,337,100	\$6,755,500	\$7,025,700	\$7,306,800	\$7,598,900	\$7,854,000	\$8,622,700	\$8,918,900	\$9,225,500	\$13,362,800	\$13,841,200	\$14,336,900	\$14,850,800	\$15,383,400			

Source: City of Paso Robles Finance Department budget for Department/Division Data; excludes depreciation (see Table 4).

(a) Source: City FY 08-09 Labor Budget adjusted to coincide with forecasted Naciminto O&M cost estimates.

(b) Source: TJCross Ops Budget. Additional treatment costs projected in FY 18-19 and FY21-22. Values provided have been inflated and rounded herein.

3.3 Projected Capital Improvement & Debt Service Financing Program

Utility systems are by nature capital intensive operations. To evaluate system capacity and long range water supply reliability, the City has completed several water system studies in the last few years. These documents provided much of the basis for the development of the City's capital improvement program (CIP) for water, wastewater, and other City services.

The City's water system CIP is separated into five basic categories. These are: Nacimiento Water Project Improvements, Water yard, Well Improvements, Tank/Booster Station/Metering Project Improvements, and Pipeline Improvements. As previously discussed, a comprehensive phased alternative capital improvement program has been prepared that phases projects in over 17 years, rather than 10. A comprehensive listing of the specific projects included in the City's revised 17-year water system CIP is provided in Appendix A. A summary of the seventeen year plan for these primary project categories is provided in Table 4.

In addition to the CIP, Table 4 also reflects the projected water system debt financing program. Although debt funding of capital expenditures is common among utilities, the City has historically funded most of its water fund obligations from cash. However, in 2007 the City, as well as other regional water purveyors, entered into a contractual obligation with the San Luis Obispo County Flood Control & Water Conservation District to fund a regional water system pipeline project that will convey water from Lake Nacimiento to the City and nearby agencies. The City's proportional share of the debt obligation for this issuance is approximately \$4.2 million per year. This debt is scheduled to begin in FY 11-12, with a smaller payment due the preceding year. Under the new phased pay-as-you-go approach, no additional debt is projected.

Lastly, at the bottom of Table 4 is an estimate of the additional annual depreciation associated with the implementation of the capital improvement program. As shown, by the end of the planning period, the City's assets will accrue an additional \$3 million per year of annual depreciation expense, for a total annual depreciation expense of approximately \$3.9 million per year. As previously discussed, to account for depreciation funding and expenditures, this funding level should be programmed into an ongoing capital repair and replacement reserve fund.

3.4 Summary of Projected Revenue Requirements

As expected, the City's water fund is projected to experience significant increases in costs to fully implement the new water supply and capital improvement programs. To evaluate the impact of these changes, a projected revenue plan is developed to compare the water utility's revenues and revenue requirements for the seventeen-year study period. The financial projection is based on the City's projected customer account characteristics, the projected O&M expenses, and the inclusion of the City's comprehensive capital improvement program. Additionally, several ratemaking criteria were also integrated in the revenue plan. These key criteria include:

TABLE 4

(a) CIP Source: TJ Cross September 2008-Pay-As-You-Go Approach;
Capital Facility Charge revenues are included in the financial projection tables as total Water Fund costs are included herein. Comprehensive 17-Year CIP and water supply summary is in Appendix A.

(b) When applicable, new debt issuances are based on 30 years @ 5% per City staff.

(c) Existing debt is net debt service obligation per SLO County Financing Authority debt schedule; actual costs are rounded.

- Growth is conservatively estimated to be flat for the next couple of years, with a modest increase during the balance of the five year planning period. (Refer to Section 3.1.) Long-term growth has been integrated to coincide with the criteria derived in the General Plan's 2025 projections.
- Water sales are projected to reduce by approximately 20% over the next three years; demands from future new accounts are projected at current levels.
- The improvements needed to fully implement the Nacimiento water project have been phased to coincide with available fund reserves generated from water rates and growth-related capital facility charges. The alternative phased plan is based on a pay-as-you-go approach so that no new additional debt is projected.
- Water Connection Fees (Capacity Charges) are based on a 2008 study by HF&H and are designed to recover the costs associated with growth's impact on the City's water system. The proposed fees derived in the Water Capacity Charge study are provided in Appendix A and utilized herein.
- Target water fund reserves have been established based on the sum of the following financial criteria: Operating Reserve – 30% of operating expenses, Economic Uncertainty/ Rate Stabilization Reserve – 20% of Operating Expenses, and Capital Emergency Reserve – one year's average cash-based CIP (\$2 million). Additionally, two new funds are recommended to manage and account for ongoing water supply and capital rehabilitation program activity. These funds are: a Water Supply Fund – to be used to account for the acquisition of new water supply rights and a Capital Repair/Replacement Fund – to be used to account for depreciation that is funded and ongoing/projected system renewal expenditures.

To demonstrate the potential short and long-term implications of the phased alternative approach, a seventeen year revenue plan of the City's water utility has been developed by integrating the ratemaking criteria with the projected water system costs and capital expenditures.

