

TO: James L. App, City Manager
FROM: Dick McKinley, Public Works Director
SUBJECT: Wastewater Rate Study – Receive and File
DATE: October 20, 2015

NEEDS: For the City Council to receive and file the “Wastewater Rate and Revenue Analysis”, leaving adopted wastewater rates and facility charges unchanged.

- FACTS:**
1. On November 18, 2014 the City authorized the preparation and update of the City’s Water and Sewer Rates and Water Facility Charges (Resolution No. 14-159).
 2. The analysis of wastewater rates is complete and is presented herein for Council’s consideration.

**ANALYSIS &
CONCLUSION:**

Approximately 140 miles of sewers, 14 pump stations, and a 4.9 million gallon per day capacity wastewater treatment plant comprise the City’s wastewater system. Revenues into the \$9.7 million per year Wastewater Fund come primarily from user fees and facility charges (a.k.a. connection fees).

A “Winter Water” rate structure has been in place since 2012 such that single family residences’ monthly sewer bill is based on average metered water use from the December-January-February period. Monthly sewer bills for non-residential customers and apartment buildings are based on metered water use for each month of the year.

Under this rate structure, customers are now paying \$7.35 per unit¹. That rate is scheduled to increase to \$7.80 per unit on July 1, 2016.

New customers pay a facility charge of \$9,800 per equivalent dwelling unit and that charge is scheduled to increase to \$10,900 as of January 1, 2016.

Expenses associated with providing wastewater service include operations and maintenance costs such as labor, power, and equipment maintenance. Planned capital expenses such as the proposed “tertiary treatment” at the wastewater treatment facility and sewer line replacements are another expense category covered by this fund.

¹ “Unit” is one hundred cubic feet, or 748 gallons.

Last, the Wastewater Fund has debt coverage obligations associated with a loan from 2002 and the 2013 State Revolving Fund loan that is financing the wastewater treatment plant upgrade that is currently under construction. The financial analysis considered debt obligations associated with a potential loan intended to finance the construction of the planned tertiary treatment facilities.

The analysis and findings of this effort can be found in **Attachment A**, the "Wastewater Rate and Revenue Analysis" by Water Consultancy Inc. / HDR, Inc. That analysis concluded that the adopted user rates and facility charges combined with other sources provide sufficient revenue into the Sewer Operations Fund to meet projected revenue requirements, including the obligations of a State Revolving Fund loan for construction of Tertiary Treatment Facilities, the first phase of the Paso Robles Recycled Water Project.

As a result, no increase to either user rates or facility charges beyond those adopted in 2011 is proposed at this time.

POLICY

REFERENCE: Sewer Collection System Master Plan, Economic Strategy; Integrated Water Resource Plan, Recycled Water Master Plan.

FISCAL IMPACT: None.

OPTIONS:

- a. Receive and file the "Wastewater Rate and Revenue Analysis", following the wastewater rates and facility charges adopted in 2011, or;
- b. Amend, modify, or reject the above option.

ATTACHMENTS:

A. "Wastewater Rate and Revenue Analysis" dated September 2015, by Roger Null, PE, Water Consultancy, Inc./HDR, Inc.

Wastewater Rate and Revenue Analysis

Final Report

City of Paso Robles

October 9, 2015

City of Paso Robles
Department of Public Works
1000 Spring Street
Paso Robles, CA 93446

Prepared Under the Direction of
Roger Null



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1 Introduction

The City of Paso Robles (City) owns and operates approximately 140 miles of sewers and 14 pump stations to collect nearly 3 million gallons of wastewater each day from all of Paso Robles and parts of Templeton. Wastewater flows to the recently-upgraded treatment plant at the north end of town, then is released into the Salinas River.

The Wastewater Fund (also referred to as “Sewer Operations Fund”) as reported in the City’s “Comprehensive Annual Financial Report” is currently a \$9.7 million per year fund with revenues generated from user fees, facility charges (also referred to as connection fees), and from Templeton Community Services District (TCSD).

A residential Winter Water Use structure is in place, such that each single family account’s sewer charge is based on the volume of water used during the Winter months – a structure that avoids charging customers for water usage that is most likely for irrigation.

Besides rates and fees, revenue into the Wastewater Fund comes from an agreement with Templeton Community Services District. The Wastewater Fund is also repaying an \$11.5 million loan from 2003 and next year will begin paying back a \$44.709 million State Revolving Fund Loan¹ for the wastewater treatment plant upgrade.

Paso Robles completed a comprehensive financial evaluation of the City’s wastewater utility rates and fees in 2011². Based upon the findings and conclusions from that study, the City adopted updated wastewater rates and fees to improve the financial position of the Wastewater Fund. The adopted rate adjustments were driven by the City’s need to comply with a Regional Water Quality Control Board Time Schedule Order by upgrading the City’s 58 year old wastewater treatment plant. This \$47 Million capital improvement project had a substantial impact on wastewater fund obligations, wastewater rates and facility charges. Fortunately, the City was able to obtain a low interest loan from the State Revolving Fund (SRF) Loan Program to help mitigate the overall financing cost of these improvements. Construction of the City’s wastewater plant upgrade is still underway, but the upgraded treatment process is now operational and in compliance with all requirements of the Regional Water Quality Control Board (RWQCB).

