

TO: City Council
FROM: Doug Monn, Director of Public Works
SUBJECT: **Proposed Uniform Water Rates**
DATE: February 2, 2010

NEEDS: For the City Council to select a water rate method 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

On January 19, 2010, City Council considered alternative water rate structures. One featured conservation pricing (i.e. tiered rates) as well a fixed monthly fee that varied according to meter size and customer class. Another was a simpler rate structure that omits the monthly fixed fee. Simply stated, this means that all customers would pay according to the amount of water used. This report describes how the proposed uniform rate structure would work.

NEED FOR RATE INCREASE

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 Uniform Water Rate Study Final Report [**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.

PROPOSED RATE STRUCTURE

The proposed rate structure is:

Proposed Water Usage Rates

| User Class | FY 10-11 | FY 11-12 | FY 12-13 | FY 13-14 | FY 14-15 |
|----------------------|----------------------------|----------|----------|----------|----------|
| <u>All Customers</u> | <u>Usage Charge \$/HCF</u> | | | | |
| All Water Usage | \$2.50 | \$3.20 | \$3.70 | \$4.10 | \$4.40 |

HCF = hundred cubic feet = 748 gallons
 No fixed monthly service charge is proposed.

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

Typical Water Bills

| Description | Current Bill | Typical Bill | |
|-------------------------------------|--------------|-------------------------------|-------------------------------|
| | | Year 1 Effective 1/1/11 | Year 5 Effective 1/1/15 |
| <u>Single Family</u> ^(a) | | | |
| 9 Units (3/4 inch meter) | \$29.88 | \$22.50 | \$36.60 |
| 13 Units (3/4 inch meter) | \$35.16 | \$32.50 | \$57.20 |
| 20 Units (3/4 inch meter) | \$44.40 | \$50.00 | \$88.00 |
| <u>Commercial</u> ^(b) | | | |
| 20 Units (3/4 inch meter) | \$44.40 | \$50.00 | \$88.00 |
| 60 Units (1 inch meter) | \$97.20 | \$150.00 | \$264.00 |

Notes:

(a) Where 9 units is the 1st quartile, 13 is the mean, and 20 the 75th percentile.

(b) Where 20 units is the median/average and 60 is the 75th percentile.

Exhibit B compares the proposed Paso Robles uniform water rates to surrounding communities. **Exhibit C** is a financial forecast applying the proposed uniform rate through buildout.

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.4th 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 \$6.7 Million per year expense for water costs will decimate public services.

OPTIONS:

- a. Adopt attached Resolution No. 10-xx thereby selecting a uniform 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.

February 2, 2010

Page 4

Exhibits:

- A. Kennedy Jenks Consultants 2010 Uniform Water Rate Study Final Report dated January 25, 2010
- B. Comparison to Other Communities
- C. Table 5 - Projected Revenue Plan Using Proposed All Uniform Usage

*Prepared by: Christine Halley, P.E.
Water & Utility Consultant,
TJ Cross Engineers, Inc.*

Exhibit A
2010 Uniform Water Rate Study Final Report

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

Exhibit B

Comparison to Other Communities

Another point of comparison is what customers in neighboring communities pay for water service. Attached 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 using 20 hcf of water (this represents the 25th percentile of non-residential users) is shown. Also shown is a larger customer using 60 hcf of water (this represents the 75th percentile of non-residential users).

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

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 |
| Agency Average | | | | \$33.80 |
| | <u>Residential Only</u> | | | |
| City of Paso Robles - Current | \$18.00 | \$1.32 | 9 | \$29.88 |
| <u>Proposed Rates as of Feb 2, 2010</u> | | | | |
| City of Paso Robles - All Uniform Rate - Year 1 | None | \$2.50 | 9 | \$22.50 |
| City of Paso Robles - All Uniform Rate - Year 5 | None | \$4.40 | 9 | \$39.60 |

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 |
| Agency Average | | | | \$46.90 |
| | <u>Residential Only</u> | | | |
| City of Paso Robles - Current | \$18.00 | \$1.32 | 13 | \$35.16 |
| <u>Proposed Rates as of Feb 2, 2010</u> | | | | |
| City of Paso Robles - All Uniform Rate - Year 1 | None | \$2.50 | 13 | \$32.50 |
| City of Paso Robles - All Uniform Rate - Year 5 | None | \$4.40 | 13 | \$57.20 |

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 |
| Agency Average | | | | \$70.82 |
| | <u>Residential Only</u> | | | |
| City of Paso Robles - Current | \$18.00 | \$1.32 | 20 | \$44.40 |
| <u>Proposed Rates as of Feb 2, 2010</u> | | | | |
| City of Paso Robles - All Uniform Rate - Year 1 | None | \$2.50 | 20 | \$50.00 |
| City of Paso Robles - All Uniform Rate - Year 5 | None | \$4.40 | 20 | \$88.00 |

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 |
| Agency Average | | | | \$76.00 |
| | <u>Commercial</u> | | | |
| City of Paso Robles - Current | \$18.00 | \$1.32 | 20 | \$44.40 |
| <u>Proposed Rates as of Feb 2, 2010</u> | | | | |
| City of Paso Robles - All Usage Based Year 1 | None | \$2.50 | 20 | \$50.00 |
| City of Paso Robles - All Usage Based Year 5 | None | \$4.40 | 20 | \$88.00 |

