

**TO:** City Council  
**FROM:** Doug Monn, Director of Public Works  
**SUBJECT:** **Proposed Water Rates**  
**DATE:** January 19, 2010

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**NEEDS:** For the City Council to select a water rate methodology and authorize customer notification and protest ballot process.

- FACTS:**
1. Water demand exceeds supply.
  2. \$13 Million per year is required to meet water system debt obligations and operating costs. Current revenue is just \$6.3 Million per year.
  3. A water rate adjustment is necessary to cover the full cost to provide existing customers drinking water.
  4. Even with rate increases, water will cost less than 1 cent per gallon.

**ANALYSIS &  
CONCLUSIONS:**

**INTRODUCTION**

Paso Robles has historically relied on wells for water supply, but supplemental water is needed to meet existing demand and improve quality. In response, the City committed to bring Nacimiento water to town in 1992.

Through the 1990's, project feasibility, pipeline route, and environmental studies were completed. Between 2000 and 2004 Paso Robles worked with sister agencies to develop the project. In July 2004, a contract was executed and water user fees approved to help pay for it. Initially, the rate plan called for a fixed rate of \$6/month increasing by \$6/month every year until we reached \$36/month.

In early 2007, project cost estimates were updated based on more complete design and current construction costs. The update indicated a need to increase the maximum monthly charge from the planned \$36 to \$60. Pursuant to a July 2006 California Supreme Court ruling, this rate modification was introduced through the Proposition 218 protest ballot process. Only 109 protests were received out of 10,000+ owners. However, a referendum petition containing 1,445 signatures, representing just 10% of voters, was received. The City honored the petitioners' request to consider a different rate structure – one that was based entirely on consumption (i.e., no fixed monthly amount).

A consumption-based rate was presented October 2007. Only 1,270 protest ballots were filed. However, opponents questioned the integrity of the rate calculations and urged the City to

commission a third-party professional rate study. So, Kennedy Jenks Consultants was engaged in January 2008 to prepare the rate study. Once the rate study was completed, rate adjustments were again proposed – this time a combined fixed/consumption based formula - in July 2008.

Again, responding to citizen concerns, the City suspended consideration just a few months later to develop a skeletal approach. The “pay-as-you-go” plan – an 8-year phased rate built around half-measure and staged improvements with cash only (no loans) – was introduced in September 2008. Another protest ballot yielded less than 1,800 protests. Due to a change in the law limiting rate plans to 5 years, a five-year plan was adopted in January 2009 and another referendum petition (of just 11% of registered voters) was filed.

After presenting 4 different rate proposals in two years, the City, noting that the question is not whether to pay but how, and facing the prospect of developing yet another plan only to be opposed again by a small minority, decided it was time to call an election even though voters would be considering only the first 5 years of an 8-year rate plan.

The election drew fewer than 6,000 of 14,563 registered voters. The rate plan lost by approximately 500 votes.

The matter before City Council tonight is an alternative rate methodology to generate the \$13 Million per year required to provide the existing community with a safe, higher quality, and adequate water supply .

#### **NEED FOR RATE INCREASE**

To summarize, water demand exceeds supply, and water quality is deteriorating, so both the Nacimiento supply and the water treatment plant are needed to meet existing customer demands. (Refer to the Kennedy Jenks Consultants 2010 Water Rate and Revenue Analysis [**Exhibit A**] for supporting information.)

Water rates now in effect generate \$6.3 Million each year. \$13 Million is needed. The water rate increase is proposed to cover that shortfall.

#### **PUBLIC INPUT**

Water rates have been discussed publicly many times, most recently at the January 6, 2010, public workshop. Refer to **Exhibit B** for topics that arose during that workshop.

A variety of opinions and ideas have been voiced over time, common among which have been:

- The rate increase is needed
- Adhere to a “pay for what you use” approach
- Provide a break for customers on low income
- Promote water conservation
- Drop or reduce the fixed fee
- Charge a higher fixed fee for larger meters
- Keep it simple

### OPTIONS CONSIDERED

Meeting the projected fund shortfall (i.e. \$13 Million vs. \$6.3 Million) could be done in a variety of ways.

- First, growth is taking care of itself. Half the water is for new development; new development is paying its half<sup>1</sup>. In March 2009, the Council adopted increased water connection fees from \$9,119 to \$23,500/residence.
- Second, because water is a commodity, revenues needed to operate the water system come from the sale of water.
- Third, the usage charge could be uniform, or tiered so that one pays more per unit for higher usage. Tiered pricing promotes water conservation but is more complex.
- Fourth, providing a discount to low income households has been encouraged. However, Proposition 218 prohibits discounts for select classes of users. Nevertheless, the City will establish a special voluntary donation fund to assist low-income water customers. And, it will urge legislation to allow the community to include a low income discount rate if voters so choose.

### COMMUNITY EXPECTATIONS AND LEGAL REQUIREMENTS

Members of the community have been engaged in water rate discussions as evidenced by the high attendance at the January 6, 2010, workshop. While opinions and suggestions cover a wide spectrum, it is apparent that the community acknowledges that demand exceeds supply, growth is taking care of itself, and rates do need to be raised.

Tonight's item represents the fifth rate proposal brought forth for consideration. Refer to **Exhibit C** for costs incurred to date due to rate adoption delays.

Proposition 218 spells out procedures for "property-related fees" which include sending out mailers with information about the proposed rates, majority protest procedure and ballot, and the holding of a public hearing at least 45 days after the mailing. Refer to **Exhibit B** for more background on the 218 process. The options listed below include the required 218 steps.

### PROPOSED RATE STRUCTURE

Details regarding the proposed rate structure are contained in the Kennedy Jenks Consultant's 2010 Water Rate Study, **Exhibit A**.

Specifically, the proposed rate structure has both a fixed monthly service charge and a usage charge. The fixed charge varies according to customer type and meter size. The usage charge is tiered to promote water conservation as shown in **Table 1**.

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<sup>1</sup> See March 17, 2009, staff report and "Water Capacity Charge Study" by HF&H Consultants dated January 23, 2009, for allocation of costs to growth.

**Table 1  
Proposed Water Usage Rates**

Effective Date <sup>1</sup> ==>	Year 1 1/1/2011	Year 2 1/1/2012	Year 3 1/1/2013	Year 4 1/1/2014	Year 5 1/1/2015
<b>SINGLE FAMILY RESIDENTIAL CUSTOMERS</b>					
Fixed Meter Charge <sup>2</sup>	\$10-\$110	same	same	same	same
0-5 hcf	\$1.50	\$1.90	\$2.35	\$2.85	\$3.15
5-30 hcf	\$1.90	\$2.40	\$3.00	\$3.60	\$4.00
30+ hcf	\$2.40	\$3.00	\$3.75	\$4.50	\$5.00
<b>ALL OTHER CUSTOMERS</b>					
Fixed Meter Charge <sup>2</sup>	\$20-\$220	same	same	same	same
0-30 hcf	\$1.90	\$2.40	\$3.00	\$3.60	\$4.00
30+ hcf	\$2.40	\$3.00	\$3.75	\$4.50	\$5.00

<sup>1</sup> Effective date based on Council adoption during 2010

<sup>2</sup> Monthly fixed meter charge to vary according to meter size. See Table 2.  
hcf = hundred cubic feet; 1 hcf = 748 gallons

**Table 2  
Proposed Monthly Fixed Charges**

Meter Size (inches)	Single Family Svc. Charge	Non Residential Svc. Charge
5/8 and 3/4	\$10	\$20
1	\$15	\$30
1-1/2	\$20	\$40
2	\$30	\$60
3	\$110	\$220
4	\$110	\$220
6	\$110	\$220
8	\$110	\$220

*Note: Multi-family accounts are included as non-residential.*

Perhaps the best illustration of the effect of the proposed rate structure is to put this in terms of actual customer bills.

**Table 3**  
**Sample Water Bills**

	<u>CURRENT</u>	<b>Proposed Rate Structure</b>	
		<u>Year 1</u>	<u>Year 5</u>
<b><u>SINGLE FAMILY RESIDENTIAL (3/4 inch meter)</u></b>			
<b>9-Units</b>	\$ 29.88	\$ 25.10	\$ 41.75
<b>13-Units</b>	\$ 35.16	\$ 32.70	\$ 57.75
<b>20 Units</b>	\$ 44.40	\$ 46.00	\$ 85.75
<b><u>COMMERCIAL</u></b>			
<b>20-Unit (3/4-inch meter)</b>	\$ 44.40	\$ 58.00	\$ 100.00
<b>60-Units (1-inch meter)</b>	\$ 97.20	\$ 159.00	\$ 300.00

Several exhibits are attached for review. **Exhibit D** compares the proposed Paso Robles water rates to surrounding communities. **Exhibit E** depicts a uniform pricing option and **Exhibit F** describes an alternative special tax approach.

**POLICY**

**REFERENCE:** General Plan, Economic Strategy, Urban Water Management Plan, Integrated Water Resource Plan, Water Master Plan, and City Council goals.

The California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4<sup>th</sup> 205, held that fees for providing water service are "property-related fees" and subject to the procedural requirements of Proposition 218, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee. Proposition 218 spells out specific procedures for adopting "property-related fees," which are the procedures the City has followed. These include sending out mailers with information about the proposed rates, majority protest procedure, and ballot, and the holding of a public hearing at least 45 days after the mailing.

A recent Court of Appeal decision, *Paland v. Brooktrails Township Community Services District*, (Dec. 3, 2009, Case No. A122630) confirms that water service fees are property-related fees, and that the Proposition 218 majority protest proceedings are the applicable proceedings. Equally significant, the case also confirms that revenues from water rates can pay both for fixed operating and maintenance costs as well as capital costs, which in that case, included costs for increasing the District's storage capacity to continue to serve already-connected customers. This is directly analogous to Paso

Robles case, where a portion of the water rate revenues will be used to pay for a share of the Nacimiento costs.

**FISCAL**

**IMPACT:**

The City is contractually obligated to pay its share of the debt service for the bonds that have been issued to pay for the Nacimiento Water Project. Additionally, the City has had to draw upon water repair and replacement funds to pay for current operations for the past three years because operating expenses have exceeded revenues.

Current rates generate \$6.3 Million per year; \$13 Million is required. A rate structure is needed to bridge the \$6.7 Million per year gap.

If new water rates are not adopted to pay for the costs of water service, the Water Operations Fund will exhaust all of its repair & replacement fund by 2014 and begin deficit spending. The deficit spending would have to be covered by the General Fund.

The General Fund pays for operations such as library services, children's and senior programs, parks, as well as police and fire. The General Fund is already operating with a significant recurring deficit requiring use of its reserves to cover operating costs. An additional \$6,700,000 per year expense for water costs will decimate public services.

**OPTIONS:**

- a. Adopt attached Resolutions No. 10-xx thereby selecting a water rate structure; authorize initiation of the Proposition 218 procedures, and; instruct staff to send out public notices regarding the proposed water rate structure. Or,
- b. Amend, modify, or reject the above option.

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**Exhibits:**

- A. Kennedy Jenks Consultants 2010 Water Rate and Revenue Analysis dated January 11, 2010
- B. January 6, 2010, Public Workshop Topics
- C. Cost of Opposition and Delays
- D. Comparison to Other Communities
- E. Uniform Pricing Option
- F. Tax Revenue Option

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**Exhibit A**  
**2010 Water Rate and Revenue Analysis**

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The Kennedy Jenks Consultants water rate study accompanies this staff report as a separate document.

**Exhibit B**  
**January 6, 2010**  
**Public Workshop Topics**

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A public workshop was held on January 6, 2010, to discuss pricing strategy for the proposed water rate. The following is a list of questions/topics that came up during public comment along with a brief reply to each.