3.5 Projected Revenue Requirements Using Proposed Rates

As expected, the results of the revenue plan indicate that additional revenues are needed to meet the current and future obligations of the water fund. Accordingly, a projected revenue plan using proposed rates is prepared to balance the water utility financial obligations and revenues and position the utility for a sustainable positive financial performance. Several cash flow evaluations and alternatives were prepared with City staff to balance financial performance with ratepayer impact. These alternatives varied the debt financing strategies, alternative capital improvement program phasing, projected growth scenarios, water consumption levels, rate increase levels/phases, and rate structure elements such as fixed meter and water usage charges so that short term cash flow obligations were met and debt service coverage ratios were sustained above the level required by bond covenants. The resulting revenue plan using proposed rates needed to fund the phased capital improvement program over the next five years is shown in Table 5.

TABLE 5
PROJECTED 5 YEAR REVENUE PLAN - PAY-AS-YOU-GO APPROACH

Description	Budgeted		Projected			
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenues						
Fixed Monthly Service Charges \$18/Account	\$2,251,200	\$2,261,300	\$2,278,200	\$2,303,400	\$2,341,200	\$2,395,900
Consumption Charges (As Modeled)	\$4,094,100	\$4,398,700	\$5,419,900	\$5,665,300	\$6,454,700	\$7,330,400
Total Operating Revenues	\$6,345,300	\$6,660,000	\$7,698,100	\$7,968,700	\$8,795,900	\$9,726,300
Operating Expenses						
Existing Water Utility O&M/Administration/Xfers	\$3,291,200	\$3,422,800	\$3,559,800	\$3,702,200	\$3,850,200	\$4,004,200
Water Treatment Plant O&M		\$160,000	\$346,100	\$360,000	\$374,400	\$389,300
Water Utility Staffing to Supplement Current Levels		\$417,000	\$610,300	\$731,200	\$760,500	\$955,900
Regional Nacminto O&M Cost Share		\$350,000	\$1,100,000	\$1,300,000	\$1,352,000	\$1,406,100
Depreciation						\$1,654,000
Total Operating Expenses	\$3,291,200	\$4,349,800	\$5,616,200	\$6,093,400	\$6,337,100	\$8,409,500
Net Operating Revenue	\$3,054,100	\$2,310,200	\$2,081,900	\$1,875,300	\$2,458,800	\$1,316,800
Non-Operating Revenue (Expense)						
Interest Revenue	\$840,000	\$835,600	\$238,300	\$316,200	\$107,300	\$162,600
Water Connection Fee Revenues	\$0	\$720,000	\$1,487,000	\$2,662,500	\$4,639,500	\$7,637,500
Existing Pipeline Debt Service			(\$1,600,000)	(\$4,230,000)	(\$4,230,000)	(\$4,230,000)
Total Non-Op Revenues/Expenses	\$840,000	\$1,555,600	\$125,300	(\$1,251,300)	\$516,800	\$3,570,100
Net Income Before Capital Activity	\$3,894,100	\$3,865,800	\$2,207,200	\$624,000	\$2,975,600	\$4,886,900
Capital Expenditures	\$3,225,000	\$18,798,000	\$258,000	\$5,847,000	\$1,594,000	\$5,819,000
Net Change in Funds Avail. After Capital Activity	\$669,100	(\$14,932,200)	\$1,949,200	(\$5,223,000)	\$1,381,600	(\$932,100)
Beginning Cash Balance	\$20,220,000	\$20,889,100	\$5,956,900	\$7,906,100	\$2,683,100	\$4,064,700
Ending Cash Balance	\$20,889,100	\$5,956,900	\$7,906,100	\$2,683,100	\$4,064,700	\$3,132,600

Description	Proposed Rates and Projected Changes in Accounts and Water Usage		Proposed Rates and Projected Changes in Accounts and Water Usage		Proposed Rates and Projected Changes in Accounts and Water Usage	
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Proposed Fixed Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Proposed Usage Rate Increase	3.1%	32.6%	14.3%	12.5%	11.1%	10.0%
Proposed Fixed Rate (\$/Account/Month) (9-29-08)	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
Proposed Average Usage Unit Rate (\$/HCF) (9-29-08)	\$1.32	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75
Estimated Connection Fee (1-1-09)	\$9,119	\$12,000	\$14,870	\$17,750	\$20,620	\$23,500
Growth Based Changes in Accounts						
Number of Water Meters	10,422	10,469	10,547	10,664	10,839	11,092
Number of Equivalent Water Meters (Capacity Basis)	11,823	11,877	11,965	12,098	12,296	12,583
Net Water Sales/Consumption (AF)	7,589	6,882	6,939	6,424	6,543	6,714
Net Water Sales/Consumption (HCF)	3,305,868	2,997,795	3,022,795	2,798,198	2,849,948	2,924,698
Water Conservation Factor	100%	90%	100%	91%	100%	100%
Increase in Number of Equivalent Meters/Year (Capacity Basis)	0	60	100	150	225	325
Increase in Number of Accounts / Year	0	47	78	117	175	253

In contrast to the previous debt financing plan that resulted in double digit rate-based revenue increases for several years, Table 5 indicates that only modest incremental increases in water rates are needed to meet the capital and operational requirements of the alternative pay-as-you-go phased capital improvement program. As shown, following an increase in the usage rate to \$1.75 per HCF in FY 09-10, annual increases of only \$.25 per HCF are proposed over the next five to seven years. The resulting rates are substantially less than the rates associated with debt financing of the full water treatment plant and funding the additional capital improvement program requirements in a ten year planning period.

