



CITY OF GREENFIELD

WATER RATE STUDY

December 2011

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SECTION 1. SUMMARY OF FINDINGS

NBS Government Finance Group (NBS or Consultants) has prepared a study of the water rates imposed by the City of Greenfield (City or Utility). This study finds:

THE UTILITY CURRENTLY OPERATES IN A STRUCTURAL DEFICIT.

Under its adopted budget and implicit levels of service, annual operating expenditures for the Utility total \$825,800 and annual debt service payments are over \$180,000, for Fiscal Year 2011/12. Projected annual revenues that may be applied toward these expenditures are currently estimated at \$903,675, including the Utility's primary revenue source: \$900,000 from the prevailing schedule of water rates. Under current conditions, the Utility is projected to run a recurring deficit of over \$102,000 per year. A correction to this deficit must be identified

THE UTILITY IS NOT MEETING ITS DEBT COVERAGE REQUIREMENT.

The Water Utility is currently obligated to one outstanding debt issue, for which it is required to generate revenues sufficient to meet operating expenses, annual debt service, plus 10% above the annual principal and interest payments due on the bond. This is a requirement of the bondholders that the utility will be able to make the annual debt service payments. When considering that the current fiscal year's annual operating expenditures for the Utility total \$825,800, annual debt service payments are over \$180,000 and the debt coverage requirement is \$18,004, total obligations for the current Fiscal Year are approximately \$1,023,845. Compared to projected annual revenues, this leaves a deficit of approximately \$109,629. In order to comply with bondholder covenants, a correction to this deficit must be identified.

THE UTILITY SHOULD ESTABLISH AN OPERATING RESERVE.

The City should maintain an Operating Reserve for the Utility. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Such fluctuations might be caused by the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., variable charges), and – particularly in periods of economic distress – changes or trends in age of receivables. This study has recommended an Operating Reserve equal to 16.4% of the Utility's budgeted annual operating expenses. This reserve target is equal to a two-month (or 60 day) cash cushion for normal operations.

LONGER-TERM FUNDING FOR FUTURE CAPITAL INVESTMENT MUST BE PLANNED.

The minimum step of correcting the prevailing structural deficit, meeting the existing debt coverage requirement and establishing an Operating Reserve does not provide any additional revenue source for the Utility to invest in the improvement or replacement of infrastructure, equipment, and other fixed assets, which is essential to the ongoing delivery of safe, reliable water service. Simply attaining an industry-recognized best management practice of funding a Capital Replacement Reserve on pace with the rehabilitation/replacement needs of the Utility should be a long-term goal of the City. Doing so ensures that each generation of customers contributes an equitable share toward the long-term replacement of assets used to receive water service today. The minimum level of annual funding should target an amount equal to the Utility's annual depreciation expense, which is approximately \$150,000. This figure represents the minimum target amount to be generated by user rates, today.

In addition, the City has planned approximately \$5.3 million in capital improvement projects for the Utility between Fiscal Years 2011/12 and 2015/16. With the cash reserves held by the Utility, this capital program will require cash funding from rates above and beyond the recommended annual contributions to a Capital Replacement Reserve. Attaining this funding level over a period of five years would add over \$16 every month to the average monthly bill for a single-family home.

The rate scenario presented in this report provides an immediate solution to correct the structural deficit, meet the debt coverage requirement, fund an Operating Reserve of 60 days, cash-fund all capital projects, and provide rates with the capacity to fund an annual contribution to the Capital Replacement Reserve that will be phased-in to equal to the annual depreciation expense. Rate outcomes are as follows:

RATE SCENARIO 3: PHASE-IN OF A CAPITAL REPLACEMENT RESERVE, RATE LEVELS

Fiscal Year Ending	Revenue from Rates	Annual Change Needed	Average Monthly Bill, Single Family Residential Customer (1)
Prevailing, 2012	\$900,000	-	\$16.89
Projected Need, 2012	\$1,080,000	20.00%	\$20.27
Projected Need, 2013	\$1,296,000	20.00%	\$24.32
Projected Need, 2014	\$1,555,200	20.00%	\$29.19
Projected Need, 2015	\$1,664,064	7.00%	\$31.23
Projected Need, 2016	\$1,780,607	7.00%	\$33.42

(1) Assumes a 5/8 inch meter size and 15,000 gallons of consumption.

Please turn to the next section for full discussion of these findings.

SECTION 2. INTRODUCTION TO THE STUDY

A. PROJECT ORIGIN AND PURPOSE

In 2011, NBS Government Finance Group performed a Water Rate Study for the City of Greenfield.

The chief purposes in conducting this study were to provide an assessment of the financial condition of the Utility, with particular emphasis on necessary funding levels for day to day operating expenses and the near and long - term capital improvement and replacement needs of the Utility. As the primary source of revenue for the Utility, water rates are to be relied upon to meet the City's obligations pertaining to the ongoing provision of safe and reliable water service to its community of customers.

B. APPROACH

The financial assessments conducted during this study follow a "revenue requirements" methodology, substantially derived from the recommended approach directed by the American Water Works Association in its Manual of Water Supply Practices, M1: Principles of Water Rates, Fees, and Charges. A revenue requirements analysis forms the basis for a long-range financial plan and multi-year rate adjustment strategy for the Utility. It also enables the City to set utility rate structures which fully recover the total costs of operating the Utility: capital improvement and replacement, operations, maintenance, management, fiscal policy achievement, cash reserve management, and debt repayment. Linking utility rate levels to a financial plan such as this helps to enable sound financial performance for the Utility.

The following elements of the revenue requirements analysis together form a complete portrayal of the Utility's financial obligations and yield a long-term financial plan for its future financial management:

- *Operating Forecast* – Identifies future annual non-capital costs associated with the operation, maintenance, and management of the system.
- *Capital Financing Analysis* – Defines a strategy for funding the Utility's capital improvement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, developer participation, etc.). Includes any planned or recommended accumulation and use of dedicated reserves for capital projects, such as those which are intentionally designed to fund system rehabilitation and replacement.
- *Cash Flow and Reserve Analysis* – Forecasts cash flow and fund balance activity in the Utility's reserves: both existing and recommended as part of the study's framework of guiding policies. Tests for satisfaction of actual or recommended minimum fund balance policies, including operating, capital, and debt reserves where appropriate.
- *Sufficiency Testing* – Evaluates the sufficiency of Utility revenues in meeting all obligations, including cash uses such as operating expenses, debt service, capital outlays, and reserve contributions, as well as any coverage requirements associated with long-term debt.

- *Strategy Development* – Designs a forward-looking strategy for adjusting Utility resources to fully fund all utility obligations on a periodic or annual basis over the selected planning horizon.

From this foundation, water rates can be adjusted to meet the defined annual funding targets within the planning horizon. It is important to note that this analysis considers the Utility's revenue requirements from a "needs-driven" perspective. Consultants have compiled financial data for the Utility, forecasted near- and long-term needs, incorporated financial management policies, and established the full annual cost of service for the Utility, which must be recovered primarily from water rates paid by the users of the system. This analysis has not presumed the City could forego any of the costs identified, in order to influence the rate outcomes. Instead, the rates presented here are driven by identified needs; rates do not define the needs that can be met.

C. DATA SOURCES AND ASSUMPTIONS

This study has relied upon current and, where applicable, historical information substantively provided by the City, such as audited financial statements and up-to-date budget performance. Consultants have also tapped industry sources and our industry experience for certain assumptions. All data sources and assumptions are described in the annotations shown in the technical analysis included as an Appendix to this report.

Please note that all figures in this report and its supportive analysis are stated in forecasted, future values: Various economic factors have been applied to revenue and cost estimates derived from City data to account for natural or expected levels of inflation. This enables the projection of corresponding revenue streams in the amount necessary in those future years. All projection assumptions are clearly labeled and visible in the Appendix.

D. GUIDING POLICIES

In the analysis of revenue requirements and development of a long-term financial plan for the Utility, NBS assumed and/or recommended certain financial management policies. These policies are intended to promote financial integrity and resource stability for the Utility, which in turn helps to foster the sustainability of service to the Utility's customers. Most of the assumed and/or recommended policies focus on the management of cash: the dedication of reserves for specific purposes essential to the long-term provision of on-demand service, including the accumulation and expenditure of those resources and the monitoring of minimum thresholds in certain reserves. The following sub-sections describe the policies guiding the financial analysis.