From the prior wastewater financial studies, new rate and fees were adopted in November 2011 to fund the projected revenue requirements of the wastewater fund. The currently adopted rates and their implementation timeline are shown in Table 1-1 such that wastewater rate adjustments are scheduled through July 1, 2016.

¹ SRF Agreement No. 12-8320-550, Project No. C-065400-110

² “Wastewater Rate and Revenue Analysis” and “Wastewater Facility Charge Study” both dated November 2011 for City of Paso Robles, CA, by Kennedy/Jenks Consultants

Table 1-1 Current Wastewater Rates

User Class (All Customers)	Usage Charge \$/HCF	
	Current	FY 16-17
All Water Usage	\$7.35	\$7.80

Notes: All rates to be effective July 1 each fiscal year.

The adopted wastewater rate structure is:

Single Family Residences: The monthly sewer bill is based on the average monthly metered water from the previous December-January-February billing period.

Apartment Buildings and Non-Residential Customers: Monthly sewer bills are based on actual metered water use each month times the wastewater usage charge.

Landscape and Fire Service Meters and Customers on Septic Systems: These accounts are not billed for wastewater service.

No change to this rate structure is proposed.

At this time, the City wishes to review the appropriateness of the adopted wastewater rates, assess if they are meeting the funding needs as projected, and determine if the wastewater fund's financial performance may be able to support the addition of tertiary treatment capabilities to the upgraded wastewater treatment plant for discharge compliance as-needed, and so that the City could produce recycled water as a new water resource in its service area.

The purpose of this study is to update forecasted financial parameters so that the City can plan for the next level of wastewater system improvement and position the City for additional low interest SRF funding. In approximately 2018, the City intends to conduct a more comprehensive plan to re-evaluate wastewater rates and revenue requirements.

2 Development of Updated Financial Parameters

The cornerstone to the development of a utility's financial projection is the assessment of a utility's projected customers, usage characteristic and system costs. Much of this information was provided by the City as an extraction of information from its utility billing system, and supporting cost information from City staff. To meet the objectives of this wastewater rate analysis, new financial data was obtained and integrated into the financial model, and an updated financial projection was performed³. A discussion of this process and the analysis results are provided in the following sub-sections.

³ In conducting this financial review and providing these financial projections, HDR/Water Consultancy are acting in a role other than that of "Municipal Advisor", as defined by the Securities and Exchange Commission (SEC). The City should consult with their Financial (Municipal) Advisor and Bond Counsel concerning the issuance, timing and structure of any new debt issue.

2.1 Projected Customer Accounts and Wastewater Discharges

To determine a reasonable level of projected growth for this wastewater study, the City reviewed historic growth patterns and correlated the most recent projections from the City's General Plan to annualized estimates of new accounts. The City's wastewater rate structure is linked to water usage in that monthly sewer charges pace with metered water usage (see Section 1 for a rate structure description). For this reason, water usage/wastewater discharges were projected. These projections included both the projected increase in wastewater from growth, along with reductions in these values to reflect foreseeable patterns of local water conservation.

As noted in the 2011 wastewater rate study, customer account and wastewater flow projections can not be derived as precise values. As such, the projections used at that time, and herein should be considered only as estimates to provide a reasonable projection of near-term wastewater customer activity. The City evaluates and reconciles this information as appropriate during its rate and budget review processes.

Based on the above findings, projected growth and billable wastewater usage has been derived and is show in Table 2-1. Note that growth is expressed herein as an increase in "equivalent dwelling units" (EDUs), where 1 EDU is equivalent to the average wastewater discharged from a single family residential (SFR) account. Billable usage is in Hundred Cubic Feet (HCF), where 1 HCF is approximately equal to 750 gallons.

Table 2-1 Projected Accounts and Wastewater Discharges

Fiscal Year (FY)	Annual Growth (EDUs)	Projected Wastewater Discharges (HCF)
FY 15-16	86 EDUs	1,041,459 HCF
FY 16-17	116 EDUs	1,111,595 HCF
FY 17-18	176 EDUs	1,125,063 HCF
FY 18-19	235 EDUs	1,143,020 HCF
FY 19-20	361 EDUs	1,170,581 HCF
FY 20-21	453 EDUs	1,205,161 HCF
FY 21-22	453 EDUs	1,239,740 HCF
FY 22-23	65 EDUs	1,244,680 HCF

The anticipated pace of growth reflected in Table 2-1 carries through FY 22/23. The Land Use Element of the City General Plan dated March 2014 projects a buildout population of approximately 42,500 people by the year 2045. Projections of customer accounts and wastewater projections were prepared through buildout, with report tables showing values through FY 22/23.