*Shouldn't the \$18 fixed rate be revoked because Measure A09 failed?*

The \$18/month plus \$1.32 per unit rate structure pre-existed Measure A-09 thus remains in effect.

*Could property taxes be raised to pay for capital projects?*

Yes, a special property tax could be considered for capital costs but would require a 2/3rds supermajority vote. The tax would be calculated based on the assessed value of your property, not the amount of water used. It would be a fixed payment even if no water is consumed. A consumption rate increase would also be required to fund operating costs. **Exhibit F** presents the costs.

*Use general tax revenues to pay.*

General tax revenues may be used to pay for water. However, those revenues pay for police, fire, recreation, parks, roads, and many other general services. And, in the current economy, revenues are down resulting in the loss of over 20% of the general service workforce with a \$2-\$3 Million/year shortfall remaining. Additional cuts to services have to be implemented just to offset economic revenue shortfalls. Should what is left of general revenues be directed to pay for water, general service impacts would be extraordinary – upwards of a 50% reduction.

*Do water and sewer charges have to be on the same bill? Perhaps itemize utility bill similar to PG&E.*

Consolidated billing is provided for customer convenience, lower billing costs (which are paid by customers through rates), and effective collection management of delinquent accounts (if sewer bills remain unpaid, water service may be interrupted until payment is received).

Itemizing utility charges can be provided with various details. However, detail must be balanced against simplicity.

*Financial forecasts appear to defer funding of depreciation.*

It is good practice to accumulate money for repair and replacement of aging utility system components. This is referred to as depreciation funding. Current financial forecasts defer depreciation funding until FY 2013/14, in order to lessen the rate increase.

*Financial forecast should show credit to City for future Nacimiento buy-in.*

First, the City's contract for Nacimiento water is such that when new non-City regional participants buy into the project, Paso Robles and every other participant are credited back their proportional share. There is no way to project when future buy-ins may occur, so to rely on such revenue would be speculative and fiscally irresponsible.

Second, half of the current 4,000 acre-feet per year entitlement costs are being borne by new development within the City. The connection fee increases adopted by Council in 2009 include those costs and financial forecasts account for the "credit" from development.



*The capital project list seems to include projects that are not absolutely essential*

**Exhibit A**, the 2010 Water Rate Report, includes a revised capital project plan that excludes a future water tank site (as it will be contributed by new development when it is required), remote read meter system, and new water operations & maintenance yard.

*Make an arrangement with Atascadero Mutual Water Company until revenue is sufficient to build our own treatment plant.*

AMWC Planned Approach to Nacimiento Water: AMWC is planning a two phase approach for using its Nacimiento water entitlement. The first phase will consist of a recharge and recover facility and the second phase will be to abandon the recharge and recovery system and construct a water treatment plant similar to what the City of Paso Robles is currently planning. The planned treatment plant will provide significantly higher quality water for AMWC customers and will prevent “lost” water due to the evaporation and migration associated with recharge and recovery.

The Phase I Facility: AMWC’s 2,000 AFY raw water entitlement will be delivered to a 1.6 acre-foot recharge basin over a 4-6 month period during peak water demand season. The discharge to the recharge basin will percolate (less an amount lost to evaporation) to the underlying groundwater aquifer. Existing downstream wells will extract water from the underlying aquifer (less water lost to migration) and pump it directly into the water distribution system. Additional groundwater wells may need to be installed to fully recover what has been percolated.

Paso Robles Recharge and Recovery: AMWC percolation beds and extraction wells are located in a hydrologically distinct sub-basin that consists of deep alluvial deposits (needed for percolation and extraction of Salinas River underflow) and restrictive aquifer boundary layers that limit the lateral movement (migration) of underflow. The unique geology will provide for recovery of percolated water (less water lost to evaporation and migration) and is well suited for a recharge and recovery system.

The City of Paso Robles overlies a portion of the Groundwater Basin that contains significantly shallower alluvial deposits, and lacks the geology to effectively and efficiently percolate or recover Nacimiento water.

Using Atascadero turnout for Recharge and Recovery: The City considered the option of exploiting the unique geology of the Atascadero Subbasin for a recharge and recovery system. This option included using the AMWC raw-water turnout to take delivery of the City’s entitlement. The raw water would then be percolated in a pond adjacent to the AMWC pond, extracted through several downstream wells, and then pumped through new pipelines back to the City. To realize this concept significant financial resources would have to be expended in land purchases and new infrastructure. Infrastructure costs for a pipeline, wells pumps etc. alone could exceed \$13M. The full costs of this alternative can not be estimated until agency agreements are formulated and property costs are estimated. However, considering the known costs in conjunction with the anticipated reduction in water quality, recovery rates, control and reliability that this concept entails excludes it from further consideration.

*Will sewer fees also go up?*

Rehabilitation of the 55-year old wastewater treatment plant is needed to meet discharge requirements, and replace obsolete worn-out treatment equipment, representing a capital investment and increased operations costs. Current sewer rates and fees are not sufficient to cover those costs, so yes they will need to be adjusted. Once the plant rehabilitation design is complete, a firm estimate of

construction and operations costs can be prepared to determine what amount of rate adjustment will be needed.

*Low income households should get a break on their water bill.*

The City is very interested in providing assistance to low-income households. However, Proposition 218 prohibits the City from offering a rate plan that subsidizes one class of users at the expense of another (with one exception - the California Legislature adopted legislation that allows for conservation price tiering).

The City will establish a voluntary donation program so that customers may contribute to a low-income relief fund. In addition, the City will urge the Legislature to grant authority for rate plans to include low-income discounts.

*Don't subsidize anyone.*

Others commented that no one should be subsidized.

*Statements regarding the number of residents below the poverty line were inaccurate.*

The 2007 U.S. Census Bureau's American Community Survey for the City of el Paso de Robles approximates that 11.4% of families and 13.5% of the population as a whole were below the poverty line. Published updates are expected.

*Consider including some number of units in the fixed rate.*

Yes, the rate plan could be modified in many ways. If units are included in the fixed monthly amount, then Unit Pricing would increase to compensate for the difference.

*Consider a rate structure based on occupants per service connection.*

Yes, this could be part of the rate plan. However, it would require both customer cooperation and staff enforcement to administer such a program. The costs of such an ongoing effort would increase unit pricing. This approach is rarely used.

*Use tiered rates to promote conservation.*

This has been a repeated community theme, one that aligns with both the City's adopted Urban Water Management Plan recommended management measures and with State water conservation expectations.

*Perhaps rates should not be tiered for commercial customers.*

Rate plans can be constructed in many different ways. The tiered rate proposal included in this report generally treats all customer classes (except very low volume residential users) similarly on the theory that water is a shared resource and its conservation is a shared responsibility.

Regardless of whether there are price tiers or how many, the total amount of revenue required remains the same. So, somebody has to pay.

*Consider a uniform rate.*

Others remarked that the rate should not be tiered at all.

*Make sure any proposed rate meets the Proposition 218 5-point criteria.*

Proposition 218 provides that property-related fees meet 5 substantive requirements, all of which are met by the proposed water rate structure.

1. Fee revenues may only be used for the purpose for which the fee is imposed.

All revenues from the water rates have been and will continue to be allocated solely for the purpose of providing water service, which include the fixed costs of operating and maintaining the water system, as well as water system capital costs, as permitted by law.

2. Revenues from the water fees shall not exceed the funds required to provide the water service.

The costs of providing the water service, and the amounts required to pay for those costs, are set forth in the Kennedy Jenks report, **Exhibit A**. The revenues will not exceed the funds required.

3. The amount of the fees can not exceed the proportional cost of the service attributable to the parcel.

The proposed fee includes a fixed charge which increases for larger meter sizes; and the usage component is based on the amount of water used. First, the monthly fixed rate component is based on both type of customer and size of meter. In addition, the larger portion of the water rate revenues from the proposed water rates will come from the variable consumption rate. The more water that is used, the more that will be charged.

The California Legislature through the 2008 Assembly Bill 2882 allowed "allocation-based water pricing" to encourage efficient use of water. The price tiering proposal included in this report is consistent with this legislation.

4. No fee or charge can be imposed unless the service is actually used by or immediately available to, the property owner.

The proposed fees will only be charged to those who are able to receive City water services immediately.

5. No fee can be imposed for general governmental services including police, fire, ambulance or library service where the service is available to the public at large in substantially the same manner as it is to property owners.

As noted above, all revenues received from the proposed water rates are allocated to the Water Fund, and used only to pay for the costs of providing water service.

*Is the City following the right process for public approval of proposed water rates?*

The California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4<sup>th</sup> 205, held that fees for providing water service are "property-related fees" and subject to the procedural requirements of Proposition 218, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee. Proposition 218 spells out specific procedures for "property-related fees," which are the procedures the City has followed. These include sending out mailers with information about the proposed rates, majority protest procedure, and ballot, and the holding of a public hearing at least 45 days after the mailing.

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*The \$18 fixed rate is stealing.*

Utility rates comprised of both a fixed component and variable or usage rate are predominant across the nation. They are consistent with the *Bighorn* and *Paland* decisions cited above.

*Use a greater fixed rate.*

Another opinion expressed was that the \$18 is too low and should be higher.

*Consider ecological sustainability in water and community planning.*

The City's General Plan updates are subject to environmental review, including an assessment of growth impacts. Individual projects also comply with the California Environmental Quality Act requirements and other regulations.

The City's water planning evidences sufficient resources for General Plan buildout.

*Since Nacimiento deliveries relieve stress on the Paso Robles Groundwater Basin and since Paso pumps 4% of the basin yield, then it stands to reason that 96% of Paso's cost of Nacimiento water should be paid from folks who overly the basin. Coachella Valley Water District followed a similar approach.*

Asking others outside the City to pay for a City water supply -- assuming they would even agree to do so -- begs questions such as "is it legal to charge non-City property owners to pay for City obligations", "Could the necessary legal nexus be established between the benefits and the cost?"; "Is there a structure to impose the charges?"; and "How long might this take?".

**First, absent a change in the law, it would be illegal to assess land outside the City to pay for the City's Nacimiento obligations.**

Second, if the law were changed to allow properties outside the City to pay for City obligations, demonstrating a nexus (that is, a logical connection) between the availability of Nacimiento water in the City, and groundwater benefits that justify charging landowners outside of the City to pay for 96% of Paso's supplemental water is highly unlikely.

The entities, such as the City, that have signed contracts for Nacimiento project water only represent 9,630 of the total 15,750 acre-feet per year of the Nacimiento Project. During the 2002-04 contract negotiations with SLO County Flood Control & Water Conservation District, which owns the water supply, and the contractors, the parties discussed establishing a revenue stream from overlying landowners to fund that unsubscribed portion of the project. Essentially the theory was the same: the project would result in benefits to groundwater users. However, the overlying owners then were unconvinced that there was any benefit to them, and so the Flood Control District was unwilling to even attempt to impose a charge on them. There is no reason to believe that either the overlying owners or the Flood Control District would be any more willing now to pay a part of the cost of a water supply that directly benefits the City.

Third, aside from the fact that such a proposal is illegal and disregards the significant issue of what ~~the~~ overlying owners would be paying for and why, there currently is no structure in place to charge the property owners who overly the Paso Robles Groundwater Basin. The City has no authority to implement one. It cannot act outside its boundaries. However, a District-established assessment district, groundwater management plan, special legislation, or basin adjudication might be examples of ways to do this.

Assessment District: Establishing an assessment district requires a vote of the people who will be assessed. Further, Proposition 218 voting procedures apply, and it is unfathomable that

overlying owners outside the City would ever approve paying for City obligations. There is no way to force them to do so. See the discussion above about the efforts along these lines during negotiation of the Nacimiento project contracts.