Revenue Sufficiency

The Utility will target a financial strategy that provides revenues sufficient to meet the current and forecasted requirements and obligations of the Utility. The requirements and obligations of the Utility can include: annual expenses to operate, maintain, and manage the Utility; capital expenditures related to Utility infrastructure, facilities, and equipment; repayment of outstanding debt; satisfaction of legal covenants; and attainment of targeted financial performance metrics set by law and/or policy.

The Utility is managed as an enterprise fund, which means that the entirety of its obligations are met wholly by resources generated from its operations. The Utility is not to be funded by resources external to its operations (e.g., general City revenues, revenues from another utility, et al.), unless attained via promissory note or like mechanism. In this manner, only those users of the Utility fund its ongoing operations, and no subsidy from non-users is relied upon.

To enable prudent segregation of cash collected and accumulated for intended purposes, the City currently accounts for the Utility across two funds:

- Water Operations Fund
- Water Developer Impact Fee Fund

A recommendation of this study is to establish a separate Capital Reserve Fund in order to segregate operating funds from funds available for capital needs. This fund should also be held entirely separate from the Developer Impact Fee Fund.

Operating Reserve

The City should maintain for the Utility an Operating Reserve. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Such fluctuations might be caused by the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., variable charges), and – particularly in periods of economic distress – changes or trends in age of receivables.

This study has recommended an Operating Reserve equal to 16.4% of the Utility's budgeted annual operating expenses. This reserve target is equal to a two-month (or 60 day) cash cushion for normal operations. This Operating Reserve requirement that is programmed into this analysis is approximately \$136,000 for Fiscal Year 2011/12. The minimum threshold for the Operating Reserve should be targeted as of the start of each fiscal year. The balance of the Operating Reserve should be expected to fluctuate throughout the year due to the natural variability of revenues and expenditures, but outside of extreme circumstances, it should be evaluated and reestablished annually. Once the Reserve is established, this analysis has assumed financial performance without the use of the Reserve to artificially suppress rates below the projected annual requirements of the Utility.

Annual Funding of a Capital Replacement Reserve

It is a best management practice in the utility industry to set aside funds annually in a Capital Replacement Reserve for ongoing and future system repair, rehabilitation, and replacement. At a minimum, such annual funding should target a level equal to the Utility's annual depreciation expense. Depreciation measures the financial erosion of a given asset over its useful life, using its original, historical cost. Currently, the annual depreciation expense is \$150,000 for the Utility; it is reflected in the formal financial reporting for the Utility and can be referenced simply from those records (e.g., Statement of Revenues, Expenses, and Changes in Net Assets). By the end of Fiscal Year 2015/16, the annual depreciation expense is projected to be approximately \$278,000, which includes estimated depreciation from projects in the Capital Improvement Program.

It is important to note that depreciation is not equal to the future replacement cost of the system, but serves simply as a starting point for addressing long-term needs. If ratepayers can generate revenues at this level and pace, they will have reserved a partial cash resource that can be applied toward the future replacement cost of the asset. By reserving some cash resource for ongoing system reinvestment, the City avoids burdening any single generation of users with the cost of asset replacement and causing unnecessary spikes in rate levels.

A Capital Replacement Reserve is not a "minimum" reserve threshold akin to the Operating Reserve discussed previously. Instead, it is an active pool of cash, with regular contributions from rate revenues and, ideally, regular outlays in line with an adopted Capital Improvement Program. The Reserve is a cash resource: funds may be used immediately for replacement-related projects or reserved for expenditures anticipated in future years. A regularly-funded Capital Replacement Reserve can be viewed as one means by which a utility finances its capital program on a "pay-as-you-go" cash basis, minimizing or eliminating reliance on debt financing.

The Capital Replacement Reserve would most appropriately be held in a separate fund for the Utility, as described in this section of the report under the "Revenue Sufficiency" subsection.

E. PREVAILING WATER RATES

By the end of Fiscal Year 2011/2012, the Utility expects to generate approximately \$900,000 in annual revenue from rates paid by customers of the water system. All customers are subject to a monthly flat, base service charge that is based on the size of the water meter. Customers are also subject to a tiered consumption charge that escalates as consumption increases. Exhibit 1 lists the City's prevailing monthly water rates.

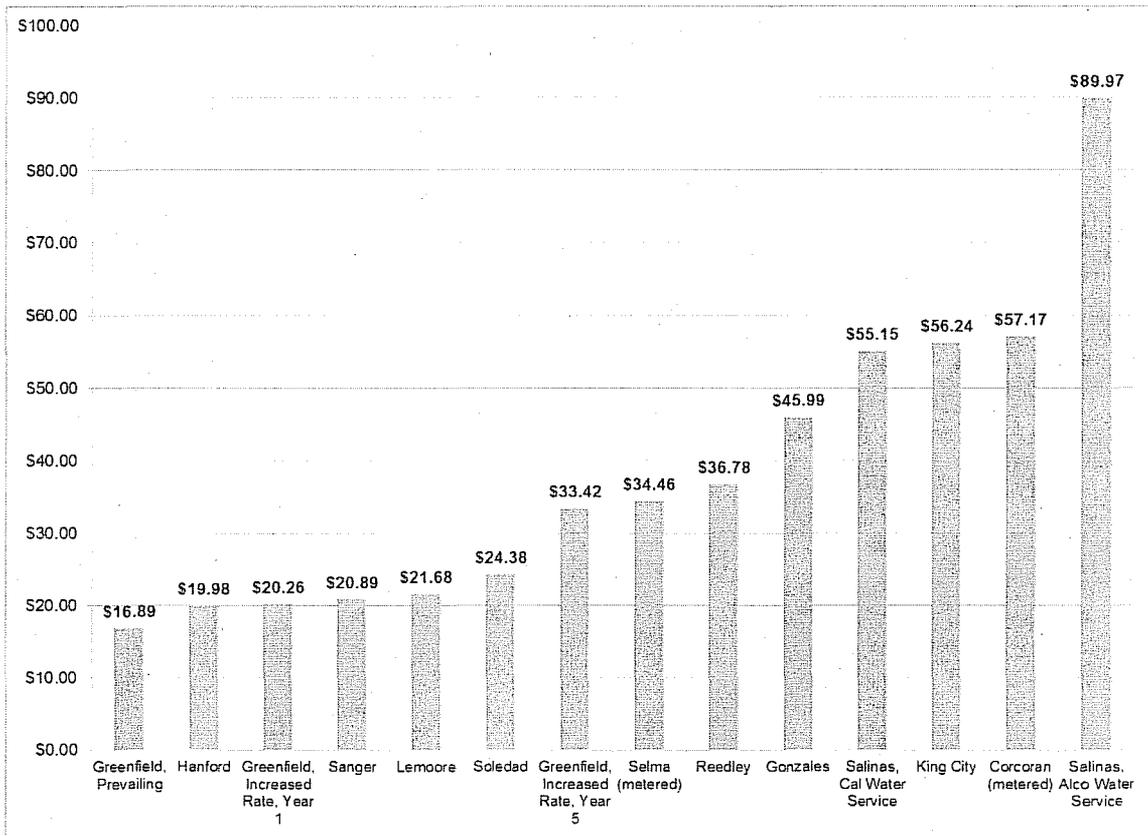
(continued on following page)