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

| Community | Monthly Meter Fixed Rate | Water Usage/ Quantity Rate | Water Usage (HCF) | Calculated Monthly Bill |
|-----------------------------------------------------|-----------------------------|-------------------------------|----------------------|----------------------------|
| 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 |
| Agency Average | | | | \$241.26 |
| | <u>Commercial</u> | | | |
| City of Paso Robles - Current | \$18.00 | \$1.32 | 60 | \$97.20 |
| <u>Proposed Rates as of Feb 2, 2010</u> | | | | |
| City of Paso Robles - All Usage Based Year 1 | None | \$2.50 | 60 | \$150.00 |
| City of Paso Robles - All Usage Based Year 5 | None | \$4.40 | 60 | \$264.00 |

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 C

Table 5 – Financial Projection Using Proposed All Uniform Usage

**TABLE 5
PROJECTED REVENUE PLAN USING PROPOSED ALL UNIFORM USAGE RATE**

| Description | Est Actuals | | Projected | | | | | Add'l WTP - 1,400 AFY Naci Water - Startup FY 22 | | | | | | | | | |
|------------------------------------------------------------------|--------------|---------------|---------------|----------------|--------------|---------------|---------------|--------------------------------------------------|---------------|---------------|---------------|--------------|----------------|--------------|--------------|--------------|--------------|
| | 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 |
| Revenues | | | | | | | | | | | | | | | | | |
| Fixed Monthly Service Charges | \$2,213,800 | \$1,108,900 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Consumption Charges | \$8,939,300 | \$5,593,600 | \$8,208,000 | \$9,825,600 | \$11,061,300 | \$12,044,600 | \$12,484,800 | \$12,801,700 | \$12,793,200 | \$13,080,500 | \$13,433,700 | \$14,089,400 | \$14,843,200 | \$15,722,000 | \$16,718,900 | \$17,827,000 | \$18,969,400 |
| Total Operating Revenues | \$8,153,100 | \$6,702,500 | \$8,208,000 | \$9,825,600 | \$11,061,300 | \$12,044,600 | \$12,484,800 | \$12,801,700 | \$12,793,200 | \$13,080,500 | \$13,433,700 | \$14,089,400 | \$14,843,200 | \$15,722,000 | \$16,718,900 | \$17,827,000 | \$18,969,400 |
| Operating Expenses | | | | | | | | | | | | | | | | | |
| Utility Billing and Administration (Div 127) | \$693,100 | \$605,200 | \$604,400 | \$622,600 | \$641,200 | \$660,300 | \$686,100 | \$700,500 | \$721,500 | \$743,200 | \$765,600 | \$788,800 | \$812,200 | \$836,500 | \$861,700 | \$887,600 | \$914,200 |
| Water Production and Distribution (Div 163) | \$4,145,700 | \$4,043,900 | \$4,039,200 | \$4,100,700 | \$3,830,900 | \$3,779,900 | \$3,988,400 | \$4,066,800 | \$4,188,900 | \$4,314,600 | \$4,444,000 | \$4,577,400 | \$4,694,000 | \$4,820,100 | \$4,938,000 | \$5,049,000 | \$5,164,000 |
| Water Treatment Operations (Div 205) | \$34,200 | \$100,000 | \$150,000 | \$687,900 | \$1,798,300 | \$1,891,900 | \$1,867,800 | \$2,008,200 | \$2,317,800 | \$2,132,800 | \$2,198,800 | \$2,262,700 | \$2,845,000 | \$3,283,800 | \$3,073,300 | \$4,483,600 | \$4,618,000 |
| Regional Naci O&M Cost Share | \$0 | \$0 | \$0 | \$205,000 | \$660,000 | \$660,000 | \$1,339,000 | \$1,379,200 | \$1,426,800 | \$1,483,200 | \$1,507,100 | \$1,552,300 | \$2,158,500 | \$2,223,300 | \$2,290,000 | \$2,358,700 | \$2,429,000 |
| Existing Naci Pipeline Debt Service | \$0 | \$1,600,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 | \$4,200,000 |
| Depreciation Expense | \$0 | \$0 | \$0 | \$750,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Total Operating Expenses | \$4,743,000 | \$6,349,100 | \$8,993,600 | \$9,976,200 | \$11,662,400 | \$13,262,100 | \$13,670,300 | \$13,852,700 | \$14,348,800 | \$14,363,800 | \$14,613,500 | \$14,881,000 | \$15,070,000 | \$15,672,700 | \$16,693,000 | \$18,340,000 | \$18,720,100 |
| Net Operating Revenue | \$1,410,100 | \$353,400 | (\$785,600) | (\$150,600) | (\$599,100) | (\$1,217,500) | (\$1,185,500) | (\$1,051,000) | (\$1,555,600) | (\$1,283,300) | (\$1,179,800) | (\$800,600) | (\$1,166,800) | (\$950,700) | \$23,900 | (\$513,000) | \$279,300 |