Groundwater Management Plan: Paso Robles cannot establish and enforce a plan outside its own city limits. At best it must join together with the County to do this. The City and the SLO County Flood Control & Water Conservation District are in the exploratory phase of establishing a groundwater management plan. Whether it will include charges for groundwater replenishment is unknown at this early stage.

Special legislation: Coachella Valley Water District, which serves the desert area around Palm Springs, has unique groundwater conditions and so was able to obtain special legislation under which it levies a groundwater replenishment assessment. The law is a part of the states' County Water District law, and is only applicable to Coachella. Whether the City could get such a special act of the Legislature, only much more expansive allowing it to levy a charge outside its boundaries, is extremely unlikely, probably impossible. The Coachella example is simply irrelevant.

Basin Adjudication: No basin adjudication proceedings are underway. Even if one were, they are costly, controversial, and time-consuming. There is no assurance, either, that the City could convince a judge to include a County property groundwater replenishment charge associated with the City's Nacimiento costs in the court ruling.

Even though there is no way to assess land outside the City, for a City obligation, someone might be able to convince the County or the Flood Control District to propose a charge or assessment on the overlying owners for groundwater benefits (**although it could not be used to offset the City's obligations**). The City cannot initiate those proceedings. Moreover, to do this, the County or District would have to follow both assessment district law and Proposition 218's complex steps. This would require an engineer to calculate that there is a special benefit to each individual parcel proposed to be assessed, and the per-parcel dollar value of the benefit. Then there are requirements for public notice, hearing and election of the people who will pay.

In summary, charging properties outside the City for obligations of the City is not legal, and if legislation were ever to be adopted that allowed such an arrangement, none of the options is quick, some may take many, many years, and requires support from the properties to be assessed. In the meantime, the City's Nacimiento Water Project contractual obligations for debt repayment and operational costs remain in effect and are coming due..

*Are grants or bond financing available?*

While no grants have been identified, bond financing is already in place for the community's share in Nacimiento water and is foreseen for a portion of upcoming capital projects. Bond financing requires revenues to provide/guarantee repayment, thus the need for a rate increase.

*Should the community reconsider a buildout population of 44,000?*

The next General Plan Update will consider this aspect of community planning. Until then, the adopted General Plan serves as the foundation for utility planning.

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**Exhibit C**  
**Cost of Rate Adoption Delays**

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Extra costs incurred through December 2009 due to rate adoption delays:

Repeated System Planning/Rate Development	\$427,743
Special Election	\$55,000
Printing/Mailing Costs	\$31,450
Staff Hours	\$391,000
Legal	\$125,000
Depletion of repair/replacement fund to pay Naci bill	\$800,000
Original Plant Design sunk costs (now defunct)	<u>\$852,000</u>
<b>Total to-Date</b>	<b>\$2,682,193</b>

Consulting, printing/ mailing, staff hours and legal fees continue to be incurred due to rate adoption delays. Paso Robles will be unable to use Nacimiento water, even though it has to pay for it, if no water rate is in place to fund construction and operation of the water treatment plant.

## Exhibit D

### Comparison to Other Communities

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Another point of comparison is what customers in neighboring communities pay for water service. Attached are some examples of residential and commercial water bills.

First is a graph that shows what a residence using 20 hcf of water in one month would pay (15,000 gallons per month, or 500 gallons each day).

Next are a series of tables that show illustrative water bills for various users. For the single family residential comparison, 9, 13, and 20 hcf usage rates are illustrated. 25% of Paso Robles single family residences use 9 hcf or less water each month; 13 hcf is the median household usage and; 75% of residences use 20 hcf or less each month.

For the commercial examples, a commercial customer on the same size meter as most households using 20 hcf of water (this represents the 25<sup>th</sup> percentile of non-residential users) is shown. Also shown is a larger customer on a 1-inch meter using 60 hcf of water (this represents the 75<sup>th</sup> percentile of non-residential users).

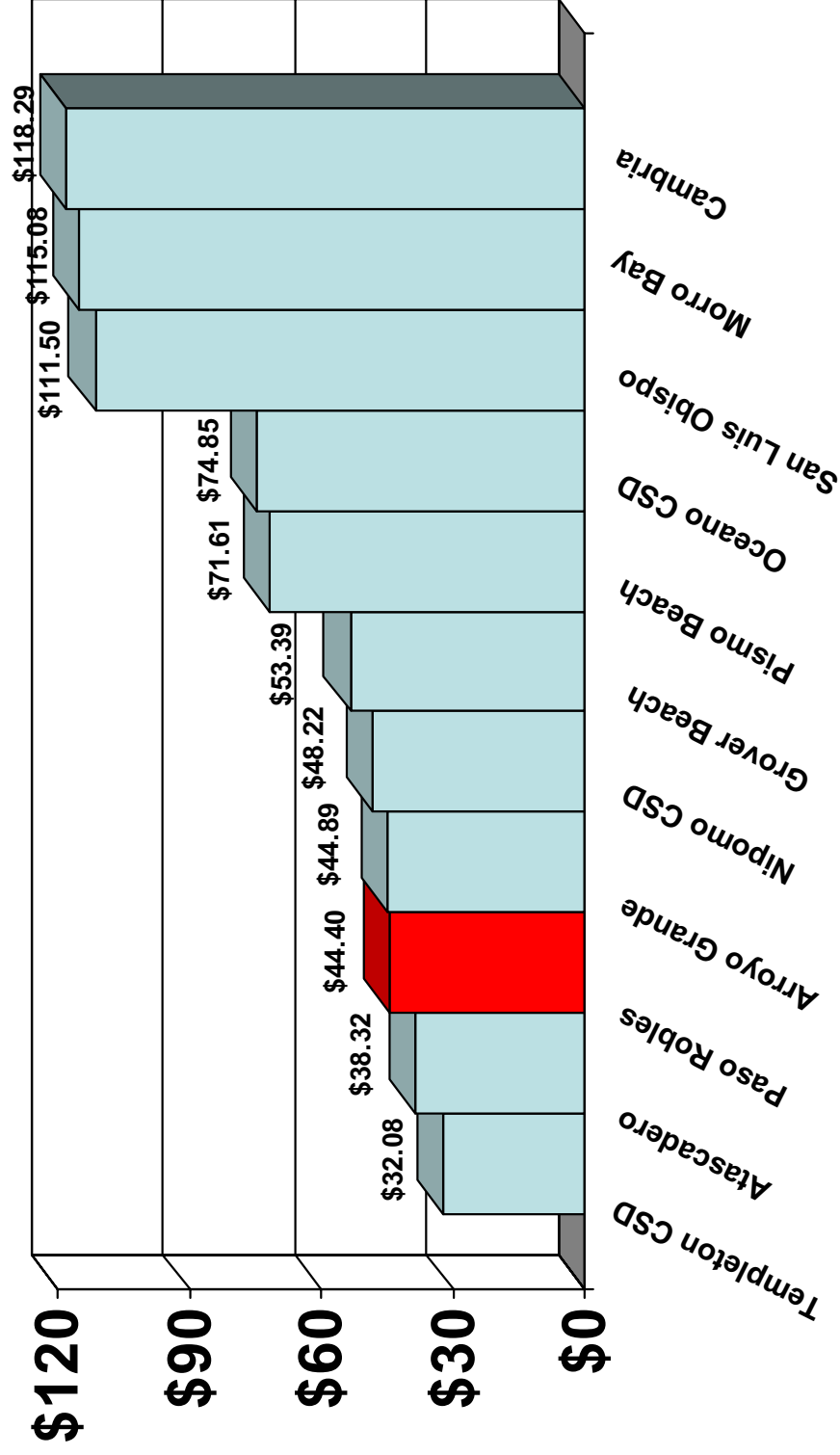
Apartments are sometimes served through a larger “master meter” such that individual units do not directly receive a water bill. In those cases, the master meter would be billed as a “non-residential” water meter with one exception -- the discounted residential water usage pricing would apply.

A rate calculator has been posted on the City’s web site to allow customers to forecast their water bills based on the proposed rates.

# Comparison of Monthly Water Bills

Single Family Residential Only, 3/4" Meter Size

CURRENT RATE



\* Water bills are based on 20 units of usage.

\*\* Comparison rates are as of July 2009.



**COMPARISON OF MONTHLY WATER BILLS**  
**SINGLE FAMILY RESIDENTIAL EXAMPLE, 5/8-3/4 Meter Size**

Community	Monthly Meter Fixed Rate	Water Usage/ Quantity Rate	Water Usage (HCF)	Calculated Monthly Bill
Templeton CSD (d)	\$12.19	\$1.17 to \$2.62	9	\$19.21
City of Arroyo Grande (a) (e)	\$5.45	\$1.78 to \$2.71	9	\$22.07
Atascadero Mutual Water Co. (b) (f)	\$15.00	\$1.60 to \$6.00	9	\$22.60
City of Grover Beach	\$6.75	\$2.28 to \$2.76	9	\$27.27
Nipomo CSD (a)	\$15.42	\$1.64 to \$2.80	9	\$30.18
Oceano CSD (a) (c)	\$11.97	\$3.39 to \$4.09	9	\$32.31
City of Pismo Beach (a) (e)	\$15.95	\$2.30 to \$2.99	9	\$38.72
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	9	\$46.93
Cambria CSD (a) (c)	\$11.91	\$6.05 to \$7.86	9	\$48.41
City of Morro Bay (d)	\$16.43	\$5.56 to \$13.68	9	\$50.33
<b>Agency Average</b>				<b>\$33.80</b>
	<u>Residential Only</u>			
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>9</b>	<b>\$29.88</b>
<b>City of Paso Robles - Proposed Year 1 Rates as of Jan 19, 2010</b>	<b>\$10.00</b>	<b>Tiers</b>	<b>9</b>	<b>\$25.10</b>

Source Documentation:

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

(a) Bi-monthly bills. Fixed meter charge shown is a charge per month.

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

(c) Fixed charge includes 6 HCF per billing period.

(d) Fixed charge includes 3 HCF per billing period.

(e) Rates for 2011 are available and shown here.

(f) Drought rates shown (effective 6/15/2009).

(g) Rates and calculated monthly bill include a 5% utility user tax.

**COMPARISON OF MONTHLY WATER BILLS**  
**SINGLE FAMILY RESIDENTIAL EXAMPLE, 5/8-3/4 Meter Size**

Community	Monthly Meter Fixed Rate	Water Usage/ Quantity Rate	Water Usage (HCF)	Calculated Monthly Bill
Templeton CSD (d)	\$12.19	\$1.17 to \$2.62	13	\$23.89
Atascadero Mutual Water Co. (b) (f)	\$15.00	\$1.60 to \$6.00	13	\$27.40
City of Arroyo Grande (a) (e)	\$5.45	\$1.78 to \$2.71	13	\$29.99
City of Grover Beach	\$6.75	\$2.28 to \$2.76	13	\$36.52
Nipomo CSD (a)	\$15.42	\$1.64 to \$2.80	13	\$36.74
Oceano CSD (a) (c)	\$11.97	\$3.39 to \$4.09	13	\$46.22
City of Pismo Beach (a) (e)	\$15.95	\$2.30 to \$2.99	13	\$50.68
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	13	\$70.41
Cambria CSD (a) (c)	\$11.91	\$6.05 to \$7.86	13	\$73.49
City of Morro Bay (d)	\$16.43	\$5.56 to \$13.68	13	\$73.71
<b>Agency Average</b>				<b>\$46.90</b>
	<u>Residential Only</u>			
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>13</b>	<b>\$35.16</b>
<b>City of Paso Robles - Proposed Year 1 Rates as of Jan 19, 2010</b>	<b>\$10.00</b>	<b>Tiers</b>	<b>13</b>	<b>\$32.70</b>

Source Documentation:

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

(a) Bi-monthly bills. Fixed meter charge shown is a charge per month.