Exhibit 1. Prevailing Water Rates

Monthly Service Charges	Customers Within City Limits	Customers Outside City Limits
Base Service Charge:		
5/8 x 3/4" meter	\$7.59	\$15.18
1" meter	\$8.46	\$16.92
1 1/2" meter	\$10.48	\$20.96
2" meter	\$12.46	\$24.92
3" meter	\$26.83	\$53.66
4" meter	\$32.93	\$65.86
6" meter	\$86.05	\$172.10
Variable Consumption Rate per 1,000 gallons:		
0 to 5,000 gallons	\$0.40	\$0.82
5,001 to 10,000 gallons	\$0.65	\$1.30
10,001 to 15,000 gallons	\$0.81	\$1.62
15,001 to 20,000 gallons	\$0.95	\$1.90
20,001 to 25,000 gallons	\$1.00	\$2.00
25,001 gallons and up	\$1.50	\$3.00
Monthly Base Service Charge for Fire Protection Services:		
1 1/2" meter	\$7.96	\$12.22
2" meter	\$9.38	\$15.50
3" meter	\$10.80	\$18.23
4" meter	\$12.22	\$21.60
6" meter	\$15.50	\$27.81
Water Usage Rates for 3-inch Fire Hydrant Meter		
For first 9,000 gallons	\$48.50	\$97.17
For each 1,000 gallons above 9,000 gallons	\$1.28	\$2.58
<i>(Deposit is two times the usage fee)</i>		

The most common user type served by the City of Greenfield is the single family residence. Exhibit 2 compares this user type to rate structures imposed by other water utilities in the region. Of the agencies surveyed, the rate structure applied by the City of Greenfield yields the lowest cost to a home. If the proposed rate adjustment is adopted, Greenfield's rate will remain the second lowest in the region, in the first year of the rate adjustment. In the fifth year of the rate adjustment, Greenfield is expected to be in the middle of the range, when compared to the rates imposed by other water utilities in the region, in *today's values*.

**Exhibit 2. Regional Comparison of Water Rates
For Single-Family Residential Customers in Fiscal Year 2011/12**
(Based on Consumption of 15,000 gallons)



SECTION 3. WATER RATE STUDY

A. OPERATING REQUIREMENTS

Operating requirements relate to the typically recurring, annual expenses associated with activities which manage/administer, maintain, and operate the water system and meet the City's regulatory and other programmatic obligations. Examples of operating expenses include personnel, services, supplies, and minor equipment. In a self-sufficient program, annual operating requirements should be fully satisfied by the annual, recurring revenue sources of the Utility to avoid a "structural deficit." Running a structural deficit means that the program's cash reserves – which are typically held as a resource for capital investments or emergency – must be drawn upon to meet annual expenses. A short-term draw upon reserves to meet operating requirements may be acceptable, if not planned – typically through periods of unstable or unforeseen conditions – but it is not a sustainable condition. Thus, this analysis has presumed that all projected operating requirements of the Utility will be met by a recurring revenue stream: rates paid by the customers of the water system.

Exhibit 3 illustrates the current operating expenditures for the Utility and projected expenditures from that starting point. In Fiscal Year 2011/12, corresponding to the City's existing adopted budget and service level at the time of this writing, operating expenses are projected at approximately \$825,800. A detailed list and projection of operating costs can be viewed on Page 2 of Appendix A to this report.

Exhibit 3. Annual Operating Expenditures

Fiscal Year	Operating Expenditures
2012	\$825,800
2013	\$854,878
2014	\$884,835
2015	\$916,110
2016	\$947,586

For the items listed in the Utility's budget, the level of expenditure (and thus, implied levels of service) observed at the start of the planning horizon – Fiscal Year 2011/12 – are assumed to continue through the forecast period. This means that spending is assumed to follow a linear progression, varying only by applied economic factors estimating cost inflation. No deviation – discrete reductions or expansions caused by efficiency findings or changes to levels of service – have been assumed at this time. It should be emphasized that future projections for operating costs stemming from Fiscal Year 2011/12 estimated ending performance may be understating the level of expenditure necessary to run the system under historically-expected, "normal" conditions.

Future cost escalation assumptions include no near-term growth in customers, due to the fact that there has been no recent growth and actually a reduction in customers. General cost inflation is assumed at 3.00% per year, and labor cost inflation is assumed at a flat rate of 4.0% per year in all years of the forecast. These inflation factors were developed drawing upon historical, industry trends in long-term cost

escalation, but also in consultation with City staff, factoring in recent and/or expected local conditions from other planning efforts.

B. DEBT SERVICE

The Water Utility is currently obligated to one outstanding debt issue, an Enterprise Fund Installment Sale Agreement issued by the California Infrastructure and Economic Development Bank. The bond proceeds were used to fund the Tenth Street Water System Expansion project. The City will continue making annual principal and interest payments on this debt issue until it is paid off, which is scheduled to occur in Fiscal Year 2036/37. Exhibit 4 shows the scheduled debt service payments that are due until the debt issue is paid in full.

Exhibit 4. Annual Debt Service Payments

Fiscal Year	Prinicpal	Interest	Annual Fee	Total
2012	\$80,954	\$99,088	\$9,558	\$189,600
2013	\$83,504	\$96,497	\$9,315	\$189,317
2014	\$86,134	\$93,826	\$9,065	\$189,025
2015	\$88,847	\$91,070	\$8,807	\$188,724
2016	\$91,646	\$88,227	\$8,540	\$188,413
2017	\$94,533	\$85,295	\$8,265	\$188,093
2018	\$97,511	\$82,270	\$7,981	\$187,762
2019	\$100,582	\$79,150	\$7,689	\$187,421
2020	\$103,751	\$75,932	\$7,387	\$187,070
2021	\$107,019	\$72,612	\$7,076	\$186,707
2022	\$110,390	\$69,188	\$6,755	\$186,333
2023	\$113,867	\$65,656	\$6,424	\$185,947
2024	\$117,454	\$62,013	\$6,082	\$185,550
2025	\$121,154	\$58,254	\$5,730	\$185,138
2026	\$124,970	\$54,378	\$5,366	\$184,714
2027	\$128,907	\$50,379	\$4,991	\$184,277
2028	\$132,967	\$46,255	\$4,605	\$183,827
2029	\$137,156	\$42,000	\$4,206	\$183,362
2030	\$141,476	\$37,612	\$3,794	\$182,882
2031	\$145,933	\$33,085	\$3,370	\$182,388
2032	\$150,530	\$28,416	\$2,932	\$181,878
2033	\$155,271	\$23,600	\$2,480	\$181,351
2034	\$160,162	\$18,632	\$2,015	\$180,808
2035	\$165,207	\$13,507	\$1,534	\$180,249
2036	\$170,411	\$8,221	\$1,039	\$179,671
2037	\$175,779	\$2,769	\$527	\$179,075

Pursuant to bondholder covenants, the Water Utility is also required to generate revenues sufficient to meet operating expenses, annual debt service, plus 10% above the annual principal and interest payments due on the bond. This is a requirement of the bondholders that the utility will be able to make the annual debt service payments and is known as a Debt Coverage Requirement. Annual debt service payments (principal and interest, exclusively) are approximately \$180,000 throughout the life of the bond

issue. With the debt coverage requirement set to 10% of annual principal and interest payments, the utility is required to generate approximately \$18,000 above the annual debt service payment in addition to meeting all operating expenses, to fulfill this requirement on an annual basis. Under projected revenues and expenditures, the Utility is projected to fall \$110,000 short of that goal in the current fiscal year. This outcome can also be viewed in detail on Page 22 of Appendix A to this report.

C. CAPITAL REQUIREMENTS AND PROJECTED FINANCING

The Utility has an adopted Capital Improvement Program (CIP) that consists of rehabilitation and replacement projects needed to serve existing users, and expansion projects that will be needed to serve future development. Between Fiscal Years 2011/12 and 2015/16, the City of Greenfield has identified numerous capital projects totaling nearly \$5.3 million (in future values), that seek to rehabilitate or replace system infrastructure equipment, and/or fixed assets which should be funded from cash held in the Utility’s capital reserves and contributions made from user rates. Rehabilitation and replacement projects represent burdens solely attributable to existing connections to the wastewater system, a cost ultimately to be borne in water rates, either through direct, "pay-as-you-go" funding or when possible, by using accumulated cash reserves originally funded by rates in prior years. Exhibit 5 presents the list of projects that are planned to be completed within the five year period that will be funded by existing connections to the system.