2.2 Projected Operating Expenses

Operating expenses in the Wastewater Fund are now approximately \$5.3 million annually and cover labor, power and chemicals, equipment and vehicle maintenance, etc. The costs associated with the management, administration, and operations of the City's wastewater utility are accounted for in four Divisions or Organizations. These are:

- Wastewater Collection (Org.6613501) - is responsible for the operation, maintenance, and management of the collection system;
- Wastewater Treatment (Org. 6613550) - is responsible for the operation, maintenance, and management of the wastewater treatment plant;
- Industrial Waste (Org. 60135560) - is responsible for the control, permitting and management of industrial waste dischargers and other source control activities; and
- Stormwater Program (Org.60135130) - is responsible for implementation of the City's Stormwater Management Program.

Costs were projected for each Organization based on historical performance, new cost efficiency programs and improvements underway, along with changes in staffing and operational requirements associated with the upgraded wastewater treatment plant and future tertiary treatment enhancements over the next 10 years. These additional staff include two Maintenance Specialists for the Wastewater Treatment Plant within the next year and a Treatment Plant Operator, Laboratory Technician, and Maintenance Specialist when the tertiary treatment facilities become operational. Costs allocated to the Wastewater Fund for utility billing, cashiering, accounting, and enterprise administration services were also incorporated in the projection of wastewater operation and maintenance (O&M) costs for this revenue requirement update. A summary of the projected costs associated with these four organizational functions and utility billing/finance program costs is shown in Table 2-2.

Operating costs represent only a part of the Wastewater Fund requirements. Another aspect is the need to plan and fund the annual estimate of existing facility "wear and tear". The wear and tear of existing facilities requires funding for the renewal and replacement of these assets. A common method of estimating an adequate level of funding for "wear and tear" is to fund an amount equal to or greater than annual depreciation expense. The use of depreciation expense is reflective of the value of the City's assets (i.e. the City's investment) and depreciation expense reflects the annual amount of those assets losing their useful life from "wear and tear."



Table 2-2 Projected Wastewater Operation and Maintenance Program

Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Projected Wastewater Collection Costs - Org. 6013501								
M & O Costs	\$308,800	\$327,000	\$346,500	\$367,200	\$389,300	\$412,900	\$438,000	\$464,800
Labor	\$808,100	\$832,400	\$857,400	\$883,100	\$909,600	\$936,900	\$965,000	\$993,900
Misc Capital	\$126,000	\$132,300	\$138,900	\$145,800	\$153,100	\$160,800	\$168,800	\$177,200
Total Org. 6013501 Operating Costs	\$1,242,900	\$1,291,700	\$1,342,800	\$1,396,100	\$1,452,000	\$1,510,600	\$1,571,800	\$1,635,900
Projected Wastewater Treatment Costs - Org. 6013550								
M & O Costs	\$1,136,800	\$1,202,200	\$1,382,100	\$1,467,000	\$1,557,700	\$1,889,200	\$2,015,500	\$2,142,900
Labor	\$1,383,200	\$1,424,700	\$1,467,500	\$1,511,500	\$1,556,800	\$1,950,300	\$2,008,800	\$2,069,100
Misc Capital	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Org. 6013550 Operating Costs	\$2,620,000	\$2,626,900	\$2,849,600	\$2,978,500	\$3,114,500	\$3,839,500	\$4,024,300	\$4,212,000
Projected Industrial Waste Program Costs - Org. 6013560								
M & O Costs	\$89,500	\$65,800	\$68,400	\$71,100	\$74,000	\$76,900	\$80,000	\$83,200
Labor	\$217,900	\$224,500	\$231,200	\$238,100	\$245,300	\$252,600	\$260,200	\$268,000
Misc Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Org. 6013560 Operating Costs	\$307,400	\$290,300	\$299,600	\$309,200	\$319,300	\$329,500	\$340,200	\$351,200
Projected Stormwater Program Costs - Org. 6013130								
M & O Costs	\$75,400	\$78,400	\$81,600	\$84,800	\$88,200	\$91,700	\$95,400	\$99,200
Labor	\$217,900	\$224,500	\$231,200	\$238,100	\$245,300	\$252,600	\$260,200	\$268,000
Misc Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Org. 6013130 Operating Costs	\$293,300	\$302,900	\$312,800	\$322,900	\$333,500	\$344,300	\$355,600	\$367,200
Utility Billing/Finance Program Costs								
	\$806,000	\$878,700	\$913,800	\$950,400	\$988,400	\$1,027,900	\$1,069,000	\$1,111,800
Total WW Div O&M Costs	\$5,269,600	\$5,390,500	\$5,718,600	\$5,957,100	\$6,207,700	\$7,051,800	\$7,360,900	\$7,678,100

Source: City of Paso Robles Wastewater Division and Finance Department.