It is recommended that projected rate increases be adopted for implementation in January of each year. While the magnitude of these increases may vary based on unforeseen change in costs, demand conditions, or reserve requirements, these values are projected to provide a reasonable estimate of the projected revenue requirements of the City's water fund for the next several years. As discussed with staff, additional review of the cost components and revenue requirements should be made during the annual budget development and review process. Accordingly the level of the required annual rate increases may differ from the rate and revenue projections derived herein based on those annual findings.

Since the proposed financial plan is based on a more aggressive use of fund reserves, an increased focus on annual cash flow will be integral to future planning and budgeting of water fund program requirements. To aid in this process, a time phased reconciliation schedule has been prepared to demonstrate the potential use of fund balance over the seventeen year buildout period. This schedule is provided in Appendix A.

A discussion of the City's current and proposed rates and rate structure is provided in the following sections.

Section 4: Current Water Rates

Historically, the City's water rates have been among the lowest in the State, as it benefited from a low cost water supply and purposefully minimized non-essential capital and operational expenditures. As previously discussed, upon completing various comprehensive studies of the City's water supplies and overall water system, the City has embarked on a proactive program to assure the long-term reliability and sustained quality of the City's water system.

Given this need, the City began to increase its water rates to fund the City's capital improvement program including the new Nacimiento water supply program. Additional increases are needed to meet the City's current and projected debt obligations.

The City's present water rates and rate structure went into effect on February 1, 2008. It consists of a fixed monthly service charge that is charged per account regardless of meter size, and a water volume charge that is charged uniformly for all water used by the City's customers. The characteristics of the present rate structure are provided in Table 6 and include:

Current Fixed Monthly Account Service Charge. Pursuant to a 2004 ordinance, the City adopted a fixed charge per account to begin to recover additional revenues for the new Nacimiento water supply. The current fixed monthly charge per account is \$18.00, regardless of the customer class.

Current Usage Based Rates. The City's current usage based rates (or variable rates) are applied uniformly to all water usage. Uniform rates are commonly used to recover those costs in a water system that vary with volume of water produced. As such, this rate component correlates a customer's costs of service with the quantity of water consumed and therefore a customer's water bill will fluctuate in direct proportion to the variance in water usage. This usage based rate element supports a fundamental pay for use ratemaking philosophy. The City's current water quantity rate is \$1.32 per one hundred cubic feet (HCF), as shown in Table 6.

Low and Fixed Income Lifeline Program. The City currently has a low and fixed income lifeline program in place to provide financial assistance for qualifying single family residential accounts. The current lifeline rate provides a 15% discount on the current volume-based commodity or water usage charge. Eligibility in the program is based on a single-family dwelling unit's participation in Pacific Gas & Electric's (PG&E) or Southern California Edison's (SoCalGas) lifeline programs. Currently, there are approximately 250 lifeline accounts served by the City's water utility.

**TABLE 6
CURRENT WATER RATES**

Meter Size (Inches)	Monthly Service Charges (\$)
Monthly Charges (Fixed Nacimiento Charges)	
All Meter Sizes	\$18.00
Usage Charges (\$/Hundred Cubic Feet - HCF)	
\$1.32 per Hcf for all water usage	

Source: City of Paso Robles
Effective: July 1, 2008

Section 5: Proposed Water Rates

Proposed rates are developed to meet the revenue and rate restructuring requirements of the City's water utility. The proposed rate increases are developed as staged adjustments to both the fixed and variable water rates. To minimize ratepayer impact, annual increases are suggested to be implemented in January of each year, as this is a seasonal period when water usage is at its lowest. A discussion of the City's fixed and variable rates, development of the proposed service and usage charges, development of monthly bills, and a comparison of charges with other communities is provided in the following.

5.1 Fixed and Variable Rate Assessment

An important element of the City's rate structure evaluation is a financial assessment of its vulnerability to short-term revenue shortfalls. Depending on the utility's rate structure and water supply situation, short-term revenue shortfalls can occur during periods of drought, economic downturn, or wet or atypical weather conditions that reduce water sales.

Similar to most water utilities, the City's current rate structure includes a fixed and variable rate component. These rates are designed to provide a fixed revenue source based on the City's active accounts and a variable revenue source based on the amount of water used or consumed by the City's customers.

Fixed costs are defined as any costs that generally do not vary within a year if there is a variation in the level of water demand required. For example, City personnel costs should not vary during a one-year period, although it may vary over longer periods to reflect the level of personnel required to support changes in operating conditions. In contrast, variable costs are those costs that vary with the quantity of water used. Because water systems are capital and labor intensive, total system costs for most water systems are generally recognized as approximately 60 to 75% fixed. It is for this reason that most water agencies throughout the United States utilize a fixed and variable component in its water rate structure.

One method to evaluate the financial health or stability of a particular rate structure is to contrast the nature of the utility's costs with the source of its revenues. This assessment, while not intended to be precise, is developed to provide a framework for utility management decisions related to the balance of fixed versus variable revenues and rate stabilization related reserves. These elements are important because if the fixed and variable revenues are improperly balanced, the utility is financially vulnerable and revenue shortfalls may occur. A summary of the fixed and variable rate assessment for FY 11-12 is provided in Table 7. For this cost assessment, FY 11-12 is used as this fiscal year represents the first year of full debt service water system burden. Current revenues are used to demonstrate the current rate structure's effectiveness at recovering fixed costs and generating usage-based revenues.