**Exhibit 5. Adopted Five-Year Capital Improvement Program
Projects Needed to Serve Existing Connections**

Project Description	2012	2013	2014	2015	2016
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 983,630	\$ -	\$ -	\$ -	\$ -
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 1,138,940	\$ -	\$ -	\$ -	\$ -
Refurbish Oak Avenue Water Tower	\$ 279,558	\$ -	\$ -	\$ -	\$ -
Paint Water Tank Exterior	\$ 155,310	\$ -	\$ -	\$ -	\$ -
Replace 600 Water Meters Annually	\$ 372,744	\$ 385,939	\$ 399,601	\$ 413,747	\$ 428,394
Replace 50 Fire Hydrants	\$ 155,310	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms>Showers/Locker Rooms	\$ 6,523	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 Building - Paint Exterior	\$ -	\$ 16,081	\$ -	\$ -	\$ -
VFD Drives - Remove & Replace	\$ -	\$ 42,882	\$ -	\$ 45,972	\$ -
Pump Plant #1 - Replace Pump Turbines	\$ -	\$ -	\$ 133,200	\$ -	\$ -
Well #1 Pump - Remove & Replace	\$ -	\$ -	\$ -	\$ 114,930	\$ -
Well #6 Pump - Remove & Replace	\$ -	\$ -	\$ -	\$ -	\$ 118,998
Additional Equipment	\$ -	\$ 80,404	\$ -	\$ -	\$ -
Total: Cost Estimate Per Year (Future Values)	\$ 3,092,015	\$ 525,306	\$ 532,802	\$ 574,649	\$ 547,392

The cost of expansions and improvements to the system, at this time are planned to be recovered from future connections. When eventually recovered from future connections, upfront connection fees and/or financing through developer agreements – not rates – can be used to fund the project(s). Exhibit 6 shows the list of projects and the associated cost (in current values) that are documented in the 2008 Update of the City’s Water System Capital Improvement Plan. These projects will eventually be needed in order to serve future development because there is not sufficient capacity within the existing system today. It is assumed in the supporting analysis to this report that these projects will be completed, but will be funded by contributions made by developers; therefore, there is no impact to the monthly service rate to fund these projects.

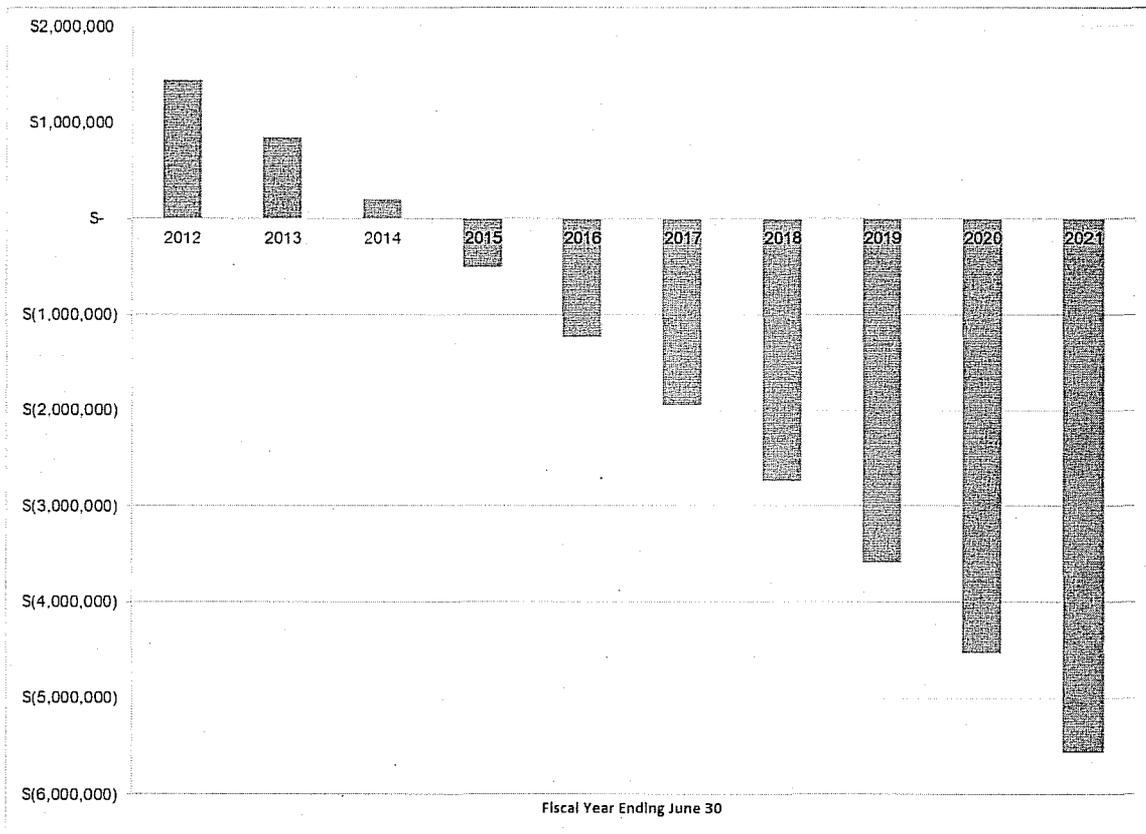
**Exhibit 6. Adopted Capital Improvement Program
Projects Needed to Serve Future Connections**

Project Description	Cost Estimate (Current Values)
<u>Water Supply Projects</u>	
New 1,800 gpm Well Site To Be Determined	\$1,000,000
New 1,800 gpm Well Site To Be Determined	\$1,000,000
Total: Cost Estimate for Water Supply Projects	\$2,000,000
<u>Reservoirs</u>	
Second 1.5 MGD Reservoir at Oak/13th Site	\$900,000
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$900,000
Total: Cost Estimate for Reservoir Projects	\$1,800,000
<u>Pump Stations</u>	
Additions at Oak Ave./13th Site	\$750,000
Additions at 10th St. Corporation Yard	\$750,000
Total: Cost Estimate for Pump Station Projects	\$1,500,000
<u>Pipelines</u>	
12" Walnut Ave. - Santa Lucia SC to Third Street	\$675,000
12" Cherry Ave. - McDonald Way to Third Street	\$495,000
12" Pine Ave. - El Camino to Third Street	\$495,000
12" Third Street - Walnut to Cypress Avenue	\$600,000
12" Elm Avenue - 4th Street to 3rd Street	\$210,000
12" Elm Avenue - 3rd Street to 2nd Street	\$396,000
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$216,000
12" Cherry Ave. - 3rd Street to 2nd Street	\$396,000
12" Pine Ave. - 3rd Street to 2nd Street	\$396,000
12" 2nd Street - Oak Avenue southerly to SOI	\$525,000
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$600,000
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$810,000
12" Pine Avenue - 13th Street to El Camino Real	\$810,000
12" 12th Street - Walnut Avenue to Cypress Avenue	\$600,000
12" Cypress Avenue - 13th Street to El Camino Real	\$810,000
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$690,000
12" 13th Street - Elm Avenue to Cypress Avenue	\$1,207,500
12" Elm - 13th easterly to New 12"	\$202,500
12" Elm Avenue southerly to SOI	\$705,000
12" SOI Easterly to El Camino Real	\$780,000
12" Westerly SOI to Easterly SOI	\$1,140,000
12" El Camino Real - High School Southerly to SOI	\$540,000
12" Pipeline 29 to Pipeline 32	\$375,000
12" Pipeline 31 to 2nd Street	\$510,000
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$330,000
12" Walnut Avenue - 13th Street to 12th Street	\$405,000
12" Apple Avenue - 13th Street to Existing Pipeline	\$112,000
Total: Cost Estimate for Pipeline Projects	\$15,031,000
<u>Additional Capital Expenses for Projects</u>	
Administration, Engineering and Contingencies	\$6,399,450
Land Acquisition Costs	\$100,000
Total: Cost Estimate for Additional Expenses	\$6,499,450
Grand Total: Cost Estimate for Projects to Serve Future Connections	\$26,830,450

D. CASH FLOW PERFORMANCE UNDER PREVAILING REVENUE AND EXPENDITURES

The Utility began Fiscal Year 2011/12 with a total cash balance across all funds of over \$4.6 million. This amount represents the total cash available to fund the Utility if revenues received during the Fiscal Year are insufficient in meeting actual expenditures when they occur. Once depleted, this cash reserve cannot be accumulated but through incoming revenues in excess of immediate outgoing needs. With no change to revenues and/or expenditures, the total cash balance of the Utility across all funds will begin to decline and the Utility will begin to spend funds that should be otherwise reserved for capital needs in order, to cover operating expenses. Exhibit 7 graphs this cash flow projection, identifying the total cash balance across all funds in each fiscal year.