As noted in the 2011 study, the City adopted wastewater rates that provided for a minimal level of system depreciation.⁴ That funding level is projected to continue through FY 17-18, with a more robust depreciation funding program scheduled to commence in the following financial planning projection period (FY 18-19 through FY 22-23). This more robust plan will be particularly important to retain the life expectancy of the newly constructed wastewater treatment plant improvements. Had such depreciation been funded in the past, the City would not have had to borrow the necessary funds to contract the necessary upgrades to the wastewater treatment plant. Depreciation funding is incorporated in the overall projected revenue requirements in a latter section of this report.

2.3 Projected Capital Improvement and Debt Service Financing Program

Utility systems are by nature capital intensive. The City has completed a variety of studies and design evaluations to plan for the necessary system improvements to maintain the reliability of the wastewater system and meet upcoming regulatory requirements. These documents provided much of the basis of planning for the City's capital improvement program (CIP) for each utility and other City services. The City's current wastewater system CIP is separated into three basic categories. These include Wastewater Collection, Wastewater Treatment, and Recycled Water Production Facilities. The City's CIP through FY 22-23 is summarized in Table 2-3. A comprehensive listing of the specific projects included in the City's long-range CIP is provided in Appendix A.

As previously noted, an important element of the City's wastewater CIP is the need to complete the construction of the upgraded wastewater treatment plant, and plan for the construction of tertiary treatment facilities to enable the City to produce recycled water. As a regulatory driven project, the City sought financial assistance from the State of California through a loan from the State Revolving Fund (SRF). Through SRF financing, the City obtained funds at a below market low interest rate (1.7%, 20-year term), saving ratepayers several million dollars in interest costs. Once the facility is operational, the City's debt service or repayment obligation will be approximately \$2.4 million per year.

In addition to this existing SRF loan, the City is anticipating additional SRF financing for the upcoming tertiary treatment facilities, and is pursuing Proposition 1 grant funding under the State's Water Recycling Funding Program which could fund up to 35% of this \$17 Million project.

Of note, the City's Wastewater Fund also has an existing debt obligation associated with a 2002 loan to make needed collection and treatment improvements. This loan was recently refinanced to more favorable terms, resulting in a reduced annual debt service payment of approximately \$470,000 per year. The principal amount outstanding on this loan is approximately \$6 million and is scheduled for be paid off in 2032. Additional detail associated with this loan is provided in Appendix A.

⁴ Depreciation expense is not the same as replacement cost. Replacement cost is typically higher than the original cost of an asset or the depreciation expense, hence the need to fund, over the long-term, an amount greater than the annual depreciation expense.



Table 2-3 Projected Wastewater Capital Improvement Program

Project Description	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Wastewater Collection System Projects								
Phase I, sewer service expansion to Dry Creek Road, including replacement of Lift Station No. 6.		\$808,618	\$1,665,753	\$1,715,726				
Lift station rehabilitation to upgrade obsolete pumps, rails, and motors and to provide longer response time	\$77,250	\$79,568	\$81,955	\$84,413	\$86,946	\$89,554	\$92,241	\$95,008
LS 1, Upgrade Lift Station #1 Pumps								\$782,864
Rehabilitate or replace various old sewer lines and manholes	\$772,500	\$795,675	\$819,545	\$844,132	\$869,456	\$895,539	\$922,405	\$950,078
W3.2 - Upsize 36th Street Sewer between Spring and Pine to 12"		\$170,151						
Re-coating of north/south pipe bridges					\$202,873			
Collection System Subtotal =	\$849,800	\$1,854,000	\$2,567,300	\$2,644,300	\$1,159,300	\$985,100	\$1,014,600	\$1,827,900
Wastewater Treatment Plant Subtotal =	\$9,975,000	\$3,100,000						
Recycled Water System Subtotal =	\$0	\$0	\$1,595,400	\$1,643,200	\$1,692,500	\$10,459,900	\$1,795,600	\$0
Grand Total Planned Capital Expenditures	\$10,824,800	\$4,954,000	\$4,162,700	\$4,287,500	\$2,851,800	\$11,445,000	\$2,810,200	\$1,827,900

2.4 Facility Charges

Revenue into the Wastewater Fund comes primarily from both usage charges and connection fees, or facility charges. Facility charges recover the costs of new development's impact on the wastewater system to assure that future customers pay their share of system costs.

Wastewater facility capacity charges in effect as of January 1, 2015, are \$9,800 per equivalent dwelling unit and are adopted to increase to \$10,900 per equivalent dwelling unit on January 1, 2016.

No change to wastewater facility charges is proposed at this time.

3 Projected Revenue Requirements Using Adopted and Potential Rates

Using the projected customers, billable volumes, and costs developed in Section 2, a revised and updated cash flow projection was developed to evaluate the financial condition of the Wastewater Fund. While the projection of some parameters is by nature somewhat speculative, incorporation of these projections provides a reasonable basis of planning to:

- Evaluate the adequacy of the adopted rates for the next few years;
- Establish and plan for the appropriate new and existing debt obligations; and
- Consider the magnitude of potential additional rate increases that may be needed to continue to fund the identified costs, capital expenditures, and debt covenants.