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

(c) Fixed charge includes 6 HCF per billing period.

(d) Fixed charge includes 3 HCF per billing period.

(e) Rates for 2011 are available and shown here.

(f) Drought rates shown (effective 6/15/2009).

(g) Rates and calculated monthly bill include a 5% utility user tax.

**COMPARISON OF MONTHLY WATER BILLS**  
**SINGLE FAMILY RESIDENTIAL EXAMPLE, 5/8-3/4 Meter Size**

Community	Monthly Meter Fixed Rate	Water Usage/ Quantity Rate	Water Usage (HCF)	Calculated Monthly Bill
Templeton CSD (d)	\$12.19	\$1.17 to \$2.62	20	\$32.08
Atascadero Mutual Water Co. (b) (f)	\$15.00	\$1.60 to \$6.00	20	\$38.32
City of Arroyo Grande (a) (e)	\$5.45	\$1.78 to \$2.71	20	\$44.89
Nipomo CSD (a)	\$15.42	\$1.64 to \$2.80	20	\$48.22
City of Grover Beach	\$6.75	\$2.28 to \$2.76	20	\$53.39
City of Pismo Beach (a) (e)	\$15.95	\$2.30 to \$2.99	20	\$71.61
Oceano CSD (a) (c)	\$11.97	\$3.39 to \$4.09	20	\$74.85
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	20	\$111.50
City of Morro Bay (d)	\$16.43	\$5.56 to \$13.68	20	\$115.08
Cambria CSD (a) (c)	\$11.91	\$6.05 to \$7.86	20	\$118.29
<b>Agency Average</b>				<b>\$70.82</b>
	<u><b>Residential Only</b></u>			
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>20</b>	<b>\$44.40</b>
<b>City of Paso Robles - Proposed Year 1 Rates as of Jan 19, 2010</b>	<b>\$10.00</b>	<b>Tiers</b>	<b>20</b>	<b>\$46.00</b>

Source Documentation:

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

- (a) Bi-monthly bills. Fixed meter charge shown is a charge per month.
- (b) Monthly fixed charge includes 2,000 gallons (2.67 HCF); Quantity rates shown are per HCF.
- (c) Fixed charge includes 6 HCF per billing period.
- (d) Fixed charge includes 3 HCF per billing period.
- (e) Rates for 2011 are available and shown here.
- (f) Drought rates shown (effective 6/15/2009).
- (g) Rates and calculated monthly bill include a 5% utility user tax.

**COMPARISON OF MONTHLY WATER BILLS**  
**COMMERCIAL EXAMPLE, 5/8 & 3/4 Inch Meter Size**

Community	Monthly Meter Fixed Rate	Water Usage/ Quantity Rate	Water Usage (HCF)	Calculated Monthly Bill
Templeton CSD (d)	\$12.19	\$1.17 to \$2.62	20	\$32.08
City of Arroyo Grande (a) (e)	\$5.45	\$1.98	20	\$45.05
Atascadero Mutual Water Co. (b) (f)	\$15.00	\$1.60 to \$6.00	20	\$46.13
City of Grover Beach	\$6.75	\$2.41	20	\$54.95
Nipomo CSD (a)	\$15.42	\$2.06	20	\$56.62
City of Pismo Beach (a) (e)	\$15.95	\$2.55	20	\$66.95
Oceano CSD (a) (c)	\$18.28	\$3.39 to \$4.09	20	\$81.16
City of Morro Bay (d)	\$16.43	\$5.65 to \$13.10	20	\$115.08
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	20	\$117.08
Cambria CSD (a) (c)	\$27.59	\$6.69 to \$9.02	20	\$144.92
<b>Agency Average</b>				<b>\$76.00</b>
	<u>Commercial</u>			
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>20</b>	<b>\$44.40</b>
<b>City of Paso Robles - Proposed Year 1 Rates as of Jan 19, 2010</b>	<b>\$20.00</b>	<b>Tiers</b>	<b>20</b>	<b>\$58.00</b>

Source Documentation:

- (a) Bi-monthly bills. Fixed meter charge shown is a charge per month.
- (b) Monthly fixed charge includes 2,000 gallons (2.67 HCF); Quantity rates shown are per HCF.
- (c) Fixed charge includes 6 HCF per billing period.
- (d) Fixed charge includes 3 HCF per billing period.
- (e) Rates for 2011 are available and shown here.
- (f) Drought rates shown (effective 6/15/2009).
- (g) Rates and calculated monthly bill include a 5% utility user tax.

**COMPARISON OF MONTHLY WATER BILLS  
COMMERCIAL EXAMPLE, 1 Inch Meter Size**

<b>Community</b>	<b>Monthly Meter Fixed Rate</b>	<b>Water Usage/ Quantity Rate</b>	<b>Water Usage (HCF)</b>	<b>Calculated Monthly Bill</b>
Templeton CSD (d)	\$19.71	\$1.17 to \$2.62	60	\$110.40
City of Arroyo Grande (a) (e)	\$6.50	\$1.98	60	\$125.30
Nipomo CSD (a)	\$15.42	\$2.06	60	\$139.02
City of Grover Beach	\$6.75	\$2.41	60	\$151.35
City of Pismo Beach (a) (e)	\$31.93	\$2.55	60	\$184.93
Atascadero Mutual Water Co. (b) (f)	\$19.00	\$1.60 to \$6.00	60	\$189.36
Oceano CSD (a) (c)	\$29.20	\$3.39 to \$4.09	60	\$255.68
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	60	\$363.62
City of Morro Bay (d)	\$16.43	\$5.65 to \$13.10	60	\$409.18
Cambria CSD (a) (c)	\$27.59	\$6.69 to \$9.02	60	\$483.77
<b>Agency Average</b>				<b>\$241.26</b>
	<b>Commercial</b>			
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>60</b>	<b>\$97.20</b>
<b>City of Paso Robles - Proposed Year 1 Rates as of Jan 19, 2010</b>	<b>\$30.00</b>	<b>Tiers</b>	<b>60</b>	<b>\$159.00</b>

Source Documentation:

- (a) Bi-monthly bills. Fixed meter charge shown is a charge per month.
- (b) Monthly fixed charge includes 2,000 gallons (2.67 HCF); Quantity rates shown are per HCF.
- (c) Fixed charge includes 6 HCF per billing period.
- (d) Fixed charge includes 3 HCF per billing period.
- (e) Rates for 2011 are available and shown here.
- (f) Drought rates shown (effective 6/15/2009).
- (g) Rates and calculated monthly bill include a 5% utility user tax.

## Exhibit E

### Uniform Pricing Option

In contrast to the proposed rate structure (fixed monthly service charged plus tiered usage charge), the option of implementing a uniform, “all commodity” rate structure was examined. Under this approach, there would be no fixed monthly service charge. Customers would be billed at a set price per unit of water used and that price would hold constant regardless of how much water was used. Residential and commercial customers would all pay the same rates.

The uniform, all commodity rate required would be:

<b>Uniform, All Commodity Rate Option</b>					
Effective Date <sup>1</sup> ==>	Year 1 1/1/2011	Year 2 1/1/2012	Year 3 1/1/2013	Year 4 1/1/2014	Year 5 1/1/2015
<b><u>ALL CUSTOMERS</u></b>					
Fixed Meter Charge	-- no fixed charge with this option --				
Charge per hcf	\$2.50	\$3.20	\$3.70	\$4.10	\$4.40

<sup>1</sup> Effective date based on Council adoption during 2010  
hcf = hundred cubic feet; 1 hcf = 748 gallons

Here is how sample water bills would compare under this approach:

	<u>CURRENT</u>	Proposed Rate Structure		Uniform, All Commodity Option	
		Year 1	Year 5	Year 1	Year 5
<b><u>SINGLE FAMILY RESIDENTIAL (3/4 inch meter)</u></b>					
9-Units	\$ 29.88	\$ 25.10	\$ 41.75	\$ 22.50	\$ 39.60
13-Units	\$ 35.16	\$ 32.70	\$ 57.75	\$ 32.50	\$ 57.20
20 Units	\$ 44.40	\$ 46.00	\$ 85.75	\$ 50.00	\$ 88.00
<b><u>COMMERCIAL</u></b>					
20-Unit (3/4-inch meter)	\$ 44.40	\$ 58.00	\$ 100.00	\$ 50.00	\$ 88.00
60-Units (1-inch meter)	\$ 97.20	\$ 159.00	\$ 300.00	\$ 150.00	\$ 264.00

Here is the financial forecast associated with a uniform rate approach:

**EXHIBIT E  
UNIFORM PRICING OPTION**

Description	Est Actuals		Projected			
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<b>Revenues</b>						
Fixed Monthly Service Charges	\$2,213,800	\$1,108,900	\$0	\$0	\$0	\$0
Consumption Charges	\$3,938,300	\$5,593,600	\$8,208,000	\$9,825,600	\$11,061,300	\$12,044,600
<b>Total Operating Revenues</b>	<b>\$6,153,100</b>	<b>\$6,702,500</b>	<b>\$8,208,000</b>	<b>\$9,825,600</b>	<b>\$11,061,300</b>	<b>\$12,044,600</b>
<b>Operating Expenses</b>						
Utility Billing and Administration (Div 127)	\$563,100	\$605,200	\$604,400	\$622,600	\$641,200	\$660,300
Water Production and Distribution (Div 165)	\$4,145,700	\$4,043,900	\$4,039,200	\$4,160,700	\$3,630,900	\$3,739,900
Water Treatment Operations (Div 265)	\$34,200	\$100,000	\$150,000	\$667,900	\$1,799,300	\$1,861,900
Regional Nacl O&M Cost Share	\$0	\$0	\$0	\$325,000	\$650,000	\$1,300,000
Existing Naclminto Pipeline Debt Service	\$0	\$1,600,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000
Depreciation Expense				\$750,000	\$750,000	\$1,500,000
<b>Total Operating Expenses</b>	<b>\$4,743,000</b>	<b>\$6,349,100</b>	<b>\$8,993,600</b>	<b>\$9,976,200</b>	<b>\$11,660,400</b>	<b>\$13,262,100</b>
<b>Net Operating Revenue</b>	<b>\$1,410,100</b>	<b>\$353,400</b>	<b>(\$785,600)</b>	<b>(\$150,600)</b>	<b>(\$599,100)</b>	<b>(\$1,217,500)</b>
<b>Non-Operating Revenue (Expense)</b>						
Interest Revenue	\$665,900	\$687,400	\$683,700	\$637,200	\$61,000	\$70,400
Water Connection Fee Revenues	\$120,000	\$371,800	\$887,500	\$1,546,500	\$2,350,000	\$3,525,000
New Debt Service			\$0	\$0	\$0	(\$281,000)
<b>Total Non-Op Revenues/Expenses</b>	<b>\$785,900</b>	<b>\$1,059,200</b>	<b>\$1,471,200</b>	<b>\$2,083,700</b>	<b>\$2,411,000</b>	<b>\$3,314,400</b>
<b>Net Income Before Capital Activity</b>	<b>\$2,196,000</b>	<b>\$1,412,600</b>	<b>\$685,600</b>	<b>\$1,933,100</b>	<b>\$1,811,900</b>	<b>\$2,096,900</b>
<b>Capital Expenditures</b>	<b>\$1,480,000</b>	<b>\$4,871,000</b>	<b>\$5,278,000</b>	<b>\$17,807,000</b>	<b>\$1,497,000</b>	<b>\$341,000</b>
<b>Capital Financing</b>						
Proposed Debt Issuance		\$0	\$4,000,000	\$0	\$0	\$0
<b>Net Change in Funds Avail. After Capital Activity</b>	<b>\$716,000</b>	<b>(\$3,458,400)</b>	<b>(\$1,549,400)</b>	<b>(\$15,873,900)</b>	<b>\$314,900</b>	<b>\$1,755,900</b>
<b>Beginning Cash Balance</b>	<b>\$22,197,900</b>	<b>\$22,913,900</b>	<b>\$19,455,500</b>	<b>\$17,906,100</b>	<b>\$2,032,200</b>	<b>\$2,347,100</b>
<b>Ending Cash Balance</b>	<b>\$22,913,900</b>	<b>\$19,455,500</b>	<b>\$17,906,100</b>	<b>\$2,032,200</b>	<b>\$2,347,100</b>	<b>\$4,103,000</b>
<b>Debt Svs Coverage Ratio (Excludes Connection Fee Revenues)</b>		na	na	na	na	1.26