Exhibit 7. Cash Flow Performance at Prevailing Revenue and Expenditure Levels



E. TOTAL REVENUE REQUIREMENT

After compiling and forecasting the complete array of obligations facing the Utility, outlays were compared to forecasted resources, comprised primarily of rate revenues at their current levels. When comparing Utility obligations with available resources, this study has examined rate revenue sufficiency from two perspectives: cash sufficiency and debt coverage sufficiency. The latter refers to the ability of a utility to meet bond covenants which might require its revenue stream to produce a cushion above annual debt service.

The Utility is currently obligated to one outstanding debt issue, for which it is required to generate revenues sufficient to meet operating expenses, annual debt service, plus 10% above the annual principal and interest payments due on the bond, as described in Section 3.B. However, because the cash flow deficit that exists within the utility is greater than the debt coverage deficit, cash sufficiency alone drives rate revenue requirements: cash resources against cash obligations. Cash resources in this test include rate revenue, miscellaneous operating revenue, and interest earnings in the Operating Fund. Cash obligations include operating expenses, debt service, specific contributions toward a Capital Replacement Reserve, pay-as-you-go cash funding of a capital improvement program, and additions to the Operating Reserve required to the achieve minimum reserve balance described in Section 2.D. If these cash obligations exceed resources available and cannot be reduced to eliminate the deficiency, a rate increase is required to fully fund the needs of the Utility.

In Fiscal Year 2011/12, the Utility is faced with \$1,005,841 in total obligations, comprised of approximately \$825,800 in operating expenses and \$180,041 in debt service payments. (These amounts exclude contributions to reserves recommended in this study.) Rate revenues and other available resources are projected at just over \$763,937, yielding a deficit of approximately \$102,167. This deficit represents an equivalent draw on available cash reserves held in the Operating Fund. This can be described as a "structural deficit" wherein recurring expenses from operations are not satisfied by the recurring revenue stream of the Utility, predominantly, water rates.

It is recommended in this study that the Utility maintain an Operating Reserve of 60-days worth of operating, programmed by this analysis to be roughly \$136,000. In addition, as introduced in Section 2.D, the establishment and ongoing funding of a Capital Replacement Reserve should be a long-term goal of the Utility. To communicate the magnitude of implementing this policy over a period of five years (as an example), the revenue requirement scenario that has been prepared by this study phases-in funding of the Capital Replacement Reserve. This funding level is equivalent to the annual depreciation expense, which is estimated to be fully funded by the end of Fiscal Year 2016/17. Compared against projected rate revenues and other available resources, a cash deficit of over \$180,000 is evident, for the current fiscal year, if the recommended contributions to reserves are made.

Exhibit 8 compares total revenue from current sources against total cash obligations including the phased-in funding of a Capital Replacement Reserve. These outcomes can also be viewed in summary on Page 22 of Appendix A to this report.

Exhibit 8. Total Revenue Requirement Compared to Prevailing Revenues

Fiscal Year Ending	Total Revenue Requirement, All Obligations					Current Resources Including Prevailing Rates	Cash Flow Surplus (Deficit)
	Operating Expenditures	Existing Debt Service	Operating Reserve Funding	Capital Replacement Reserve Funding	Total Obligations		
2012	\$825,800	\$180,041	\$0	\$77,833	\$1,083,675	\$903,675	(\$180,000)
2013	\$854,878	\$180,001	\$4,780	\$145,803	\$1,185,462	\$927,179	(\$258,283)
2014	\$884,835	\$179,960	\$4,924	\$127,623	\$1,197,342	\$927,203	(\$270,139)
2015	\$916,110	\$179,917	\$5,141	\$144,199	\$1,245,368	\$927,591	(\$317,777)
2016	\$947,586	\$179,873	\$5,174	\$273,750	\$1,406,383	\$928,006	(\$478,377)

F. PROJECTED WATER RATE REVENUE

Without a reduction or deferral to the underlying expenditures and recommendations introduced in prior sections, the total revenue requirement presented in Section 3.E must be satisfied by an increase to the Utility's primary revenue source: rates paid by the customers of the water system. Exhibit 10 identifies the level of rates necessary to generate the annual rate revenue required to correct the structural deficit of the utility, fund the 60-day Operating Reserve, cash fund all capital projects and phase in full funding of a Capital Replacement Reserve.

In Year 1 of this forecast, the average monthly bill for a single-family residential customer, with 15,000 gallons of water consumption would increase from \$16.89 currently to \$20.27, an increase of \$3.38. By Year 5, the same bill for the average single-family residential customer would be \$33.42, which results in a cumulative change over the five year period, of \$16.53.

The proposed rates are presented in Exhibit 10 on the following page.