Consistent with this purpose, an annualized projected revenue plan is developed with the applicable costs and revenue parameters through FY 22-23. The updated revenue plan for the City's Wastewater Fund is shown in Table 3-1.

As indicated by the Ending Cash Balance and Debt Service Ratio⁵ values, the adopted rates have generally met the goals of the 2011 study, and have positioned the Wastewater Fund to meet the covenants of the initial \$44.709 Million SRF loan to upgrade the wastewater treatment plant to meet the RWQCB's permit requirements. Moreover, no change in wastewater rates beyond those already planned through FY 16/17 are proposed at this time.

The City may consider a future series of modest increases of approximately 5.5% per year depending on actual fund performance in the years ahead.

⁵ Debt Service Ratio is a measure of the cash flow available to pay debt obligations. It typically is required to be in excess of 1.2 to demonstrate there will be adequate revenues to pay the annual debt service obligation.



Table 3-1 Projected Revenue Plan

Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Revenues								
Consumption Charges	\$7,658,900	\$8,665,100	\$8,769,800	\$9,399,800	\$10,155,900	\$11,031,100	\$11,971,900	\$12,668,500
Septage System Revenues	\$180,700	\$371,800	\$382,500	\$393,600	\$405,100	\$416,900	\$429,100	\$441,600
TCSD WW O&M Charges	\$237,800	\$238,400	\$256,000	\$267,100	\$278,900	\$331,800	\$347,100	\$362,700
Miscellaneous Revenues	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Total Operating Revenues	\$8,152,400	\$9,350,300	\$9,483,300	\$10,135,500	\$10,914,900	\$11,854,800	\$12,943,100	\$13,677,800
Operating Expenses								
WW Collection System	\$1,242,900	\$1,291,700	\$1,342,800	\$1,396,100	\$1,452,000	\$1,510,600	\$1,571,800	\$1,635,900
WW Treatment Systems	\$2,620,000	\$2,626,900	\$2,649,600	\$2,678,500	\$3,114,500	\$3,839,500	\$4,024,300	\$4,212,000
Industrial Waste/STW Program	\$600,700	\$593,200	\$612,400	\$632,100	\$652,800	\$673,800	\$695,800	\$718,400
Charges From Other Depts.	\$806,000	\$878,700	\$913,800	\$950,400	\$988,400	\$1,027,900	\$1,069,000	\$1,111,800
Depreciation	\$1,267,900	\$1,302,100	\$1,337,400	\$3,843,500	\$3,888,900	\$4,173,900	\$4,243,200	\$4,257,600
Total Operating Expenses	\$6,537,500	\$6,692,600	\$7,056,000	\$9,800,600	\$10,106,600	\$11,225,700	\$11,604,100	\$11,935,700
Net Operating Revenue	\$1,614,900	\$2,657,700	\$2,427,300	\$334,900	\$808,300	\$629,100	\$1,339,000	\$1,742,100
Non-Operating Revenue (Expense)								
Interest Revenue (No interest on SRF Funds)	\$379,100	\$403,600	\$284,300	\$237,900	\$201,200	\$243,800	\$320,200	\$346,700
Wastewater Connection Fee Revenues	\$937,400	\$1,264,400	\$1,918,400	\$2,561,500	\$3,934,900	\$4,937,700	\$4,937,700	\$708,500
Existing Debt	(\$464,800)	(\$462,800)	(\$463,200)	(\$468,200)	(\$467,600)	(\$461,600)	(\$467,600)	(\$472,600)
WWTP Upgrade SRF Debt (a)	\$0	(\$2,139,800)	(\$2,410,700)	(\$2,425,400)	(\$2,425,400)	(\$2,425,400)	(\$2,425,400)	(\$2,425,400)
WWTP Tertiary SRF Debt (a)	\$0	\$0	\$0	\$0	\$0	\$0	(\$606,100)	(\$606,100)
SRF Reserve Funding (b)	\$0	(\$2,139,800)	(\$270,900)	\$0	\$0	\$0	(\$606,100)	(\$606,100)
Total Non-Op Revenues/Expenses	\$851,700	(\$3,074,400)	(\$942,100)	(\$94,200)	\$1,243,100	\$2,284,500	\$1,152,700	(\$2,448,900)
Net Income Before Capital Activity	\$2,466,600	(\$416,700)	\$1,485,200	\$240,700	\$2,051,400	\$2,923,600	\$2,491,700	(\$706,800)
Capital Expenditures	\$4,954,000	\$4,162,700	\$4,287,500	\$2,851,800	\$11,445,000	\$2,810,200	\$1,827,900	\$1,076,400
Capital Financing (a)								
2011 SRF Debt Issuance/Use of Funds (a)	\$3,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2016 Potential New SRF Debt/Use of Funds (a)	\$612,600	\$1,595,400	\$1,643,200	\$1,692,500	\$10,459,900	\$1,795,600	\$0	\$0
Net Change in Funds Avail. After Capital Activity	\$9,478,300	\$10,090,900	\$7,106,900	\$5,947,800	\$5,029,200	\$6,095,500	\$663,800	(\$1,783,200)
Beginning Cash Balance	\$10,090,900	\$7,106,900	\$5,947,800	\$5,029,200	\$6,095,500	\$8,004,500	\$8,668,300	\$6,885,100
Ending Cash Balance	\$10,002,000	\$10,155,000	\$10,519,000	\$13,269,000	\$13,574,000	\$14,687,000	\$15,072,000	\$15,408,000
Debt Service Ratio (Excludes Connection Fees)	7.02	1.68	1.41	1.53	1.70	1.75	1.69	1.81