TABLE 7
FIXED AND VARIABLE COST/REVENUE ASSESSMENT

Description	Cost Allocation		Allocation Results	
	Fixed %	Variable %	Total	Variable
<u>System Expenses/Expenditures</u>			Costs (FY 2011-12)	
Capital Expenditure	50%	50%	\$5,847,000	\$2,923,500
Debt Service	100%	0%	\$4,230,000	\$4,230,000
<u>Operation and Maintenance Expenses</u>				
Existing Water Utility O&M/Administration/Xfers	70%	30%	\$3,702,200	\$2,591,540
Water Treatment Plant O&M	50%	50%	\$360,000	\$180,000
Regional Naciminto O&M Cost Share	50%	50%	\$731,200	\$365,600
Total Expenses/Expenditures			\$14,870,400	\$10,290,640
Allocation of System Costs			100%	70%
				30%
<u>System Revenues</u>			Revenues (FY 2008-09)	
Naciminto Fixed Revenues (a)			Total	Fixed
Consumption Based Revenues (a)			\$2,251,200	\$2,251,200
Total System Rate Based Revenues			\$4,094,100	\$4,094,100
Percentage of Fixed and Variable Revenues			\$6,345,300	
			100%	35%
				65%

Notes: FY 11-12 is used for cost assessment as this represents the first year of full debt service burden; current revenues are used to demonstrate the current rate structure's effectiveness at recovering the percentage of fixed costs.

(a) Based on estimates for FY 08-09, Table 5.

Based on the allocation derived in Table 7, approximately 70% of the City's projected water utility costs are shown to be fixed and 30% are derived as variable costs. In contrast, approximately 35% of the current revenues are derived from the fixed Nacimiento account charge and 65% is collected from water usage consumption charges.

The implications of this assessment are twofold. First, the imbalance in the fixed/variable percentages of costs and revenues suggests a strong need to continue assessing a fixed charge as established in 2004. Second, this assessment demonstrates the need for a methodical rate stabilization/economic uncertainty fund reserve policy. This fund reserve is an integral element in managing the City's risk associated with financial shortfalls resulting from a short term reduction in water sales and inadequate fixed revenues. Accordingly, the City should perform a periodic review of the fund reserve and cost recovery effectiveness as an ongoing financial risk management activity of the water fund.

5.2 Development of Proposed Rates

Proposed water rates have been developed to support the financial health of the City's water system over the five year planning period. The charges proposed are based upon an analysis of future system costs and financial obligations. A discussion of the development of proposed monthly service charges and water usage rates is provided in this section of the study.

5.2.1 Development of Proposed Fixed Monthly Service Charge

As discussed extensively in the fixed and variable rate assessment section, fixed rates are an important component of a utility's water rates and are commonly used throughout the United States. Since the City's current \$18 per account charge is its only substantial source of fixed revenue, it is recommended this charge be maintained in the City's schedule of rates and charges.

During the conduct of this study, consideration was given to converting the existing fixed monthly service charge from an account basis to a meter size basis. Based on discussions with City staff and public input, it is recommended the fixed monthly charge continued to be charged on a per account basis and maintained at the current \$18 per month level. However, the City may desire to reassess the appropriateness of this recommendation in future water rate evaluations.

5.2.2 Development of Proposed Usage Charge

Consistent with the revenue requirements derived in Table 5, usage charges are developed to bill customers for their metered water usage. The City currently charges \$1.32 per HCF for all water used regardless of the type of customer or the amount of water used in any particular billing cycle. Charging for water on this consistent basis is referred to as a uniform block rate structure. Approximately 40 percent of all agencies in California utilize this billing method because it provides basic support for water conservation as a pay for what you use structure, is simple to understand, generally fosters public acceptance, and provides relatively predictable revenues. Continuation of a uniform rate structure to bill for a customer's water usage is the basic method proposed for the City at this time.

To meet the financial obligations of the utility, a series of several rate increases are needed. The proposed rates for the five year planning period are shown in Table 8. Implementation of these rates as reflected in the financial plan (Table 5) should fund the construction of the critically important water treatment plant, meet the anticipated debt covenants for the water fund debt, provide the necessary funds for ongoing system management and operation and return the water fund to a desired level of financial performance.

As previously noted, the City currently offers a low and fixed income lifeline program to qualifying single family customers in the City. While this program is consistent with the goals and objectives of many communities and public agencies, recent California legislation has made these types of community programs difficult to continue. Accordingly, it is recommended the City discontinue its current lifeline program and consider an alternative approach to providing financial support to its single family ratepayers.

An alternative to a focused lifeline program which requires no administrative effort is to implement a new inclining block rate structure that will provide water for the entire single family customer class at a reduced rate to meet basic health and sanitation needs. Base level sanitation needs are defined as the minimum amount of water required to provide for basic health requirements and typically ranges from 40 to 50 gallons per day (gpd) per person.