Description	Proposed Rates and Projected Changes in Accounts and Water Usage					
Proposed Base Level Fixed Rate (\$/Account/Month) (12/09)	\$18.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Proposed Average Usage Unit Rate (\$/HCF) (12/09)	\$1.32	\$2.50	\$3.20	\$3.70	\$4.10	\$4.40
Connection Fee (1/09)	\$12,000	\$14,870	\$17,750	\$20,620	\$23,500	\$23,500
<b>Growth Based Changes in Accounts/Damands</b>						
Increase in Number of Accounts /Year	8	19	39	58	78	117
Increase in Number of Equivalent Mtrs/Yr (9,163 total)	10	25	50	75	100	150

Notes: Assumes the fixed charge is eliminated in January 2011 and a uniform water usage rate structure is adopted.

## Exhibit F Tax Revenue Option

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A special tax may be used for debt service payment and water infrastructure costs. However, it requires compliance with the provisions of Proposition 218, which requires approval by two-thirds of the votes cast by the electorate. The Council would have to adopt an ordinance or resolution, after a noticed public hearing, that describes the type of tax, its rate, the method of collection, the date upon which the election on the tax will be held, and the purpose for which the special tax will be used. The proposed tax rate could state a range of rates or amounts, and may provide for inflationary adjustments.

### **Basis of Tax-Based Funding Program**

- May cover only debt and capital costs (\$6.5 Million per year)
- Taxes would be based on assessed valuation of property, not water usage
- Taxes would be assessed on property tax bills
- Unit Rate is estimated at 0.19% (or \$.0019) per \$100,000 of assessed value

### **Estimated Property Owner Impact**

<u>Assessed Value</u>	<u>Annual Assessment</u>	<u>Monthly Equivalent</u>
\$200,000	\$371.43	\$30.95
\$300,000	\$557.14	\$46.43
\$400,000	\$742.86	\$61.90

### **Summary of Findings**

- Could serve as an alternative funding mechanism for capital costs only
- To cover underfunded operating costs, variable usage rates on water bill would need to increase from \$1.60 to \$2.50 in year 5
- Tax rate is set based on property value not water usage
- Special tax revenues would be collected with semi-annual property taxes
- Special tax requires 2/3rds voter approval

\* \* \*



RESOLUTION NO. 10-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
PROPOSING WATER USER RATES AND AUTHORIZING INITIATION OF THE  
PROPOSITION 218 PROCEDURES

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WHEREAS, improvements to the City water system are needed, primarily to supplement the limited ground water supply, improve the quality, and increase the reliability, and also to provide adequate distribution, staffing, and water storage capacity; and

WHEREAS, in August 2004, the Council entered into a delivery entitlement contract, securing 4,000 acre-feet per year of Nacimiento water; and

WHEREAS, on January 15, 2008, Council directed that a study of water rates and water connection fees be prepared in light of both the Nacimiento project and other planned water system improvements; and

WHEREAS, on January 20, 2009, Council adopted water rates and such adoption was subsequently subject to a challenge by referendum petition; and

WHEREAS, a special election was held on November 3, 2009 known as “Measure A09” and voters rejected such measure, thereby leaving the current water rates in effect; and

WHEREAS, the revenues generated by the existing water rates are inadequate to sustain safe, reliable and high quality water system operations and water production in compliance with State Department of Public Health, local fire code, and other requirements; and

WHEREAS, the City wishes to ensure the ability to produce water to meet peak demands, extend water reliability and improve water quality; and

WHEREAS, an alternative fixed-and-variable, tiered rate structure in which users pay a set monthly fee plus usage rates that incline with higher usage blocks will provide the necessary funding to provide a reliable, well-maintained, infrastructure system and reliable water resource to serve the needs of its existing and future customers.

THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. The City Council of the City of El Paso de Robles does hereby propose a fixed-and-variable, tiered rate structure for the purpose of providing a reliable, well-maintained, infrastructure system and reliable water resource.

SECTION 2. That the City Council hereby authorizes City staff to initiate the necessary Proposition 218 ballot process associated with the potential adoption of the proposed rate structure.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 19th day of January 2010 by the following votes:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

---

Duane Picanco, Mayor

ATTEST:

---

Lonnie Dolan, 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 2010 Water Rate and Revenue Analysis Final Report**

January 11, 2010

Prepared for

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

K/J Project No. 0883005\_10

# Kennedy/Jenks Consultants

**Engineers & Scientists**

2355 Main Street, Suite 140

Irvine, California 92614

949-261-1577

949-261-2134 (Fax)

11 January 2010

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

Subject: Final Report – 2010 Water Rate and Revenue Analysis  
K/J 0883005\_10

Dear Mr. Monn:

Kennedy/Jenks Consultants is pleased to submit the Final Report of the 2010 Water Rate and Revenue Analysis 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.

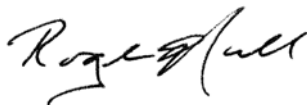
This study is a compilation of the analysis and findings of the City’s water fund and incorporates the City’s comments and direction obtained from previous work products. Most notably, this report integrates the current approach for the construction of a 4 MGD water treatment plant and associated facilities and integrates the need for a new \$6 Million debt issuance in FY 11-12 to supplement available funds. 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.

Another important element of the 2010 Water Rate and Revenue Analysis is the development of conservation focused tiered rates. The proposed water rates and rate structure are intended to encourage water conservation in support of the City’s current imbalance in water supply and demands and meet the projected financial shortfall in revenues in the next five years.

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

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Appendix A - Miscellaneous Supporting Information

## **Section 1: Introduction**

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### **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 has been working on an implementation strategy that will meet the short and long-term financial obligations of the City's utility and provide for local program ratemaking objectives.

This water rate and revenue analysis is an update to a previous study performed by Kennedy/Jenks Consultants in September 2008. Many of the key issues, objectives, and conclusions identified in that study remain in place today, although the water utility's financial condition has worsened from delays in the approval of increased water rates.

Consistent with the 2008 study, the primary factors facing the City's water utility are:

- The need to increase the City's ability to provide treated water to its existing customers; current demands exceed available water supply.
- The need to fully implement the financial and operational requirements of the new Nacimiento water supply. Based on current supply and demand conditions, a new 4 MGD water treatment plant is proposed to treat the City's current Nacimiento water supply entitlement. The City's financial obligation associated with the new regional supply pipeline is scheduled to begin in FY 10-11.
- The need to develop updated rates to fund the projected enterprise financial requirements and develop an appropriate rate structure to support various water conservation and cost recovery requirements.

## **Section 2: Historical and Current Conditions**

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### **2.1 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) for the last two years. The CAFR for Fiscal Year (FY) 08-09 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 two year period, this parameter has ranged from a negative 7% in FY 07-08 to a negative 38% in FY 08-09. This parameter reflects the fact that 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 also an important element of a financial assessment. While the City's water fund has generally experienced a drawdown over the last several years, the FY 08-09 CAFR indicates the fund has approximately \$22.5 million in cash and cash equivalents. It is for this reason that the water fund has maintained its recent financial stability.

In consideration of these factors, as well as the integration of looming debt costs of over \$4.2 million per year, additional revenues from water rates are warranted 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.

### **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. As to be expected with the current economy, there has been little change in account activity (i.e. growth) since the 2008 study. Accordingly, the water utility remains to be predominantly base-level residential customers with 5/8" and 3/4" meters.

**TABLE 1**  
**HISTORICAL OPERATING REVENUES AND EXPENSES**

<b>Sources and Uses of Funds</b>	<b>FY 07-08</b>	<b>FY 08-09</b>
<b>Operating Revenues</b>		
Charges for Service	\$4,215,236	\$3,957,618
Other	11,645	27,787
Total Operating Revenues	4,226,881	3,985,405
<b>Operating Expenses</b>		
Maintenance, Operations, & Administration	3,515,058	4,535,373
Depreciation and Amortization	884,228	947,305
Total Operating Expenses	4,399,286	5,482,678
<b>Net Operating Income (Loss)</b>	<b>(172,405)</b>	<b>(1,497,273)</b>
Net Op Rev as % of Total Op Rev	-4%	-38%
<b>Non-Operating Revenue (Expense)</b>		
Interest Revenue	925,180	787,756
Water Connection Fees	271,221	na
Nacimiento Water Fees	1,856,561	2,636,535
Total Non-Op Revenues (Exp.)	3,052,962	3,424,291
<b>Net Income (Loss) Before Capital/Other Costs</b>	<b>2,880,557</b>	<b>1,927,018</b>

Source: City of Paso Robles, CAFRs



The primary difference in account and demand activity from previous years is the City's need to implement mandatory water conservation in April 2009. This conservation was essential to address the imbalance in the City's peak summer time demands and available water supply to avoid potential water shortages. Through these efforts, the City's water usage from May through August 2009 was approximately 20% less than historical levels for these periods.

Table 2 summarizes the City's water demands by customer class for FY 08-09. A copy of the City's most recent annual report to the DWR for CY 2008 is provided in Appendix A for additional information. Note that the DWR report's monthly/annual usage values are in million gallons.

**TABLE 2  
CURRENT ACCOUNTS AND WATER CONSUMPTION**

<b>Customer Class</b>	<b>Accounts</b>	<b>FY 08-09 Usage (Hcf)</b>
Single Family Residential	8,722	1,854,540
Multi-Family Residential	400	292,518
Commercial / Institutional	688	468,279
Industrial	71	62,293
Landscape Irrigation	347	396,191
Other	59	115,558
<b>TOTAL</b>	<b>10,287</b>	<b>3,189,378</b>

Source: City Water Department. CY 2009 DWR Report.  
Hcf = hundred cubic feet = 748 gallons/hcf

## **Section 3: Future Revenue Requirements**

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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 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 for the next five years are provided below.

- FY 2010-11            25 Equivalent Meters<sup>1</sup>
- FY 2011-12            50 Equivalent Meters
- FY 2012-13            75 Equivalent Meters
- FY 2013-14            100 Equivalent Meters
- FY 2014-15            150 Equivalent Meters

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. As indicated previously, the City has implemented water conservation programs to improve the City's water supply/demand imbalance and to meet several new and upcoming water conservation related regulations. Some of the primary changes include the adoption of a new water efficient landscape ordinance in December 2009 to respond to the requirements of AB 1881 and the implementation of various demand management measures to reduce water usage 20% by 2020 in accordance with the City's Urban Water Management Plan and AB 49. Conservation based pricing through tiered water rates is one of the Paso Robles Urban Water Management Plan and the California Urban Water Conservation Council's (CUWCC) Best Management Practices to be used to meet these new regulatory requirements for water conservation.