Description	Adopted and Potential Additional Rates & Projected Changes in Customer Characteristics							
	16.7%	6.0%	0.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Adopted/Potential Usage Rate Increase (c)	\$7.35	\$7.80	\$7.80	\$8.22	\$8.68	\$9.15	\$9.66	\$10.18
Average Usage Rate (\$/HCF, July 1 each Yr.)								
Growth Based Changes in Accounts								
Increase in Number of EDUs/Year	86	116	176	235	361	453	453	65
Cumulative Number of EDUs	14,425	14,541	14,717	14,952	15,313	15,766	16,219	16,284
Projected Water Usage Billed as Sewer	1,041,437	1,111,556	1,124,995	1,142,940	1,170,505	1,205,096	1,239,686	1,244,650

Notes: Projection is based on new March 2015 growth scenario. Depreciation funding scheduled to increase to replacement cost basis in FY 18-19.
(a) 2011 SRF Loan based on 20 years @ 1.7%; 2016 SRF Loan @ 1.0%. Debt service begins year following construction completion. Excludes TCSD's share.
(b) Target Reserve Fund Criteria: Operating/Rate Stabilization @ 1 Year's Op Exp. C/P/Emergency @ \$3 M. & Debt Reserve @ one year's debt service. For SRF Loans, one year's debt service has been reserved, and is not include in the target reserve fund requirements in this planning period.
(c) Wastewater rates shown through FY 2016-17 are adopted. Rates thereafter are potential/projected values.

Projected rates anticipated herein are intended to fund the ongoing wastewater treatment plant upgrade project, other local capital improvement needs, meet the Wastewater Fund's current and future debt service requirements, provide the necessary funds for ongoing system management and operation and return the fund to a desired level of financial stability. These program-level rates also support the City's key goals of meeting regulatory requirements and producing recycled water in its service area in the future. Consistent with the current rate implementation schedule, future potential adjustments would also be scheduled to be effective July 1st of each fiscal year.

As previously noted, no change in wastewater rates beyond those already planned through FY 16/17 are proposed at this time.

For future rate studies, the City may wish to also consider:

- Pursue a State Revolving Fund loan and Proposition 1 grant funding for tertiary treatment facilities within the next two years. After determining the actual terms of such funding and financing, reevaluate the financial position of the Wastewater Fund;
- Adjust rates beginning July 1, 2017, such that annual increases would be less than the estimated 5.5% value; and
- Modify the current rate structure that is based 100% on usage, and reintroduce a modest fixed component back into the City's wastewater rate structure.



Appendix A –
Miscellaneous Support
Material

Appendix A - Existing Wastewater Utility Debt Service Schedule

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of the Bonds	\$6,355,000.00
Plus Net Original Issue Premium	494,996.25
Plus City Contribution	<u>367,776.88</u>
<i>Total Sources:</i>	\$7,217,773.13

Uses:

Transfer to Escrow Agent	\$7,025,604.19
Costs of Issuance ⁽¹⁾	<u>192,168.94</u>
<i>Total Uses:</i>	\$7,217,773.13

1) Includes Underwriter's discount, Trustee fees, Financial Advisor fees, Bond Counsel fees, printing costs, rating agency fees and other related costs.

Debt Service Schedule

Scheduled debt service on the Bonds is shown in the following table.