Exhibit 10. Projected Water Rates and Revenue

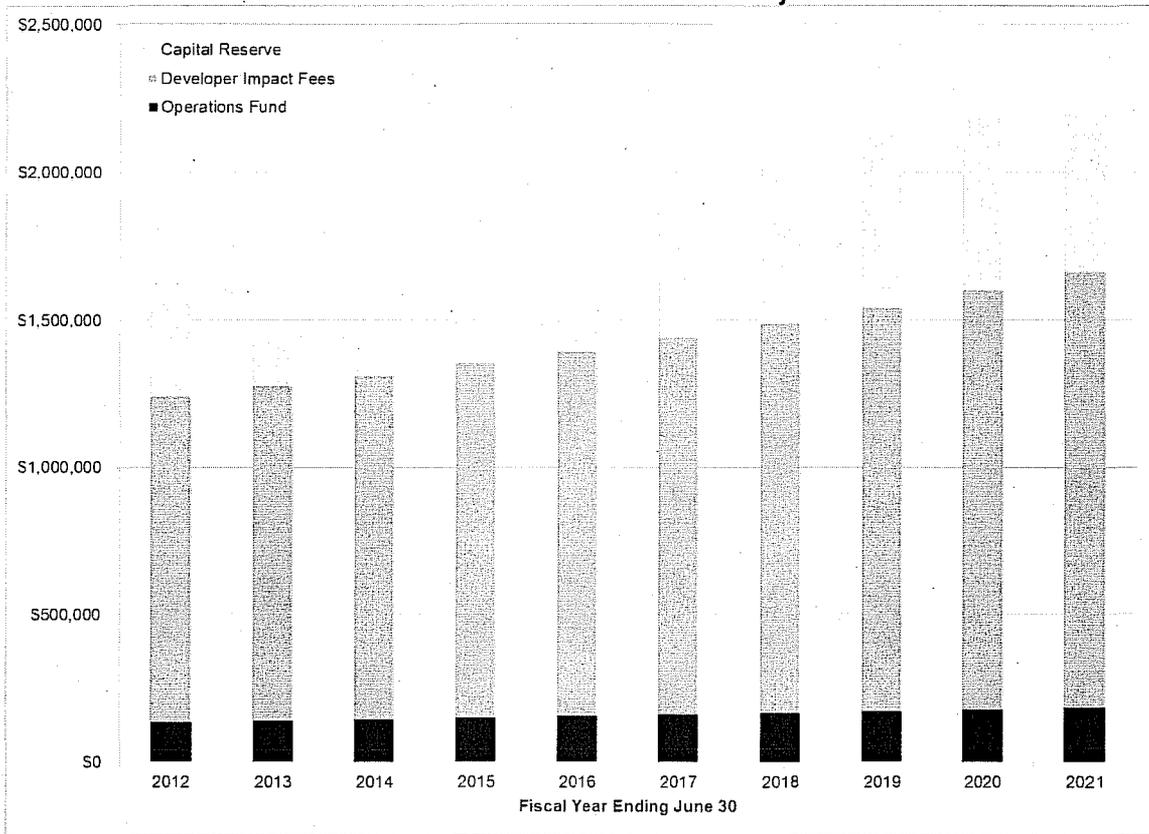
Monthly Service Charges	Prevailing Rates	Proposed Adjustments to Rates				
		2011/12	2012/13	2013/14	2014/15	2015/16
Projected Revenue from Rates	\$900,000	\$1,080,000	\$1,296,000	\$1,555,200	\$1,664,064	\$1,780,607
Annual Change	-	20.00%	20.00%	20.00%	7.00%	7.00%
Average Monthly Bill - Single Family Home (1)	\$16.89	\$20.27	\$24.32	\$29.19	\$31.23	\$33.42
Rates for Customers Within City Limits:						
Base Service Charge:						
5/8 x 3/4" meter	\$7.59	\$9.11	\$10.93	\$13.12	\$14.03	\$15.02
1" meter	\$8.46	\$10.15	\$12.18	\$14.62	\$15.64	\$16.74
1 1/2" meter	\$10.48	\$12.58	\$15.09	\$18.11	\$19.38	\$20.73
2" meter	\$12.46	\$14.95	\$17.94	\$21.53	\$23.04	\$24.65
3" meter	\$26.83	\$32.20	\$38.64	\$46.36	\$49.61	\$53.08
4" meter	\$32.93	\$39.52	\$47.42	\$56.90	\$60.89	\$65.15
6" meter	\$86.05	\$103.26	\$123.91	\$148.69	\$159.10	\$170.25
Variable Consumption Rater per 1,000 gallons:						
0 to 5,000	\$0.40	\$0.48	\$0.58	\$0.69	\$0.74	\$0.79
5,001 to 10,000	\$0.65	\$0.78	\$0.94	\$1.12	\$1.20	\$1.29
10,001 to 15,000	\$0.81	\$0.97	\$1.17	\$1.40	\$1.50	\$1.60
15,001 to 20,000	\$0.95	\$1.14	\$1.37	\$1.64	\$1.76	\$1.88
20,001 to 25,000	\$1.00	\$1.20	\$1.44	\$1.73	\$1.85	\$1.98
25,001 and up	\$1.50	\$1.80	\$2.16	\$2.59	\$2.77	\$2.97
Monthly Base Service Charge for Fire Protection Services:						
1 1/2" meter	\$7.96	\$9.55	\$11.46	\$13.75	\$14.72	\$15.75
2" meter	\$9.38	\$11.26	\$13.51	\$16.21	\$17.34	\$18.56
3" meter	\$10.80	\$12.96	\$15.55	\$18.66	\$19.97	\$21.37
4" meter	\$12.22	\$14.66	\$17.60	\$21.12	\$22.59	\$24.18
6" meter	\$15.50	\$18.60	\$22.32	\$26.78	\$28.66	\$30.67
Water Usage Rates for 3-inch Fire Hydrant Meter						
For first 9,000 gallons	\$48.50	\$58.20	\$69.84	\$83.81	\$89.67	\$95.95
For each 1,000 gallons above 9,000 gallons (Deposit is two times the usage fee)	\$1.28	\$1.54	\$1.84	\$2.21	\$2.37	\$2.53
Rates for Customers Outside City Limits:						
Base Service Charge:						
5/8 x 3/4" meter	\$15.18	\$18.22	\$21.86	\$26.23	\$28.07	\$30.03
1" meter	\$16.92	\$20.30	\$24.36	\$29.24	\$31.28	\$33.48
1 1/2" meter	\$20.96	\$25.15	\$30.18	\$36.22	\$38.75	\$41.47
2" meter	\$24.92	\$29.90	\$35.88	\$43.06	\$46.08	\$49.30
3" meter	\$53.66	\$64.39	\$77.27	\$92.72	\$99.22	\$106.16
4" meter	\$65.86	\$79.03	\$94.84	\$113.81	\$121.77	\$130.30
6" meter	\$172.10	\$206.52	\$247.82	\$297.39	\$318.21	\$340.49
Variable Consumption Rater per 1,000 gallons:						
0 to 5,000	\$0.82	\$0.98	\$1.18	\$1.42	\$1.52	\$1.62
5,001 to 10,000	\$1.30	\$1.56	\$1.87	\$2.25	\$2.40	\$2.57
10,001 to 15,000	\$1.62	\$1.94	\$2.33	\$2.80	\$3.00	\$3.21
15,001 to 20,000	\$1.90	\$2.28	\$2.74	\$3.28	\$3.51	\$3.76
20,001 to 25,000	\$2.00	\$2.40	\$2.88	\$3.46	\$3.70	\$3.96
25,001 and up	\$3.00	\$3.60	\$4.32	\$5.18	\$5.55	\$5.94
Monthly Base Service Charge for Fire Protection Services:						
1 1/2" meter	\$12.22	\$14.66	\$17.60	\$21.12	\$22.59	\$24.18
2" meter	\$15.50	\$18.60	\$22.32	\$26.78	\$28.66	\$30.67
3" meter	\$18.23	\$21.88	\$26.25	\$31.50	\$33.71	\$36.07
4" meter	\$21.60	\$25.92	\$31.10	\$37.32	\$39.94	\$42.73
6" meter	\$27.81	\$33.37	\$40.05	\$48.06	\$51.42	\$55.02
Water Usage Rates for 3-inch Fire Hydrant Meter						
For first 9,000 gallons	\$97.17	\$116.60	\$139.92	\$167.91	\$179.66	\$192.25
For each 1,000 gallons above 9,000 gallons (Deposit is two times the usage fee)	\$2.58	\$3.10	\$3.72	\$4.46	\$4.77	\$5.10

(1) Average monthly bill based on consumption of 15,000 gallons and a 5/8 x 3/4" meter.

H. CASH FLOW PERFORMANCE AFTER PROJECTED RATE REVENUE

Under the projected water rates introduced above in Section 3.G, increased revenue has a positive effect on the cash flow projection for the Utility. Exhibit 11 illustrates the total cash balance across all funds by fiscal year assuming a phase-in of full funding for a Capital Replacement Reserve. In addition to eliminating the structural deficit, meeting the 60-day Operating Reserve described in Section 2.D, and fully cash-funding all capital projects; a cash resource is accumulated and available for future investments in the infrastructure and fixed assets of the water system consistent with the current level of depreciation.

Exhibit 11. Cash Flow Performance After Projected Rates



SECTION 4. RECOMMENDATIONS AND IMPLEMENTATION

A. CONSULTANT RECOMMENDATIONS

NBS recommends that the City of Greenfield pursue implementation of water rates consistent with the rates proposed in this report wherein:

- The current structural deficit of the Utility is resolved fully.
- The 60-day Operating Reserve requirement is fulfilled by the end of the first year.
- Annual funding of a Capital Replacement Reserve phased in to equal the annual depreciation expense.
- All capital projects listed in the Capital Improvement Program for the Utility are fully cash-funded with a combination of existing reserves and with direct contributions from user rates.

This yields the rates listed in Exhibit 10, with the average monthly bill for a single-family residential customer, with 15,000 gallons of water consumption would increase from \$16.89 currently to \$20.27, an increase of \$3.38, in the first year of the rate adjustment strategy. By Year 5, the same bill for the average single-family residential customer would be \$33.42, which results in a cumulative change over the five year period, of \$16.53. This level of rates not only seeks to immediately eliminate the structural deficit for the Utility, but also, minimum and *equitable* funding of infrastructure rehabilitation and replacement by each generation of customers.

B. IMPLEMENTATION ACTIONS

At this juncture, NBS recommends proceeding with efforts to implement the projected water rates by approving the Financial Plan for the Utility and proceeding with the legal requirements to put new rates in place, by initiating California's Proposition 218 Procedures, which consists of the following steps:

1. Schedule a Public Hearing for no earlier than February 14th, 2012 (*45-day noticing period required*).
2. Direct City Staff to mail a public notice that describes the proposed changes to water rates.
3. Receive any written protests form utility customers and/or property owners.
4. After the Public Hearing, conduct a vote of the City Council to adopt the new rates.
5. New rates will become effective 30 days after the Public Hearing.

TECHNICAL APPENDIX

The following Appendix shows the detail of the Revenue Requirements analysis, for the rate scenario presented in this report for the Water Utility.

APPENDIX A

Water Revenue Requirements Analysis, Scenario 3 Phase-In of a Capital Replacement Reserve

Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

General Note: All year labels should be read as "the fiscal year ending June 30, [year label]. For example, "2012" refers to the 2011/2012 fiscal year.