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<sup>1</sup> An equivalent meter is used to account for the typical demands associated with larger meters. A single family residence = 1 equivalent meter. A commercial project would equate to more than one equivalent meter.

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/rates and other conservation programs, 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 have historically been accounted for 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 Division is responsible for the operation, maintenance, and management of the water system. To account for the labor and operational costs of the new water treatment plant, a new Water Treatment Operation Division has been established. The current estimated actual and projected water utility costs for these Divisions are shown in Table 3.

As shown, water fund operating costs are projected to increase considerably over the next five years to meet drinking water regulations, pay increasing power bills, and to integrate the new Nacimiento 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 to meet current and projected needs.

It is important to note that in addition to the inclusion of new water supply costs, Table 3 also includes the funding of depreciation in the latter years of the five year period. Based on the City's chart of accounts, the City's estimated annual depreciation of its water utility assets is approximately \$1.7 Million. This expense is included in the revenue requirements of the water fund beginning in FY 13-14.

### **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 several 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 current water system CIP is separated into four basic categories. These are: Nacimiento Water Project Improvements, Well Improvements, Tank/Booster Station/Metering Project Improvements, and Pipeline Improvements. Consistent with the 2008 Rate Study, to minimize ratepayer impact as much as possible the water system capital improvement program is based on a 16 year plan, rather than 10 years.

**TABLE 3  
CURRENT ESTIMATED ACTUAL AND PROJECTED WATER O&M EXPENSES**

Description	Est Actuals					Projected				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15				
<b>Utility Billing and Cashiering</b>										
<u>Dept. No. 140 - Division No. 127</u>										
Department Salaries and Benefits	\$498,800	\$551,200	\$562,400	\$574,400	\$591,600	\$609,300				
Maintenance & Operations	\$592,500	\$618,900	\$621,800	\$630,500	\$649,400	\$668,900				
Misc. Capital Outlay (4-Year Average for FY 13-14)	\$14,100	\$8,000	\$4,600	\$14,100	\$14,500	\$14,900				
New - Additional Transfer to Wastewater (a)	(\$200,000)	(\$206,000)	(\$212,200)	(\$218,600)	(\$225,200)	(\$232,000)				
Charges to Other Departments (a)	(\$342,300)	(\$366,900)	(\$372,200)	(\$377,800)	(\$389,100)	(\$400,800)				
<b>Subtotal - Utility Billing and Cashiering</b>	\$563,100	\$605,200	\$604,400	\$622,600	\$641,200	\$660,300				
<b>Water Production and Distribution</b>										
<u>Dept. No. 310 - Division No. 165</u>										
Department Salaries and Benefits	\$1,377,800	\$1,314,700	\$1,397,000	\$1,438,900	\$1,482,000	\$1,526,500				
Maintenance & Operations	\$2,127,000	\$2,614,400	\$2,618,400	\$2,677,900	\$2,098,900	\$2,161,900				
Misc. Capital Outlay (4-Year Average for FY 13-14)	\$640,900	\$114,800	\$23,800	\$43,900	\$50,000	\$51,500				
<b>Subtotal - Water Production and Distribution</b>	\$4,145,700	\$4,043,900	\$4,039,200	\$4,160,700	\$3,630,900	\$3,739,900				
<b>Water Production and Distribution - Div 165 Naci Program Costs</b>										
Naci Regional O&M	\$0	\$0	\$0	\$325,000	\$650,000	\$1,300,000				
Naci Debt Service	\$0	\$1,600,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000				
<b>Subtotal - Naci Program Costs</b>	\$0	\$1,600,000	\$4,200,000	\$4,525,000	\$4,850,000	\$5,500,000				
<b>Subtotal - All Water Production/Dis. Div 165 Costs</b>	\$4,145,700	\$5,643,900	\$8,239,200	\$8,685,700	\$8,480,900	\$9,239,900				
<b>Water Treatment Operations</b>										
<u>Dept. No. 310 - Division No. 265</u>										
Department Salaries and Benefits	\$0	\$0	\$0	\$300,400	\$397,800	\$409,700				
Maintenance & Operations	\$34,200	\$100,000	\$150,000	\$317,500	\$1,340,500	\$1,400,700				
Misc. Capital Outlay	\$0	\$0	\$0	\$50,000	\$50,000	\$51,500				
<b>Subtotal - Water Production and Distribution</b>	\$34,200	\$100,000	\$150,000	\$667,900	\$1,788,300	\$1,861,900				
<b>Depreciation Funding (b)</b>	\$0	\$0	\$0	\$0	\$750,000	\$1,500,000				
<b>Total Budgeted and Projected O&amp;M Expenses</b>	<b>\$4,743,000</b>	<b>\$6,349,100</b>	<b>\$8,993,600</b>	<b>\$9,976,200</b>	<b>\$11,660,400</b>	<b>\$13,262,100</b>				

Source: City of Paso Robles Finance Department budget data, T. J. Cross, & Kennedy Jenks. Subtotals are rounded.  
 Note: General inflation values for labor, material, & supplies used herein is = to 3%  
 (a) Charged to Wastewater Division, Fund 601, per Finance staff. Additional charges programmed for transfer based on proportion of utility labor costs.  
 (b) Depreciation is included herein based on projected funding availability, as derived and reflected in Table 5.

A summary of the five year plan for these primary project categories is provided in Table 4. A comprehensive listing of the specific projects included in the City's 16-year water system CIP is provided in Appendix A.

As previously discussed, a cornerstone element of the capital improvement program is the integration of needed water treatment facilities to utilize the new Nacimiento surface water supply. Given the current water supply/demand conditions, one important distinction in the latest CIP is the decision to construct a new 4 MGD water treatment facility with the financial assistance of some debt financing rather than attempting to construct a smaller, modular plant under a pay-as-you-go approach. This approach is recommended for the following reasons:

- The 2 MGD Program – Considered in 2008, this smaller, modular approach to treatment just didn't provide enough supply. It also placed little emphasis on taste and odor control/water quality consistency, provided little to no production reserves to mitigate peak season demands, supply disruptions, or declines in groundwater production,
- The 4 MGD Program – This approach meets demand and allows citizens to take full advantage of the 4,000 AFY Nacimiento entitlements. It also is more reliable, provides more consistent water quality throughout the City, and better fulfills the goals outlined in the City's Adaptive Integrated Water Resource Plan (AIWRP).
- Financial Comparison – By borrowing \$6 million, the annualized costs associated with the 4 MGD Program are comparable to the 2 MGD Program. In other words, the City may construct the larger plant at about the same cost as the smaller, modular plant.

In consideration of these factors, the 4 MGD Program has been recommended and integrated herein in the financial pro forma of the City's water fund.

### **3.4 Projected Revenue Requirements Using Proposed Rates**

To assess the financial implications of the water fund programs and costs, an annualized revenue plan has been prepared. This plan is developed by integrating waters system operating and capital costs with projected growth and water criteria (Section 3.1).

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 the proposed average rates needed to fund the water system costs is shown in Table 5.

**TABLE 4  
PROPOSED CAPITAL IMPROVEMENT & DEBT FINANCING PROGRAM**

Description	PROJECTED				
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<b><u>Water System Capital Improvement Program (a)</u></b>					
Nacimiento/Water Treatment Plant	\$3,588,000	\$4,975,000	\$16,817,000	\$0	\$0
Well Improvements	\$1,044,000	\$216,000	\$225,000	\$1,404,000	\$243,000
Tank, Booster Station and Metering Projects	\$187,000	\$32,000	\$34,000	\$35,000	\$36,000
Pipeline Improvements	\$52,000	\$54,000	\$731,000	\$58,000	\$61,000
<b>Total Water Fund CIP</b>	<b>\$4,871,000</b>	<b>\$5,277,000</b>	<b>\$17,807,000</b>	<b>\$1,497,000</b>	<b>\$340,000</b>
<b><u>Water System Debt Financing Program</u></b>					
New Debt Issuances	\$0	\$6,000,000	\$0	\$0	\$0
New Annual Debt Service (b)	\$0	\$0	\$0	\$0	(\$421,000)

(a) CIP Source: City of Paso Robles/TJ Cross, December 2009.

(b) When applicable, new debt issuances are based on 30 years @ 5.5% per City staff. Nacimiento pipeline cost is include in O&M.

**TABLE 5  
PROJECTED REVENUE PLAN USING PROPOSED RATES**

Description	Projected					
	Est Actuals FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
<b>Revenues</b>						
Fixed Monthly Service Charges	\$2,213,800	\$2,010,700	\$1,810,300	\$1,820,500	\$1,834,200	\$1,854,700
Consumption Charges	\$3,939,300	\$4,761,000	\$6,272,000	\$7,604,800	\$9,127,500	\$10,521,700
<b>Total Operating Revenues</b>	\$6,153,100	\$6,771,700	\$8,082,300	\$9,425,300	\$10,961,700	\$12,376,400
<b>Operating Expenses</b>						
Utility Billing and Administration (Div 127)	\$563,100	\$605,200	\$604,400	\$622,600	\$641,200	\$660,300
Water Production and Distribution (Div 165)	\$4,145,700	\$4,043,900	\$4,039,200	\$4,160,700	\$3,630,900	\$3,739,900
Water Treatment Operations (Div 265)	\$34,200	\$100,000	\$150,000	\$667,900	\$1,788,300	\$1,861,900
Regional Naci O&M Cost Share	\$0	\$0	\$0	\$325,000	\$650,000	\$1,300,000
Existing Nacimiento Pipeline Debt Service	\$0	\$1,600,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000
Depreciation Expense					\$750,000	\$1,500,000
<b>Total Operating Expenses</b>	\$4,743,000	\$6,349,100	\$8,993,600	\$9,976,200	\$11,660,400	\$13,262,100
<b>Net Operating Revenue</b>	\$1,410,100	\$422,600	(\$911,300)	(\$550,900)	(\$698,700)	(\$885,700)
<b>Non-Operating Revenue (Expense)</b>						
Interest Revenue	\$665,900	\$687,400	\$585,700	\$581,200	\$94,300	\$101,800
Water Connection Fee Revenues	\$120,000	\$371,800	\$887,500	\$1,546,500	\$2,350,000	\$3,525,000
New Debt Service				\$0	\$0	(\$421,000)
<b>Total Non-Op Revenues/Expenses</b>	\$785,900	\$1,059,200	\$1,473,200	\$2,127,700	\$2,444,300	\$3,205,800
<b>Net Income Before Capital Activity</b>	\$2,196,000	\$1,481,800	\$561,900	\$1,576,800	\$1,745,600	\$2,320,100
<b>Capital Expenditures</b>	\$1,480,000	\$4,871,000	\$5,277,000	\$17,807,000	\$1,497,000	\$340,000
<b>Capital Financing</b>						
Proposed Debt Issuance		\$0	\$6,000,000	\$0	\$0	\$0
<b>Net Change in Funds Avail. After Capital Activity</b>	\$716,000	(\$3,389,200)	(\$151,100)	(\$16,230,200)	\$248,600	\$1,980,100
<b>Beginning Cash Balance</b>	\$22,197,900	\$22,913,900	\$19,524,700	\$19,373,600	\$3,143,400	\$3,392,000
<b>Ending Cash Balance</b>	\$22,913,900	\$19,524,700	\$19,373,600	\$3,143,400	\$3,392,000	\$5,372,100
<b>Debt Sys Coverage Ratio (Excludes Connection Fee Revenues)</b>		na	na	na	na	1.70
<b>Description</b>	<b>Proposed Average Rates and Changes in Accounts</b>					
Average Fixed Rate (\$/Account/Month) (1/10) (a)	\$18.00	\$14.64	\$14.64	\$14.64	\$14.64	\$14.64
Proposed Average Usage Unit Rate (\$/HCF) (1/10) (b)	\$1.32	\$1.80	\$2.20	\$2.70	\$3.20	\$3.60
Connection Fee (3/09)	\$12,000	\$14,870	\$17,750	\$20,620	\$23,500	\$23,500
<b>Growth Based Changes in Accounts/Demands (C)</b>						
Increase in Number of Accounts /Year	8	19	39	58	78	117
Increase in Number of Equivalent Mtrs/Yr	10	25	50	75	100	150

Notes: O&M costs per Table 3; Capital expenditures/debt financing plan per Table 4. All costs and revenues have been rounded.  
(a) Proposed fixed rates are shown in Table 7; value shown herein is the revenues generated by the proposed fixed rates divided by the number of accounts.  
(b) Proposed usage rates are shown in Table 8; value shown herein is used to calculate usage-based revenues, without consideration for elasticity based conservation.