CITY OF EL PASO DE ROBLES 2012 Wastewater Revenue Refunding Bonds Debt Service Schedule

<u>Bond Year</u> <u>Ending June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2013	\$ 195,000	\$ 270,318.40	\$ 465,318.40
2014	225,000	241,225.00	466,225.00
2015	230,000	236,725.00	466,725.00
2016	235,000	229,825.00	464,825.00
2017	240,000	222,775.00	462,775.00
2018	250,000	213,175.00	463,175.00
2019	265,000	203,175.00	468,175.00
2020	275,000	192,575.00	467,575.00
2021	280,000	181,575.00	461,575.00
2022	300,000	167,575.00	467,575.00
2023	320,000	152,575.00	472,575.00
2024	335,000	136,575.00	471,575.00
2025	355,000	119,825.00	474,825.00
2026	370,000	102,075.00	472,075.00
2027	380,000	90,050.00	470,050.00
2028	395,000	76,750.00	471,750.00
2029	405,000	62,925.00	467,925.00
2030	420,000	48,750.00	468,750.00
2031	430,000	33,000.00	463,000.00
2032	<u>450,000</u>	<u>16,875.00</u>	<u>466,875.00</u>
Total	\$6,355,000	\$2,998,343.40	\$9,353,343.40

Appendix A - Existing SRF Loan Payment Schedule

SRF Payment Schedule

Project No. 5400-110- Paso Robles, City of

Paso Robles Wastewater Treatment Plant Upgrade

Ref Num	Due Date	Principal Payment	Interest Rate %	Interest Payment	Total P and I Payment	Ending Balance
1	9/11/2016	1,726,475	1.70	624,930	2,351,405	37,907,145
2	9/11/2017	1,963,355	1.70	685,791	2,649,147	40,783,930
3	9/11/2018	1,967,876	1.70	697,382	2,665,259	39,064,262
4	9/11/2019	2,001,166	1.70	664,092	2,665,259	37,063,095
5	9/11/2020	2,035,186	1.70	630,073	2,665,259	35,027,909
6	9/11/2021	2,069,784	1.70	595,474	2,665,259	32,958,125
7	9/11/2022	2,104,971	1.70	560,288	2,665,259	30,853,155
8	9/11/2023	2,140,755	1.70	524,504	2,665,259	28,712,399
9	9/11/2024	2,177,148	1.70	488,111	2,665,259	26,535,252
10	9/11/2025	2,214,159	1.70	451,099	2,665,259	24,321,092
11	9/11/2026	2,251,800	1.70	413,459	2,665,259	22,069,292
12	9/11/2027	2,290,081	1.70	375,178	2,665,259	19,779,211
13	9/11/2028	2,329,012	1.70	336,247	2,665,259	17,450,199
14	9/11/2029	2,368,605	1.70	296,653	2,665,259	15,081,594
15	9/11/2030	2,408,872	1.70	256,387	2,665,259	12,672,722
16	9/11/2031	2,449,822	1.70	215,436	2,665,259	10,222,900
17	9/11/2032	2,491,469	1.70	173,789	2,665,259	7,731,431
18	9/11/2033	2,533,824	1.70	131,434	2,665,259	5,197,606
19	9/11/2034	2,576,899	1.70	88,359	2,665,259	2,620,707
20	9/11/2035	2,620,707	1.70	44,552	2,665,259	0
		44,721,968		8,253,239.25	52,975,208	

**Appendix A: 2015
Growth Projections**

Fiscal Year	14/15	16/17	18/19	20/21	22/23	24/25	26/27	28/29							
Population Projection (a)				32,300		34,400									
Number of EDU's per Year	60	86	116	176	235	361	453	453	65	93	125	170	417	417	417
Cumulative EDUs	14,339	14,425	14,541	14,717	14,952	15,313	15,766	16,219	16,284	16,377	16,502	16,672	17,088	17,505	17,921
Adjusted Population Based on EDU Pace of Growth	30,556	30,709	30,915	31,227	31,644	32,285	33,089	33,893	34,008	34,173	34,394	34,697	35,436	36,175	36,914

Fiscal Year	29/30	30/31	32/33	34/35	36/37	38/39	40/41	42/43	44/45							
Population Projection (a)	37,700			39,900			41,900		42,499							
Number of EDU's per Year	417	253	253	253	253	225	225	225	225	225	67	67	67	67	67	
Cumulative EDUs	18,338	18,591	18,844	19,097	19,351	19,604	19,829	20,055	20,280	20,505	20,731	20,798	20,864	20,931	20,998	21,065
Adjusted Population Based on EDU Pace of Growth	37,653	38,103	38,552	39,001	39,451	39,900	40,300	40,700	41,100	41,500	41,900	42,018	42,137	42,256	42,374	42,493