Given the City's population, household, and water usage information, these values translate to approximately 4 to 5 HCF per dwelling unit per month. Based on this finding and discussions with City staff, it is recommended a base level usage block be implemented. Since this block is designed to reflect minimum/base level usage, the revenue derived from this block will be very consistent and for all practical purposes, can be considered as additional fixed revenues. Increasing the fixed revenues in this manner is consistent with other City pay-for-use goals and provides additional financial security for the water fund.

The proposed rate structure is based on providing the first 5 HCF per month at a unit rate equal to 85% of the price of the uniform rate. Utilizing this approach appears to enable the City to continue and broaden its community support goals and establish a mechanism to account for a portion of the City's water sales as a fixed revenue source. The proposed single family block rate structure is also shown in Table 8.

5.3 Comparison of Monthly Bills

Typical customer bills are often developed to evaluate the impact of a water rate schedule on a utility's customers. Current typical bills are derived by correlating the current schedule of charges shown in Table 6 with the average or typical consumption values for various customer types. Similarly, projected typical bills are calculated by applying the proposed increase to both the monthly service charge and the usage charge components of the water rate schedule. Table 9 reflects the resulting impacts of the proposed rate increases over the five year planning period.

As shown, the calculated typical bills reflect a steady climb in ratepayer impact as the proposed rate increases are implemented to recover the City's water system costs of service. Since the percentage increase in the monthly service charge and usage charge are not proposed to be the same, some fluctuation in account level impact will continue among the City's large and small water users over the next several years.

TABLE 8
PROPOSED WATER RATES

	Current Rates	Projected				
		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Meter Size (inches)		<u>Proposed Monthly Service Charges</u>				
All Meter Sizes	Current \$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
		<u>Proposed Usage Charges</u>				
Volume Rate	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>
All Customers	\$1.32	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75
Single Family	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>
0-5 HCF	\$1.32	\$1.49	\$1.70	\$1.91	\$2.13	\$2.34

Notes: Projected rates are proposed to be effective in January each year.
First five units are at a 15% discount rate for the Single Family customer class.

TABLE 9
PROPOSED WATER RATES AND TYPICAL BILLS

Description	Current Rates	Projected				
		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<u>Proposed Monthly Service Charges</u>						
All Meter Sizes	<u>Current</u> \$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
<u>Proposed Usage Charges</u>						
All Customers All Usage (a)	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>
	\$1.32	\$1.75	\$2.00	\$2.25	\$2.50	\$2.75
	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>	<u>\$/HCF</u>
	\$1.32	\$1.49	\$1.70	\$1.91	\$2.13	\$2.34
Single Family (a) 0-5 HCF						
<u>Typical Monthly Bills</u>						
<u>Single Family</u> 19 HCF per Month	\$43.08	\$49.95	\$54.50	\$59.05	\$63.65	\$68.19
<u>Commercial</u> 60 HCF per Month	\$97.20	\$123.00	\$138.00	\$153.00	\$168.00	\$183.00

Notes: Projected rates are proposed to be effective in January each year.

(a) The "All Usage" rate is for all customer usage except for Single Family. Single Family block rate is as shown.

Given the projected level of short-term ratepayer impact, the City should expect additional water usage awareness, experience a reduction in overall water demand, and incur an increase in customer requests for a water audit and/or capacity review in an effort to reduce water usage or downsize to a smaller water meter. The City has budgeted for additional customer service programs and support to assist customers in their water conservation efforts over the next several years. These program costs and reduced water usage estimates have been integrated in the City's Water Rate Study.

5.4 Comparison of Monthly Bills with Other Communities

In addition to the development of typical bills for City customers, Table 10 provides a comparison of the City's current and proposed monthly single-family bill with other local communities in San Luis Obispo County. The comparison is based on a monthly water usage of 30 HCF.

As shown, there is a wide range of charges among the surveyed communities, with the City's current bill in the lower range of costs and the estimated bill under the proposed rates at the mid-range of the agency comparison. It is interesting to note that even with the increase proposed for FY 08-09, a Single Family Resident customer using 30 HCF per month in the City will still pay \$65 to \$120 per month less than the upper range water purveyors in the County, and less than the overall County average cost of water.

In addition to this finding, it should be noted that rate surveys often do not provide the full picture of the utility's position. For example, some of the agencies may have additional increases that are in process or being proposed, may have varying water supply program cost, quality, and reliability issues or objectives, and certainly there is often a wide range of variance in local level of service, capital reinvestment, and preventive maintenance considerations. Given the current condition and direction of the City's water utility and water resource requirements in the County, it appears the City's water rates are in line with other local communities.

5.5 Future Rate Review and Restructuring Considerations

In addition to the rate-related adjustments provided herein, the City should plan for the methodical review of system costs, water demands, and utility rates. Much of this work can be incorporated as an element of the annual budget process as additional information is being developed and evaluated.

One area that the City may want to consider as part of a focused rate and rate structure review is the development of a more comprehensive inclining block rate structure for all City customer classes. As previously mentioned, due to the magnitude of the rate increases necessary to meet the near-term water fund financial obligations, a conservation focused block rate structure for the City's customers is not recommended at this time. However, a new block rate structure may be appropriate as the new water supply program becomes integrated into the City's daily operation. A broader inclining block rate structure would enhance the City's support for resource management and sustainability through additional water conservation participation by all City water customers.