FORECASTING ASSUMPTIONS:

Economic Variables	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Customer Growth (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2 General Cost Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3 Labor Cost Inflation	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
4 General Cost Inflation plus Customer Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5 Energy Cost Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
6 No Escalation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7 Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rate Revenue Policy	2012	2013	2014	2015	2016	2017	2018	2019	2020
8 Adopted Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9 Rate Increase plus Customer Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10 Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

OPERATING REVENUE FORECAST (2):

Operating Revenue	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
40100 Interest Income (3)	Ref Ex 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40200 Market Rate Adjustment	6	-	-	-	-	-	-	-	-	-
40800 Rental Income	6	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
42100 Water User Fees	1	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
42150 Connection Fees	6	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
47100 Sale of Surplus Property	6	-	-	-	-	-	-	-	-	-
47200 Other Revenue	6	-	-	-	-	-	-	-	-	-
Total: Operating Revenue		\$ 901,500	\$ 926,500							

Water Impact Fee Fund Revenues	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
40100 Interest Income	Ref Ex 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40200 Market Rate Adjustment	6	-	-	-	-	-	-	-	-	-
47500 Loan Proceeds	6	-	-	-	-	-	-	-	-	-
42000 Impact Fees	6	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total: Impact Fee Fund Revenue		\$ -	\$ 25,000							

Rate Revenue	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Impact Fee Fund Revenues	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Other Operating Revenue	\$ 1,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500	\$ 26,500

Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

General Note: All year labels should be read as "the fiscal year ending June 30, [year label]. For example, "2012" refers to the 2011/2012 fiscal year.

OPERATING EXPENSE FORECAST (2):

Employee Services	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
50100 Full Time Regular	3	\$ 166,700	\$ 173,368	\$ 180,303	\$ 187,515	\$ 195,015	\$ 202,816	\$ 210,929	\$ 219,366	\$ 228,140
50110 Part Time	3	-	-	-	-	-	-	-	-	-
50150 Overtime	3	4,900	5,096	5,300	5,512	5,732	5,962	6,200	6,448	6,706
Employee Benefits	3	78,700	81,848	85,122	88,527	92,068	95,751	99,581	103,564	107,706
N/A Additional Staffing Needs (4)	3	118,400	123,136	128,061	133,184	138,511	144,052	149,814	155,806	162,039
Total: Employee Services		\$ 368,700	\$ 383,448	\$ 398,786	\$ 414,737	\$ 431,327	\$ 448,580	\$ 466,523	\$ 485,184	\$ 504,591

Maintenance & Operations	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
60100 Contractual Services	2	\$ 55,300	\$ 56,959	\$ 58,668	\$ 60,428	\$ 62,241	\$ 64,108	\$ 66,031	\$ 68,012	\$ 70,052
60200 Financial Consultant	2	-	-	-	-	-	-	-	-	-
55600 Uniform Allowances	2	1,900	1,957	2,016	2,076	2,138	2,203	2,269	2,337	2,407
60600 Insurance	2	900	927	955	983	1,013	1,043	1,075	1,107	1,140
65100 Office Supplies	2	300	309	318	328	338	348	358	369	380
65120 Postage	2	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900
65200 Special Supplies/Services	2	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335
65210 Advertising	2	600	618	637	656	675	696	716	738	760
65220 Maintenance & Operations - Equipment	2	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
65230 Memberships & Dues	2	800	824	849	874	900	927	955	984	1,013
65235 Education	2	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
65240 Travel, Meetings & Conferences	2	400	412	424	437	450	464	478	492	507
65300 Publications	2	100	103	106	109	113	116	119	123	127
65310 Small Tools	2	1,200	1,236	1,273	1,311	1,351	1,391	1,433	1,476	1,520
Maintenances - Storm Drain	2	-	-	-	-	-	-	-	-	-
65330 Maintenance - Alleys & Streets	2	11,500	11,845	12,200	12,566	12,943	13,332	13,732	14,144	14,568
70100 Gas & Oil	5	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201
70200 Maintenance & Operations - Vehicles	2	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067
75100 Utilities	5	190,000	195,700	201,571	207,618	213,847	220,262	226,870	233,676	240,686
75200 Communications	2	3,300	3,399	3,501	3,606	3,714	3,826	3,940	4,059	4,180
75500 Maintenance & Operations - Bldgs/Grounds	2	2,400	2,472	2,546	2,623	2,701	2,782	2,866	2,952	3,040
75900 Depreciation	See Below	-	-	-	-	-	-	-	-	-
75700 Property Taxes	2	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900
90360 Federal Stimulus	2	-	-	-	-	-	-	-	-	-
95300 County Collection Fees	2	7,100	7,313	7,532	7,758	7,991	8,231	8,478	8,732	8,994
99500 Community Promotion	2	-	-	-	-	-	-	-	-	-
99800 Allocated Overhead (5)	3	124,400	129,376	134,551	139,933	145,530	151,352	157,406	163,702	170,250
Total: Maintenance & Operations		\$ 446,200	\$ 460,830	\$ 475,949	\$ 491,573	\$ 507,719	\$ 524,406	\$ 541,652	\$ 559,475	\$ 577,897

Debt Service	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
95100 Principal Retirement	Ref Ex 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95200 Interest Expense	Ref Ex 4	-	-	-	-	-	-	-	-	-
95300 Paying Agent Fees (6)	6	10,900	10,600	10,100	9,800	8,540	8,265	7,981	7,689	7,387
Total: Debt Service		\$ 10,900	\$ 10,600	\$ 10,100	\$ 9,800	\$ 8,540	\$ 8,265	\$ 7,981	\$ 7,689	\$ 7,387

Capital Outlay	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
90100 Operating Equipment	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Maintenance & Operations		\$ -								

Additional Expenditure from CIP Projects	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Operations and Maintenance Expenditure	Ref Ex 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Additional Expenditure from CIP Projects		\$ -								

Grand Total: Operating Expenses		\$ 825,800	\$ 854,878	\$ 884,835	\$ 916,110	\$ 947,586	\$ 981,251	\$ 1,016,156	\$ 1,052,348	\$ 1,089,875
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Water Revenue Requirement Analysis

Operating Income and Expenses

Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

Scenario 3: Strategic Outcome / Includes Phased-In Funding of a Capital Replacement Reserve

General Note: All year labels should be read as "the fiscal year ending June 30, [year label]". For example, "2012" refers to the 2011/2012 fiscal year.

DEPRECIATION EXPENSE FORECAST:

Depreciation Expense	2012	2013	2014	2015	2016	2017	2018	2019	2020
Existing Depreciation Expense (7)	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Forecasted Additions to the Depreciation Expense:									
Depreciation Exp. for Projects in Current CIP Budget	81,414	91,062	95,502	102,295	127,681	144,109	161,119	178,731	196,966
Depreciation Exp. for Projects to Serve Future Development	36,911	73,119	103,033	133,144	176,459	231,318	268,186	303,387	339,834
Grand Total: Annual Depreciation Expense	\$ 268,325	\$ 314,181	\$ 348,535	\$ 385,439	\$ 454,140	\$ 525,427	\$ 579,305	\$ 632,117	\$ 686,800

REPLACEMENT RESERVE FUNDING ASSUMPTIONS:

Policy Choice	Input	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 No Depreciation Funding	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 Annual Depreciation Expense	N/A	268,325	314,181	348,535	385,439	454,140	525,427	579,305	632,117	686,800
3 Annual Depreciation Expense + Current CIP	N/A	231,414	241,062	245,502	252,295	277,681	294,109	311,119	328,731	346,966
4 Current Level of Depreciation	N/A	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
5 Amount at Right	N/A	77,833	145,803	127,623	144,199	273,750	294,109	311,119	328,731	346,966

Replacement Reserve Funding Choice	Basis	2012	2013	2014	2015	2016	2017	2018	2019	2020
Effective Annual Funding Amount (8)	5	\$ 77,833	\$ 145,803	\$ 127,623	\$ 144,199	\$ 273,750	\$ 294,109	\$ 311,119	\$ 328,731	\$ 346,966

(1) In consultation with City Staff, the Customer Growth Rate is set to 0%.