(a) Source: City Planning Dept, 2014

**APPENDIX A - Projected Long-Range
Wastewater Capital Improvement
Program**

Project Description	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	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Wastewater Collection System Projects																		
Phase I, sewer service expansion to Dry Creek Road, including replacement of Lift Station No. 6.		\$808,618	\$1,665,753	\$1,715,726														
Phase II, sewer service expansion to Mill Road, including new lift station on Airport Rd (majority of cost funded by assessment district)										\$276,847	\$855,457	\$293,707						
Lift station rehabilitation to upgrade obsolete pumps, rails, and motors and to provide longer response time	\$77,250	\$79,568	\$81,955	\$84,413	\$86,946	\$89,554	\$92,241	\$95,008	\$97,858	\$100,794	\$103,818	\$106,932	\$110,140	\$113,444	\$116,848	\$120,353	\$123,964	\$127,682
LS 1, Upgrade Lift Station #1 Pumps								\$782,864										
Rehabilitate or replace various old sewer lines and manholes	\$772,500	\$795,675	\$819,545	\$844,132	\$869,456	\$895,539	\$922,405	\$950,078	\$978,580	\$1,007,937	\$1,038,175	\$1,069,321	\$1,101,400	\$1,134,442	\$1,168,476	\$1,203,530	\$1,239,636	\$1,276,825
W3.2 - Upsize 36th Street Sewer between Spring and Pine to 12"		\$170,151																
Re-coating of north/south pipe bridges					\$202,673													
Replace north and south pipe bridges over Salinas River with subsurface force mains																		
Collection System Subtotal =	\$849,800	\$1,854,000	\$2,567,300	\$2,644,300	\$1,159,300	\$985,100	\$1,014,600	\$1,827,900	\$1,076,400	\$1,108,700	\$1,418,800	\$2,031,700	\$1,505,200	\$1,247,900	\$1,285,300	\$1,323,900	\$1,363,600	\$1,404,500
Wastewater Treatment Plant																		
WWTP Upgrade	\$9,975,000	\$3,100,000																
Equip BNR Basin No. 3 to fulfill plant capacity													\$1,468,534					
Add side-stream nutrient harvesting equipment													\$587,413					
Wastewater Treatment Plant Subtotal =	\$9,975,000	\$3,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,055,900	\$0	\$0	\$0	\$0	\$0
Recycled Water System:																		
Tertiary Treatment Facilities			\$1,595,381	\$1,643,243	\$1,692,540	\$10,459,898	\$1,795,616											
Recycled Water System Subtotal =	\$0	\$0	\$1,595,400	\$1,643,200	\$1,692,500	\$10,459,900	\$1,795,600	\$0										
Grand Total Planned Capital Expenditures	\$10,824,800	\$4,954,000	\$4,162,700	\$4,287,500	\$2,851,800	\$11,445,000	\$2,810,200	\$1,827,900	\$1,076,400	\$1,108,700	\$1,418,800	\$2,031,700	\$3,561,100	\$1,247,900	\$1,285,300	\$1,323,900	\$1,363,600	\$1,404,500

**APPENDIX A - Projected Long-Range
Wastewater Capital Improvement
Program**

Project Description	FY 2032-33	FY 2033-34	FY 2034-35	FY 2036-36	FY 2036-37	FY 2037-38	FY 2038-39	FY 2039-40	FY 2040-41	FY 2041-42	FY 2042-43	FY 2043-44	FY 2044-45	PROJECT COST
Wastewater Collection System Projects														
Phase I, sewer service expansion to Dry Creek Road, including replacement of Lift Station No. 6.														\$4,190,100
Phase II, sewer service expansion to Mill Road, including new lift station on Airport Rd (majority of cost funded by assessment district)														\$1,426,000
Lift station rehabilitation to upgrade obsolete pumps, rails, and motors and to provide longer response time	\$131,513	\$135,458	\$139,522	\$143,708	\$148,019	\$166,597	\$157,033	\$161,744	\$166,597	\$171,595	\$176,742	\$182,045	\$187,506	\$3,876,800
LS 1, Upgrade Lift Station #1 Pumps														\$782,900
Rehabilitate or replace various old sewer lines and manholes	\$1,315,130	\$1,354,583	\$1,395,221	\$1,437,078	\$1,480,190	\$1,665,967	\$1,570,333	\$1,617,443	\$1,665,967	\$1,715,946	\$1,767,424	\$1,820,447	\$1,875,060	\$38,768,400
W3.2 - Upsize 36th Street Sewer between Spring and Pine to 12"														\$170,200
Re-coating of north/south pipe bridges														\$202,900
Replace north and south pipe bridges over Salinas River with subsurface force mains					\$3,947,173									\$3,947,200
Collection System Subtotal =	\$1,446,600	\$1,490,000	\$1,534,700	\$1,580,800	\$5,575,400	\$1,832,600	\$1,727,400	\$1,779,200	\$1,832,600	\$1,887,500	\$1,944,200	\$2,002,500	\$2,062,600	\$53,364,500
Wastewater Treatment Plant														
WWTP Upgrade														\$13,075,000
Equip BNR Basin No. 3 to fulfill plant capacity														\$1,468,500
Add side-stream nutrient harvesting equipment														\$587,400
Wastewater Treatment Plant Subtotal =	\$0	\$15,130,900												
Recycled Water System:														
Tertiary Treatment Facilities														\$17,186,700
Recycled Water System Subtotal =	\$0	\$17,186,700												
Grand Total Planned Capital Expenditures	\$1,446,600	\$1,490,000	\$1,534,700	\$1,580,800	\$5,575,400	\$1,832,600	\$1,727,400	\$1,779,200	\$1,832,600	\$1,887,500	\$1,944,200	\$2,002,500	\$2,062,600	\$85,681,900