Consistent with prior rate study alternatives, the revenue plan integrates the use of existing funds to meet short term financial obligations. The plan also proposes to borrow an additional \$6 million to supplement these funds to construct the proposed water treatment plant improvements. Annual rate increases are proposed to raise rate-based revenues to the level to sustain the water utility's financial performance and meet new debt coverage covenant requirements. Fund balance is projected to drop to approximately \$3 million in years three and four of the five year plan. While these values are slightly below target reserve levels, they are believed to be adequate during this period of rate transition.

It should be noted that in addition to the increase in rates needed to fund the existing customers' share of system costs, the financial plan also integrates growth's share of system costs; most notably 50% of the Nacimiento pipeline and new water treatment plant costs. In recognition of growth's cost obligations, in March 2009, the City adopted new water system capacity charges (often referred to as connection fees). These fees more than doubled the costs for a new water system connection from approximately \$9,100 for a base 5/8 inch meter to \$23,500. Similar to the proposed rate increases, these charges are also phased in over time and are shown in the bottom of Table 5.

A few cautionary notes are warranted regarding the use and development of the financial planning findings. Since the magnitude of anticipated increases may vary based on unforeseen change in costs, demand conditions, or reserve requirements, additional review of 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.

Finally, it should be noted that the fixed and usage based rates reflected on Table 5 are calculated values and are not intended to reflect the proposed rates. In particular, since tiered rates are proposed, the conservation estimates based on account-level demands and price elasticity criteria are derived in a separate account level demand forecasting model. As such, the average unit rates per unit of water shown in Table 5 are used to establish average usage based revenue, and does not include any reduction in water sales associated with pricing. By design, these projected reductions are offset through the changes in block pricing of tiered rates. Accordingly, the average usage rates provided in Table 5 should not be used as a value for a sufficient uniform rate, should the City decide to not adopt tiered rates.

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 the public benefited from a low cost water supply and purposefully minimized capital and operational expenditures. Upon completing various comprehensive water studies, the City embarked on a proactive program aimed at long-term reliability and sustained quality of the City's water system.

Given this aim, water rate increases went into effect to fund capital projects 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 went last adjusted on July 1, 2008 with an inflationary increase to the usage charge. The current water rate consists of the following fixed and usage based rate elements.

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, regardless of the customer category or meter size.

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. This usage-based rate element supports a basic pay-for-use ratemaking philosophy. The City's current water usage rate is \$1.32 per one hundred (100) cubic feet (HCF)<sup>2</sup>. The characteristics of the present rate structure are provided in Table 6.

**TABLE 6  
CURRENT WATER RATES**

<b>Meter Size (Inches)</b>	<b>Monthly Service Charges (\$)</b>
<b>Monthly Charges (Fixed Nacimiento Charges)</b>	
All Meter Sizes	\$18
<b>Usage Charges (\$/Hundred Cubic Feet - HCF)</b>	
\$1.32 per HCF for all water usage	

Source: City of Paso Robles; Rates effective 7/1/08.

<sup>2</sup> One hundred cubic feet = 748 gallons

## **Section 5: Proposed Water Rates**

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Proposed rates have been developed to meet the revenue and rate restructuring requirements of the City's water utility. As stated in Section 3, revenues now generated from water rates are approximately \$6.3 Million per year; however \$13 Million is needed annually to continue water system operations. Development of the proposed service and usage charges, derivation of associated typical monthly bills, and a comparison of water charges in other communities follow.

### **5.1 Development of Proposed Rates**

Water rates are proposed to support the financial health of the community's water system over the coming five years. Refer to Section 3 for future revenue requirements.

There is a wide range of pricing strategies that could be followed to generate the funds needed to meet the City's water fund obligations. Foremost among the rate and pricing strategies deemed important for the City's proposed rate structure is:

- Consideration of the amount of the fixed monthly service charge; and
- Price tiering to promote water conservation (often referred to as "inclining block rates").

From a financial standpoint, a fixed service charge ensures a predictable revenue stream, while linking customer bills to tiered pricing more strongly promotes conservation and enables low-use customers to keep water bills relatively low. These financial implications were assessed during the development of the proposed rate structure.

#### **5.1.1 Development of Proposed Fixed Monthly Service Charge**

Similar to most water utilities, the City's current rate structure includes fixed and variable rate components. These rates are designed to provide a fixed revenue source based on the City's approximately 10,000 active accounts and a variable revenue source based on the amount of water used by the community. Because water systems are both capital and labor intensive, these fixed costs constitute approximately 60% to 75% of a water system's expenses. Accordingly, fixed rates are an important component of a utility's water rates and are commonly used throughout the United States. As previously discussed, the City's current rates include an \$18 per account monthly charge to provide a stable source of revenue.

One principle in establishing the amount of the fixed charged is to set them at levels that will enable customers to better manage their water usage. This is particularly important for low-volume residential accounts, bearing in mind that approximately 85% of the City's customers are residential. Recovering a larger share of the required revenues from the water usage rate also further supports conservation and is consistent with the "pay for what you use" approach.

These considerations have been integrated herein by: 1) establishing different fixed charges for residential and non-residential customers and 2) increasing the fixed charge for larger meters in accordance with American Water Works (AWWA) meter service ratio criteria. In this way, the water fund can maintain a certain level of financial stability from these fixed charges. The

proposed fixed charges are shown in Table 7. These charges would remain constant over the five-year rate period.

**TABLE 7  
PROPOSED MONTHLY FIXED CHARGES**

Meter Size (Inches)	Single Family Svc. Charges	Non Residential Svc. Charges
5/8 & 3/4	\$10	\$20
1	\$15	\$30
1.5	\$20	\$40
2	\$30	\$60
3	\$110	\$220
4	\$110	\$220
6	\$110	\$220
8	\$110	\$220

Note: 95% of the residential and 50% of the non residential accounts are on 5/8 or 3/4-inch meters. Non-residential includes multi-family.

### **5.1.2 Development of Proposed Usage Charge**

Consistent with the revenue requirements shown in Table 5, usage charges were based on projected 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 and has been commonly used throughout California and the United States. However, more communities either have adopted or are considering tiered-rate structures to promote water conservation.

Based on community input, tiered water rates are being proposed for all water utility customers. This approach is consistent with State Best Management Practices and with Paso Robles’ adopted Urban Water Management Plan. Tiered pricing would also position the community for compliance with the requirements of new water conservation regulations AB 1881 and AB 49. The proposed usage charge water rates for the five-year rate period are shown in Table 8.

**TABLE 8**  
**PROPOSED WATER USAGE TIERED RATES**

<b>User Class</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>
<b><u>Residential</u></b>		<b><u>Usage Charge \$/HCF</u></b>			
0-5 HCF	\$1.50	\$1.90	\$2.35	\$2.85	\$3.15
5-30 HCF	\$1.90	\$2.40	\$3.00	\$3.60	\$4.00
30+ HCF	\$2.40	\$3.00	\$3.75	\$4.50	\$5.00
<b><u>Non-Residential</u></b>		<b><u>Usage Charge \$/HCF</u></b>			
0-30 HCF	\$1.90	\$2.40	\$3.00	\$3.60	\$4.00
30+ HCF	\$2.40	\$3.00	\$3.75	\$4.50	\$5.00

Note: Multi family (MF) accounts are included as Residential. The block volume and prices are allocated to each meter based on the number of dwelling units. MF landscaping/other metered uses are classified as non-res.

While a number of rate alternatives were evaluated for revenue adequacy, projected conservation, and customer impact, the proposed tiered rate structure is believed to align well with community input on this topic. Key features and benefits of the proposed structure are:

- The proposed tiers incentivize customers to conserve water; especially large water users. A differential of 25% between tiers is set to accomplish this.
- The block one tier of 5 HCF (the first 3,740 gallons) for residential accounts is set at a discounted rate and allows for sufficient water to provide for basic health requirements. The rate also provides some financial relief for low-volume users.
- The block two residential rate encompasses the average water usage for the vast majority of the City's single-family customers. Only 10% of residences use an average of more than 30 HCF (22,440 gallons) of water throughout the year. However, 40% of the single-family accounts use more than 30 HCF during the summer. The block three tier rate is intended to encourage reduced water consumption during this peak usage period.
- Tiering rates for nonresidential accounts fosters additional water conservation. Since water is not needed by these customers for basic health and sanitation purposes, the rate for the first 5 HCF is not discounted. The first tier usage rate applies up to 30 HCF, an amount sufficient to service the City's small nonresidential customers. For nonresidential customers on a base ¾ inch meter, 30 HCF/month is twice their average annual usage, and 20% greater than their average summer demands. Since these accounts represent approximately 50% of the City's nonresidential customers, the proposed rate structure will not significantly affect most of this customer class.

The rates outlined herein are intended to fund the essential water treatment plant and other capital needs to serve existing water customers, meet the water fund's debt service requirements, provide the necessary funds for ongoing system management and operation and return the water fund to a desired level of financial stability. The proposed rate structure also

supports the city's key goals of encouraging water conservation and is consistent with the "pay-for-what-you-use" philosophy. 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.

## 5.2 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.

**TABLE 9  
TYPICAL WATER BILLS**

Description	Current Bill	Typical Bill	
		(January each year)	
	<u>Current</u>	<u>Year 1</u>	<u>Year 5</u>
<b><u>Single Family (a)</u></b>			
9 Units (3/4 inch meter)	\$29.88	\$25.10	\$41.75
13 Units (3/4 inch meter)	\$35.16	\$32.70	\$57.75
20 Units (3/4 inch meter)	\$44.40	\$46.00	\$85.75
<b><u>Commercial (b)</u></b>			
20 Units (3/4 inch meter)	\$44.40	\$58.00	\$100.00
60 Units (1 inch meter)	\$97.20	\$159.00	\$300.00

**Notes:**

- (a) Where 9 units is the 1<sup>st</sup> quartile, 13 is the mean, and 20 the 75<sup>th</sup> percentile.
- (b) Where 20 units is the median/average and 60 is the 75<sup>th</sup> percentile.

As shown, the calculated typical bills for the small to medium sized single family customer are not materially affected under the proposed rates. In fact, in the low volume users is offered some rate relief in the first year. Consistent with the purpose and pricing strategy of tiered rates, the City's larger water users are expected to experience larger increases in their water bills as the proposed rate increases are implemented to recover the City's water system costs of service. Since the monthly service charge is not proposed to be increased along with the increasing tiered rates, some fluctuation in account level impact will continue among the City's large and small water users over the next several years.

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 this rate study.