TABLE 10
COMPARISON OF MONTHLY WATER BILLS
SINGLE FAMILY RESIDENTIAL

Community	Monthly Meter Fixed Rate	Water Usage/ Quantity Rate	Water Usage (HCF)	Calculated Monthly Bill
Cambria CSD (a)	\$12.15	\$6.17 to \$8.02	30	\$194.38
City of Morro Bay (a)	\$16.43	\$1.39 to \$12.62	30	\$179.93
City of San Luis Obispo (b)	\$0.00	\$3.71 to \$5.81	30	\$140.40
Oceano CSD	\$11.97	\$1.14 to \$4.09	30	\$119.52
City of Paso Robles - Proposed July 1, 2008	\$18.00	\$2.56	30	\$92.88
Nipoma CSD (c)	\$16.98	\$1.81 to \$3.14	30	\$84.53
City of Pismo Beach	\$13.97	\$1.78 to \$2.31	30	\$80.09
City of Paso Robles - Sept. 08 Pay-As-You-Go Approach, Effective January 2010	\$18.00	\$1.49 to \$1.75	30	\$69.20
City of Grover Beach	\$6.75	\$1.82 to \$2.20	30	\$64.45
City of Paso Robles - Current	\$18.00	\$1.32	30	\$57.60
Atascadero Mutual Water Co. (d)	\$14.50	\$1.122 to \$2.543	30	\$55.63
City of Arroyo Grande	\$5.25	\$1.16 to \$1.77	30	\$42.39
Templeton CSD	\$12.19	\$1.17 to \$2.62	30	\$35.29
Agency Average (Excluding City of Paso Robles)				\$93.56

Source Documentation:

Basis: 5/8 &/or 3/4-inch meter

(a) Monthly fixed charge includes 3 HCF.

(b) Current SFR rate is a three tiered rate structure, with no fixed service charge; a 5% utility user tax is also applied to the water portion of the bill (not included in this comparison).

(c) Average of Town and Blacklake Division rates

(d) Monthly fixed charge includes 2,000 gallons (2.67 HCF); Quantity rates shown are per HCF

Proceeding in this direction, rates could be restructured through the development of pricing strategies that will increase usage awareness and influence customer behavior. This expanded conservation-based rate structure could support the City's water conservation goals while conforming to the City's water system revenue requirements and better align the City's rates and rate structure with California's Best Management Practices for Water Conservation.

Should the City pursue this rate restructuring direction, a partial listing of cornerstone elements that should be in place prior to undertaking this program include: predictable water supply costs/water sales, dedicated City water conservation support staff, documented water conservation, landscape, and drought contingency guidelines, and applicable municipal code provisions. The City may also want to consider an interruptible water rate for dedicated exterior water uses and potential customer class modification/consolidation as other elements of the rate restructuring and cost of service evaluation.

Appendix A

Miscellaneous Supporting Information

APPENDIX A - ANNUAL DWR REPORT

State of California

Department of Water Resources

The Resources Agency

Paso Robles, City of
Kelly Dunham, Interim Water
Supervisor
1230 Paso Robles St.
Paso Robles, Ca. 93446
PWS# 4010007 SD

PUBLIC WATER SYSTEM STATISTICS

Calendar Year 2007

1. General Information

Please follow the provided instructions.

Contact : Kelly Dunham

Title: Interim Water Supervisor

Phone: 805-237-3866

Fax: 805-2376596

E-mail: kdunham@prcity.com

Website: www.prcity.com

County: San Luis Obispo

Population served: 29500

Names of communities served: City of Paso Robles

2. Active Service Connections

Customer Class	Potable Water		Recycled Water	
	Metered	Unmetered	Metered	Unmetered
Single Family Residential	8788			
Multi-family Residential	399			
Commercial/Institutional	759			
Industrial	68			
Landscape Irrigation	357			
Other	51			
Agricultural Irrigation				
TOTAL	10422			

3. Total Water Into the System - Units of production:

☐ acre-feet ☒ million gallons ☐ hundred cubic feet

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Wells	128.272	100.8322	157.6083	217.255	280.4382	305.8952	336.9941	317.952	275.135	222.0009	175.3551	130.2617	2648
Surface													
Purchased ^{1/}													
Total Potable	128.272	100.8322	157.6083	217.255	280.4382	305.8952	336.9941	317.952	275.135	222.0009	175.3551	130.2617	2648
Untreated Water													
Recycled ^{2/}													

1/ Potable wholesale supplier(s):

2/ Recycled wholesale supplier(s):

Level of treatment:

☐ acre-feet ☐ million gallons ☒ hundred cubic feet

4. Metered Water Deliveries - Units of delivery:

If recycled is included, ✓ box ↓

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A. Single Family Residential <input type="checkbox"/>	142544	78464	106318	146546	181300	252693	239696	228192	248909	140733	129690	101274	1996359
B. Multi-family Residential <input type="checkbox"/>	19086	18090	20378	24860	25534	34503	31564	30760	36098	21914	23558	20769	307114
C. Commercial/Institutional <input type="checkbox"/>	41093	16567	21701	31315	40660	58551	53612	49062	55213	32605	30674	25377	456430
D. Industrial <input type="checkbox"/>	5068	5032	9959	5687	5649	7533	6297	6143	7717	4998	4385	4620	73088
E. Landscape Irrigation <input type="checkbox"/>	17677	5854	12160	33091	42348	56755	55538	45010	58086	32133	25012	14413	398077
F. Other <input type="checkbox"/>	4923	2709	5966	5839	20620	3200	2102	1269	9704	6310	9024	3134	74800
Total Urban Retail (A thru F)	230391	126716	176482	247338	316111	413235	388809	360436	415727	238693	222343	169587	3305868
Agricultural Irrigation <input type="checkbox"/>													
Who Added Item #1 Page 38 of 42													