| Non-Operating Revenue (Expense) | | | | | | | | | | | | | | | | | |
| Interest Revenue | \$665,900 | \$687,400 | \$683,700 | \$537,200 | \$61,000 | \$70,400 | \$123,100 | \$215,100 | \$218,000 | \$275,600 | \$489,800 | \$674,400 | \$731,900 | \$46,100 | \$470,600 | \$969,100 | \$1,526,400 |
| Water Connection Fee Revenues | \$120,000 | \$371,800 | \$87,500 | \$1,548,500 | \$2,350,000 | \$3,528,000 | \$4,760,000 | \$7,250,000 | \$9,400,000 | \$11,750,000 | \$15,040,000 | \$18,330,000 | \$24,910,000 | \$28,620,000 | \$34,990,000 | \$31,490,000 | \$33,205,500 |
| New Debt Service | \$0 | \$0 | \$0 | \$0 | \$0 | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) | (\$281,000) |
| Total Non-Op Revenues/Expenses | \$785,900 | \$1,059,200 | \$1,471,200 | \$2,083,700 | \$2,411,000 | \$3,317,400 | \$4,542,100 | \$6,984,100 | \$9,337,500 | \$11,744,600 | \$16,248,800 | \$18,723,400 | \$22,070,900 | \$24,676,100 | \$28,389,600 | \$32,178,100 | \$34,450,900 |
| Net Income Before Capital Activity | \$2,196,000 | \$1,412,600 | \$686,600 | \$1,933,100 | \$1,811,900 | \$2,086,900 | \$3,421,600 | \$5,733,100 | \$7,781,400 | \$10,461,300 | \$14,069,000 | \$17,922,800 | \$20,804,100 | \$23,724,400 | \$28,413,500 | \$31,665,100 | \$34,730,200 |
| Capital Expenditures | | | | | | | | | | | | | | | | | |
| Future Add'l Water Supply Costs | \$1,480,000 | \$4,871,000 | \$5,278,000 | \$17,807,000 | \$1,497,000 | \$341,000 | \$384,000 | \$5,733,100 | \$7,781,400 | \$10,461,300 | \$14,069,000 | \$18,008,000 | \$8,794,000 | \$4,575,000 | \$1,797,000 | \$3,089,000 | \$5,610,000 |
| Projected Add'l Capital Reinvestment | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capital Financing | | | | | | | | | | | | | | | | | |
| Proposed Debt Issuance | \$0 | \$4,000,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Change in Funds Avail. After Capital Activity | \$716,000 | (\$3,458,400) | (\$1,549,400) | (\$15,873,900) | \$314,900 | \$1,755,900 | \$3,067,600 | \$996,100 | \$1,919,400 | \$7,141,300 | \$6,153,000 | \$1,914,800 | (\$22,857,900) | \$14,149,400 | \$16,616,500 | \$18,576,100 | \$19,112,200 |
| Beginning Cash Balance | \$22,197,900 | \$22,913,900 | \$19,455,500 | \$17,906,100 | \$2,032,200 | \$2,347,100 | \$4,103,000 | \$4,103,000 | \$7,170,000 | \$7,296,700 | \$9,186,100 | \$16,337,400 | \$22,480,400 | \$24,359,200 | \$15,537,300 | \$15,688,700 | \$32,303,200 |
| Ending Cash Balance | \$22,913,900 | \$19,455,500 | \$17,906,100 | \$2,032,200 | \$2,347,100 | \$4,103,000 | \$7,170,000 | \$7,296,700 | \$9,186,100 | \$16,337,400 | \$22,480,400 | \$24,359,200 | \$15,537,300 | \$15,688,700 | \$32,303,200 | \$30,879,300 | \$69,991,500 |
| Debt to Coverage Ratio (Excludes Connection Fee Revenues) | | na | na | na | na | 1.26 | 1.79 | 1.65 | 0.58 | 1.72 | 2.88 | 4.89 | 3.79 | 2.12 | 7.10 | 6.96 | 11.78 |

| Description | Proposed Rates and Projected Changes in Accounts and Water Usage | | | | | | | | | | | | | | | | |
|-----------------------------------------------------------|------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 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 |
| Proposed Base Level Fixed Rate (\$/Account/Month) (12/09) | \$18.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$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 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 | \$4.40 |
| Connection Fee (1/02) | \$14,000 | \$14,878 | \$11,750 | \$26,653 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 | \$23,500 |
| Growth Based Changes in Accounts/Demands | | | | | | | | | | | | | | | | | |
| Increase in Number of Accounts FY Year | 8 | 19 | 38 | 58 | 78 | 117 | 150 | 200 | 234 | 312 | 380 | 459 | 608 | 717 | 820 | 935 | 1,041 |
| Increase in Number of Equivalent Meter/Yr (9,163 total) | 10 | 25 | 50 | 75 | 100 | 150 | 200 | 300 | 400 | 500 | 640 | 780 | 920 | 1,060 | 1,200 | 1,340 | 1,413 |

Notes: O&M costs per Table 3; Capital expenditures/debt financing plan per Table 4. All costs and revenues have been rounded.