### **5.3 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 20 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 with Year 1's estimated bill under the proposed rates only slightly greater and still in the low end of comparable agency charges. It is interesting to note that even with the increase proposed five years from now, a Single Family Resident customer using 20 HCF per month in the City will still pay \$25 to \$30 per month less than the upper range water purveyors in the County current rates. The proposed rates in that year are still less than a penny for a gallon 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.

### **5.4 Summary of Proposed Rates**

The proposed rates are intended to fund the essential water treatment plant and other capital improvements needed to serve existing water customers, meet the water fund's debt service requirements, provide the necessary funds for ongoing system management and operation and return the water fund to a desired level of financial stability. Since demand exceeds supply, the construction of the new water treatment facilities is an important element of the City's water reliability program. With current revenues of approximately \$6 million and costs in year five projected to exceed \$13 million, an increase in rates is essential. The proposed rates are designed to meet this revenue shortfall. The proposed rate structure is designed to encourage water conservation and is consistent with the "pay-for-what-you-use" philosophy.

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.

**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) (c)	\$11.91	\$6.05 to \$7.86	20	\$118.29
City of Morro Bay (d)	\$16.43	\$5.56 to \$13.68	20	\$115.08
City of San Luis Obispo (g)	\$0.00	\$4.92 to \$6.16	20	\$111.50
<b>City of Paso Robles - Proposed Year 5</b>	<b>\$10.00</b>	<b>Tiers</b>	<b>20</b>	<b>\$85.75</b>
Oceano CSD (a) (c)	\$11.97	\$3.39 to \$4.09	20	\$74.85
City of Pismo Beach (a) (e)	\$15.95	\$2.30 to \$2.99	20	\$71.61
City of Grover Beach	\$6.75	\$2.28 to \$2.76	20	\$53.39
Nipomo CSD (a)	\$15.42	\$1.64 to \$2.80	20	\$48.22
<b>City of Paso Robles - Proposed Year 1</b>	<b>\$10.00</b>	<b>Tiers</b>	<b>20</b>	<b>\$46.00</b>
City of Arroyo Grande (a) (e)	\$5.45	\$1.78 to \$2.71	20	\$44.89
<b>City of Paso Robles - Current</b>	<b>\$18.00</b>	<b>\$1.32</b>	<b>20</b>	<b>\$44.40</b>
Atascadero Mutual Water Co. (b) (f)	\$15.00	\$1.60 to \$6.00	20	\$38.32
Templeton CSD (d)	\$12.19	\$1.17 to \$2.62	20	\$32.08
<b>Agency Average</b>				<b>\$70.82</b>

Source Documentation:

Basis: 5/8 &/or 3/4-inch meter, 20 Hcf per month. Agency average excludes the City's rates

- (a) Bi-monthly bills. Fixed meter charge shown is a charge per month.
- (b) Monthly fixed charge includes 2,000 gallons (2.67 HCF); Quantity rates shown are per HCF.
- (c) Fixed charge includes 6 HCF per billing period.
- (d) Fixed charge includes 3 HCF per billing period.
- (e) Rates for 2011 are available and shown here.
- (f) Drought rates shown (effective 6/15/2009).
- (g) Rates and calculated monthly bill include a 5% utility user tax.

## **Appendix A**

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### **Miscellaneous Supporting Information**



City of Paso Robles  
 1230 Paso Robles St.  
 Paso Robles, Ca. 93446

**PWS# 4010007 SD**

**PUBLIC WATER SYSTEM STATISTICS**

Calendar Year 2008

**1. General Information**

Please follow the provided instructions.

Contact :	Kelly Dunham
Title:	Water MS III
Phone:	805-237-3866
Fax:	805-237-6596
E-mail:	kdunham@prcity.com
Website:	www.prcity.com
County:	San Luis Obispo
Population served:	29,500
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	8722			
Multi-family Residential	400			
Commercial/Institutional	688			
Industrial	71			
Landscape Irrigation	347			
Other	59			
Agricultural Irrigation				
<b>TOTAL</b>	<b>10287</b>			

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Wells	109.5248	102.1763	158.2068	203.5834	264.9693	297.8652	320.1588	320.855	282.0022	242.5217	154.0693	115.332	2571.265
Surface													
Purchased <sup>1/</sup>													
<b>Total Potable</b>	<b>109.5248</b>	<b>102.1763</b>	<b>158.2068</b>	<b>203.5834</b>	<b>264.9693</b>	<b>297.8652</b>	<b>320.1588</b>	<b>320.855</b>	<b>282.0022</b>	<b>242.5217</b>	<b>154.0693</b>	<b>115.332</b>	<b>2571.265</b>
Untreated Water													
Recycled <sup>2/</sup>													

1/ Potable wholesale supplier(s): \_\_\_\_\_

2/ Recycled wholesale supplier(s): \_\_\_\_\_

Level of treatment: \_\_\_\_\_

**4. Metered Water Deliveries - Units of delivery:**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
If recycled is included, ✓ box ↓													
A. Single Family Residential	49.827	64.796	67.431	104.830	151.548	163.489	154.050	194.470	140.776	136.307	90.892	68.876	1387.292
B. Multi-family Residential	11.483	16.036	14.219	17.737	21.400	23.041	21.978	27.296	21.098	21.373	16.108	7.048	218.8184
C. Commercial/Institutional	14.412	24.560	18.010	26.567	38.166	36.857	35.840	48.295	35.371	33.252	21.150	17.818	350.2974
D. Industrial	3.480	4.002	3.263	3.468	4.557	4.466	4.106	5.409	4.351	4.708	4.115	0.675	46.59816
E. Landscape Irrigation	4.557	5.499	9.030	20.354	31.680	37.820	39.171	49.745	37.865	32.964	19.839	7.847	296.3711
F. Other	1.063	1.394	2.228	3.125	7.870	2.127	21.560	10.484	4.115	22.040	9.815	0.623	86.44337
<b>Total Urban Retail (A thru F)</b>	<b>84.82096</b>	<b>116.2871</b>	<b>114.1807</b>	<b>176.0807</b>	<b>255.2213</b>	<b>267.8005</b>	<b>276.7039</b>	<b>335.6987</b>	<b>243.5757</b>	<b>250.6443</b>	<b>161.9203</b>	<b>102.8867</b>	<b>2385.821</b>
Agricultural Irrigation													
Wholesale (to other agencies)													

**APPENDIX A**  
**16-YEAR CAPITAL IMPROVEMENT PROGRAM (C.I.P.) BUDGET**  
Updated CIP for Alternate Water Rate Analysis  
4--> 8 MGD Treatment Plant Phasing

Project	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
<b>Water Projects:</b>																		
<b>Normalizing Water Project</b>																		
Phase 1 - 4 MGD Facility, consists of influent treatment, secondary treatment building, post-treatment, treated water reservoir and pump station, Main East Pipeline, backwash recovery system, and 2000-gal storage tank for backwash and Thruflow WWT modifications.																		\$25,380,000
1 Phase II - Expand to 8 MGD, consists of expanded filtration capacity, more public sellers, coagulation, and dedicated generator.		\$3,988,000	\$4,075,340	\$16,816,717														\$30,862,000
2		\$3,588,000	\$4,975,000	\$16,817,000														\$56,042,000
<b>Sanitary Improvements Water Project =</b>																		
<b>Well Improvements</b>																		
7 Annual well rehabilitation	\$200,000	\$208,000	\$216,320	\$224,973	\$233,972	\$243,331	\$253,064	\$263,186	\$273,714	\$284,662	\$296,049	\$307,891	\$320,206	\$333,015	\$346,335	\$360,169	\$374,596	\$4,736,922
8 Sherwood Well #111 Reconfiguration		\$635,567																\$635,567
9 Normalizing program (Olive, Backwood, Chubbuck, and Underflow wells)	\$1,000,000	\$1,044,000	\$1,044,000	\$1,169,859	\$1,169,859					\$1,423,312			\$1,665,074					\$1,872,981
<b>Sanitary Well Improvements =</b>	\$1,200,000	\$1,044,000	\$1,044,000	\$2,239,719	\$2,433,719	\$2,433,719	\$2,433,719	\$2,433,719	\$2,433,719	\$3,846,624	\$3,846,624	\$3,846,624	\$3,846,624	\$3,846,624	\$3,846,624	\$3,846,624	\$3,846,624	\$12,706,000
10 21st Street Reservoir Replacement	\$200,000					\$0	\$0	\$5,136,693	\$5,342,191									\$10,678,884
11 Water Tanks - regular program of 15th Street Reservoir	\$30,000	\$31,200	\$32,448	\$33,746	\$35,096	\$36,450	\$37,800	\$39,176	\$41,057	\$28,466	\$29,605	\$30,769	\$32,021	\$33,301	\$34,634	\$36,019	\$37,460	\$979,770
12 15th Street Reservoir generator replacement		\$195,135																\$195,135
13 Water Meters - ongoing meter replacement program of the proposed																		
14								\$111,693	\$136,827	\$142,931	\$148,024	\$153,045	\$160,103	\$166,027	\$171,648	\$176,994	\$182,208	\$1,680,000
<b>Sanitary Tank and Booster Station Projects =</b>	\$230,000	\$187,000	\$132,000	\$14,000	\$35,000	\$38,000	\$38,000	\$5,384,000	\$5,520,000	\$171,000	\$178,000	\$185,000	\$192,000	\$200,000	\$208,000	\$216,000	\$224,000	\$12,965,000
<b>Pipeline Improvements</b>																		
15 W14 - 6" waterline in Lightfoot Park Zone from West 12th St to 17th St																		\$518,070
16 W16 - Highland Park Booster Upgrade																		\$674,918
17 Annual Valve Replacement Program	\$50,000	\$52,000	\$54,000	\$56,243	\$58,403	\$60,633	\$63,266	\$66,797	\$68,428	\$71,166	\$74,012	\$76,973	\$80,032	\$83,254	\$86,584	\$90,047	\$93,649	\$1,184,976
18 W13 - 8" waterline in 15th St from Terrace Hill Dr to Hibiscus Dr																		\$129,642
19 W15 - 8" waterline in Sacramento Lake District from Fowler Ave																		\$782,016
20 W4 - 10" waterline in 36th St from Spring St to WWTP																		\$667,689
21 W5 - 8" waterline in 22nd St from Oak																		\$112,861
22 W6 - 10" waterline in 2nd St from Olive St to Oak St																		\$232,973
23 W10 - 6" waterline in Olive St from 19th																		\$469,786
24 W7 - 10" waterline in 24th St and Riverside Ave																		\$578,984
25 W8 - 8" waterline in Oak St from 4th St to 7th St and on 5th and 6th Sts Oak to																		\$577,060
26 W9 - 8" waterline in 3rd St from Vine St to Olive																		\$393,935
27 W1 - 12" waterline in Spring St from 24th St to 36th St																		\$2,422,577
28 W2 - 12" waterline in Pine St, 21st St, and Spring St																		\$1,491,715
29 Lurie Rd pipeline extension for Vina Robles connection																		\$711,656
30 FEB - 16" waterline in Lurie Rd from Airport Rd to Tract 25/26																		\$1,960,371
<b>Sanitary Pipeline Improvements =</b>	\$50,000	\$52,000	\$54,000	\$56,000	\$58,000	\$61,000	\$63,000	\$66,000	\$68,000	\$74,000	\$78,000	\$82,000	\$86,000	\$90,000	\$94,000	\$98,000	\$102,000	\$1,960,371
<b>Totals =</b>	\$1,480,000	\$4,871,000	\$5,277,000	\$17,807,000	\$14,497,000	\$3,400,000	\$354,000	\$5,637,000	\$5,862,000	\$3,310,000	\$7,816,000	\$6,006,000	\$6,794,000	\$4,575,000	\$1,797,000	\$3,089,000	\$5,619,000	\$84,233,000