APPENDIX A - WATER FUND EXPENSE BUDGET DETAILS

PUBLIC WORKS		Water Production & Distribution		
Department No. 310		Division No. 165		
Funding Source:		Fund 600 - Water Operations Fund		
		Current Budget FY 2006-07	Adopted Budget FY 2007-08	Adopted Budget FY 2008-09
EMPLOYEE SERVICES				
Total Employee Services		807,900	929,800	1,311,600
MAINTENANCE & OPERATIONS				
5212	Materials & Services	234,600	234,600	234,600
5216	Utilities	940,000	940,000	940,000
5221	Facility Maintenance	71,500	165,500	105,500
5222	Equipment Maintenance	4,000	4,000	4,000
5223	Vehicle Maintenance	40,400	42,600	44,700
5224	Professional Services	65,400	115,000	55,000
5225	Legal Services	38,000	43,700	43,700
5226	Education, Travel & Meetings	8,700	8,700	8,700
5229	Depreciation	833,600	845,000	848,000
5236	Franchise Fees	-	-	-
5235	Special Projects	15,000	109,600	117,100
5238	Charges from Other Departments	297,200	184,800	249,500
	Other M&O Expenses	477,600	723,700	613,300
Total Maintenance & Operations		2,548,400	2,693,500	2,650,800
CAPITAL OUTLAY				
5451	Buildings		100,000	
5454/5	Equipment	19,000	104,500	61,900
Total Capital Outlay		19,000	204,500	61,900
DIVISION SUBTOTAL		3,375,300	3,827,800	4,024,300
PUBLIC WORKS		Utility Billing/Cashiering		
Department No. 140		Division NO. 127		
Funding Source:		Fund 600 - Water Operations		
EMPLOYEE SERVICES				
Total Employee Services		288,000	283,400	309,300
MAINTENANCE & OPERATIONS				
5212	Materials & Services	51,700	105,700	103,600
5216	Utilities	1,300	1,300	1,300
5221	Facility Maintenance			
5222	Equipment Maintenance	300	300	300
5223	Vehicle Maintenance			
5224	Professional Services	136,300	114,800	108,300
5225	Legal Services			
5226	Education, Travel & Meetings	12,700	7,500	7,500
5229	Equipment Replacement	9,600	1,700	1,700
5230	Insurance Prop./Liability			
5235	Special Projects		30,000	
5238	Charges from Other Departments	32,800	23,400	23,100
	Other M&O Expenses	210,600	260,000	221,400
Total Maintenance & Operations		244,700	284,700	245,800
CAPITAL OUTLAY				
5454/5	Equipment	14,000	22,800	-
Total Capital Outlay		14,000	22,800	-
DIVISION SUBTOTAL		546,700	590,900	555,100
5239	Charges to Other Departments	(174,400)	(329,200)	(310,200)
DIVISION TOTAL		3,747,600	4,089,500	4,269,200

APPENDIX A - 17-YEAR CAPITAL IMPROVEMENT PROGRAM (C.I.P.) BUDGET
Includes Phased-In Water Treatment Plant

Project	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL PROJECT COST
Northwest Water Project																			
Phase I - 2 MGD filtration system to accept initial deliveries plus treated																			\$0
1. Phase I - 2 MGD filtration system to accept initial deliveries plus treated	\$1,900,000	\$9,900,000																	\$11,800,000
2. Phase II - Add 2 additional filters and transmission main east, housing for ops and membranes, solids removal, etc.							\$20,994,272												\$20,994,272
3. Phase III - Provide permanent housing for 1000 sq ft of units 6 MGD capacity add come full chemical feed system, more pumping capacity, and more equipment. Substation New York																			\$26,133,720
4. Phase III - Provide permanent housing for 1000 sq ft of units 6 MGD capacity add come full chemical feed system, more pumping capacity, and more equipment. Substation New York	\$1,900,000	\$3,900,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,994,000	\$0	\$0	\$26,134,000	\$0	\$0	\$0	\$0	\$48,138,000
Water Yard																			
Water Yard	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,996,592	\$0	\$0	\$0	\$0	\$5,996,592
Water Yard														\$5,996,592					\$5,996,592
Water Yard														\$5,996,592					\$5,996,592
Well Improvements																			
6. New Sherwood Well #1 installation													\$1,002,887						\$1,002,887
7. New Sherwood Well #2 installation																			\$0
8. Roncon Well #1 installation																			\$5,974,711
9. Roncon Well #2 installation																			\$0
10. Roncon Well #3 installation																			\$0
11. Annual well rehabilitation	\$211,000	\$222,605	\$231,848	\$247,765	\$261,392	\$275,769	\$290,936	\$306,937	\$323,819	\$341,629	\$360,418	\$380,241	\$401,135	\$423,218	\$446,495	\$471,053	\$496,960	\$524,253	\$6,220,530
12. New well drilling program (Owen, Newwood, Chatham, and underflow wells)	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025	\$11,113,025
Water Treatment Plant Improvements																			
Water Treatment Plant Improvements	\$211,000	\$13,380,000	\$23,600	\$5,822,600	\$1,568,000	\$276,000	\$291,000	\$1,942,000	\$324,000	\$342,000	\$360,000	\$1,901,207	\$2,281,000	\$420,000	\$446,000	\$2,526,000	\$497,000	\$524,000	\$8,211,142
Water Treatment Plant Improvements																			\$21,000,000
Water Treatment Plant Improvements																			\$0
Water Treatment Plant Improvements	\$800,000	\$7,000,000				\$6,515,971													\$13,516,371
Water Treatment Plant Improvements																			\$2,851,811
Water Treatment Plant Improvements	\$21,100	\$22,261	\$23,485	\$24,776	\$26,139	\$27,577	\$29,094	\$30,694	\$32,382	\$34,163	\$36,042	\$38,024	\$40,115	\$42,322	\$44,650	\$47,105	\$49,696	\$52,425	\$622,053
Water Treatment Plant Improvements	\$255,271																		\$255,271
Water Treatment Plant Improvements																			\$5,978,731
Water Treatment Plant Improvements																			\$3,795,707
Water Treatment Plant Improvements																			\$2,250,020
Water Treatment Plant Improvements																			
Water Treatment Plant Improvements	\$1,074,000	\$7,822,000	\$23,000	\$25,600	\$26,000	\$5,543,000	\$1,238,000	\$1,100,000	\$194,000	\$305,000	\$170,814	\$190,200	\$200,577	\$214,609	\$233,348	\$256,526	\$284,400	\$302,447	\$2,084,641
Water Treatment Plant Improvements																			\$258,000
Water Treatment Plant Improvements																			\$315,000
Water Treatment Plant Improvements																			\$0
Water Treatment Plant Improvements																			\$619,530
Water Treatment Plant Improvements																			\$346,199
Water Treatment Plant Improvements																			\$866,145
Water Treatment Plant Improvements																			\$900,669
Water Treatment Plant Improvements																			\$138,751
Water Treatment Plant Improvements																			\$290,547
Water Treatment Plant Improvements																			\$594,336
Water Treatment Plant Improvements																			\$743,048
Water Treatment Plant Improvements																			\$740,560
Water Treatment Plant Improvements																			\$488,400
Water Treatment Plant Improvements																			\$3,153,895
Water Treatment Plant Improvements																			\$950,300
Water Treatment Plant Improvements																			\$1,970,039
Water Treatment Plant Improvements																			\$2,000,710
Water Treatment Plant Improvements																			\$43,77,600
Water Treatment Plant Improvements																			\$1,993,000
Water Treatment Plant Improvements																			\$1,807,000
Water Treatment Plant Improvements																			\$4,993,000
Water Treatment Plant Improvements																			\$3,949,000
Water Treatment Plant Improvements																			\$2,216,000
Water Treatment Plant Improvements																			\$124,915,992

Source TUCross: September 2008

Appendix A - Proposed Water Connection Fees

Proposed Charge as of:

Meter Size	Current Charge as of: July 1, 2008	Jan 1, 2010	Jan 1, 2011	Jan 1, 2012	Jan 1, 2013	Jan 1, 2014
5/8" and 3/4"	\$9,119	\$12,000	\$14,870	\$17,750	\$20,620	\$23,500
1"	\$15,226	\$20,040	\$24,830	\$29,640	\$34,440	\$39,250
1 1/2"	\$30,364	\$39,960	\$49,520	\$59,110	\$68,660	\$78,260
2"	\$48,601	\$63,960	\$79,260	\$94,610	\$109,900	\$125,260
3"	\$97,292	\$120,000	\$148,700	\$177,500	\$206,200	\$235,000
4"	\$152,002	\$200,040	\$247,880	\$295,890	\$343,740	\$391,750
6"	\$303,914	\$399,960	\$495,620	\$591,610	\$687,260	\$783,260
8"	\$486,280	\$639,960	\$793,020	\$946,610	\$1,099,660	\$1,253,260
10"	\$699,100	\$920,040	\$1,140,080	\$1,360,890	\$1,580,940	\$1,801,750

Notes: Fees are estimated values as of January 1, 2009.

Water Fund Balance 2009 Through Build General Plan Build Out 2025

Fund Balance		
FY 25/26	\$92,390,500	
Funded Depreciation		
FY 25/26	\$34,479,800	
Projected Revenue FY		
25/26	\$126,870,300	
Fund Encumbrance		
FY 25/26	-\$39,600,000	Nacimiento Debt - 50% of New Development's Share
	-\$30,000,000	Cost of additional 2000 AF for Development
	-\$41,270,300	Asset repair/replacement (\$2,427,664.71 over 17 years)
	<u>-\$16,000,000</u>	Operating Reserves (50% of annual plus one year project reserves)
Unencumbered Balance FY		
25/26	\$0	