(2) The source of the Fiscal Year 2011/12 estimated Operating Revenue and Expenses is the City's Four Year Financial Plan. Inflationary factors were applied to costs beginning in FY 2012/13.

(3) Budgeted Interest Earnings were zeroed out here because they are calculated in Exhibit 5 (Reserves) of this model.

(4) Per direction from City Staff, the additional personnel services are to meet deferred maintenance needs and SWRCB requirements.

(5) Allocated Overhead is the Utility Billing Expense and for Fiscal Year 2011/12, the total cost is \$124,400, which is the budgeted amount of \$194,900, less the amount allocated to the Sewer Utility, of \$70,500.

(6) Paying Agent Fees for Fiscal Years 2011/12 to 2014/15 are from City's Four Year Financial Plan. Paying Agent fees for all future years are from the loan amortization schedule.

(7) The existing depreciation expense is reported in the Four Year Financial Plan for Fiscal Year 2011/12 to 2014/15.

(8) In this iteration of the analysis, the Capital Replacement Reserve funding is being phased in to equal to the existing depreciation expense for the utility, plus the additional expense from capital projects in the current CIP.

FORECASTING ASSUMPTIONS:

Economic Variables	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Construction Cost Inflation (1)	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%
Cumulative Construction Cost Multiplier from 2012	1.04	1.07	1.11	1.15	1.19	1.23	1.28	1.32	1.37
Annual General Cost Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

CAPITAL IMPROVEMENT PROGRAM:

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Projects to be Funded by Impact Fees:</u>									
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Projects to be Funded by Water Operations Fund:</u>									
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refurbish Oak Avenue Water Tower	\$ 270,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paint Water Tank Exterior	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 600 Water Meters Annually (2)	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ -	\$ -	\$ -	\$ -
Replace 50 Fire Hydrants (3)	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms/Showers/Locker Rooms	\$ 6,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 Building - Paint Exterior (4)	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
VFD Drives - Remove & Replace (4)	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 - Replace Pump Turbines (4)	\$ -	\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Well #1 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
Well #6 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Placeholder Projects for 2013-2031 (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Total: Current Cost Estimate Per Year	\$ 2,986,300	\$ 490,000	\$ 480,000	\$ 500,000	\$ 460,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000

CAPITAL IMPROVEMENT PROGRAM, CONTINUED:

Projects to Serve and Be Funded by Future Development (7)

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Supply Projects									
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoirs									
Second 1.5 MGD Reservoir at Oak/13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,000	\$ -	\$ -
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations									
Additions at Oak Ave./13th Site	\$ -	\$ -	\$ -	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -
Additions at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines									
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ 675,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - McDonald Way to Third Street	\$ 495,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - El Camino to Third Street	\$ -	\$ 495,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Third Street - Walnut to Cypress Avenue	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 4th Street to 3rd Street	\$ -	\$ -	\$ 210,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 3rd Street to 2nd Street	\$ -	\$ -	\$ 396,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ -	\$ -	\$ 216,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 396,000	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 396,000	\$ -	\$ -	\$ -	\$ -	\$ -
12" 2nd Street - Oak Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525,000	\$ -	\$ -	\$ -
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,000	\$ -
12" Pine Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,000
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 13th Street - Elm Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm - 13th easterly to New 12"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" SOI Easterly to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Westerly SOI to Easterly SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" El Camino Real - High School Southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 29 to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 31 to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - 13th Street to 12th Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Apple Avenue - 13th Street to Existing Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Capital Expenses for Projects									
Administration, Engineering and Contingencies (8)	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973	\$ 319,973
Land Acquisition Costs (9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -
Total: Current Cost Estimate Per Year	\$ 1,489,973	\$ 1,414,973	\$ 1,141,973	\$ 1,111,973	\$ 1,069,973	\$ 1,894,973	\$ 1,219,973	\$ 1,129,973	\$ 1,129,973
Grand Total: Current Cost Estimate Per Year	\$ 4,476,273	\$ 1,904,973	\$ 1,621,973	\$ 1,611,973	\$ 1,529,973	\$ 2,294,973	\$ 1,619,973	\$ 1,529,973	\$ 1,529,973

FORECASTED CAPITAL IMPROVEMENT PROGRAM COSTS:

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Projects to be Funded by Impact Fees:</u>									
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 983,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Projects to be Funded by Water Operations Fund:</u>									
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 1,138,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refurbish Oak Avenue Water Tower	\$ 279,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paint Water Tank Exterior	\$ 155,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 600 Water Meters Annually (2)	\$ 372,744	\$ 385,939	\$ 399,601	\$ 413,747	\$ 428,394	\$ -	\$ -	\$ -	\$ -
Replace 50 Fire Hydrants (3)	\$ 155,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms/Showers/Locker Rooms	\$ 6,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 Building - Paint Exterior (4)	\$ -	\$ 16,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
VFD Drives - Remove & Replace (4)	\$ -	\$ 42,882	\$ -	\$ 45,972	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 - Replace Pump Turbines (4)	\$ -	\$ -	\$ 133,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Well #1 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ 114,930	\$ -	\$ -	\$ -	\$ -	\$ -
Well #6 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ 118,998	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Placeholder Projects for 2013-2031 (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,843	\$ 510,290	\$ 528,354	\$ 547,058
Total: Future Cost Estimate Per Year	\$ 3,092,015	\$ 525,306	\$ 532,802	\$ 574,649	\$ 547,392	\$ 492,843	\$ 510,290	\$ 528,354	\$ 547,058

FORECASTED CAPITAL IMPROVEMENT PROGRAM COSTS, CONTINUED:

Projects to Serve and Be Funded by Future Development (5)

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Supply Projects									
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,232,109	\$ -	\$ -	\$ -
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoirs									
Second 1.5 MGD Reservoir at Oak/13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,148,153	\$ -	\$ -
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations									
Additions at Oak Ave./13th Site	\$ -	\$ -	\$ -	\$ -	\$ 892,487	\$ -	\$ -	\$ -	\$ -
Additions at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines									
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ 698,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - McDonald Way to Third Street	\$ 512,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - El Camino to Third Street	\$ -	\$ 530,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Third Street - Walnut to Cypress Avenue	\$ -	\$ 643,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 4th Street to 3rd Street	\$ -	\$ -	\$ 233,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 3rd Street to 2nd Street	\$ -	\$ -	\$ 439,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ -	\$ -	\$ 239,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 455,122	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 455,122	\$ -	\$ -	\$ -	\$ -	\$ -
12" 2nd Street - Oak Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,857	\$ -	\$ -	\$ -
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,069,918	\$ -
12" Pine Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,793
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 13th Street - Elm Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm - 13th easterly to New 12"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" SOI Easterly to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Westerly SOI to Easterly SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" El Camino Real - High School Southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 29 to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 31 to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - 13th Street to 12th Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Apple Avenue - 13th Street to Existing Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Capital Expenses for Projects									
Administration, Engineering and Contingencies (8)	\$ 331,300	\$ 343,028	\$ 355,171	\$ 367,744	\$ 380,762	\$ 394,241	\$ 408,197	\$ 422,647	\$ 437,609
Land Acquisition Costs (9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,605	\$ -	\$ -	\$ -
Total: Future Cost Estimate Per Year	\$ 1,542,718	\$ 1,516,926	\$ 1,267,594	\$ 1,277,988	\$ 1,273,249	\$ 2,334,812	\$ 1,556,350	\$ 1,492,565	\$ 1,545,401
Grand Total: Future Cost Estimate Per Year	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460

CAPITAL PROJECT DATA:

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget

Project Description	Future Cost Estimate	Completion Year	Annual O&M Impact (\$)	Useful Life (Years)	For Capacity Fee/Impact Fee Calculation and Reserve Segregation Only		
					For Existing Needs (%)	For Future Needs (%)	Basis / Note
<u>Projects to be Funded by Impact Fees:</u>							
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 983,630	2012	\$ -	40	0%	100%	Project will be funded by Development Impact Fees
<u>Projects to be Funded by Water Operations Fund:</u>							
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 1,138,940	2012	\$ -	40	100%	0%	N/A
Refurbish Oak Avenue Water Tower	\$ 279,558	2012	\$ -	40	100%	0%	N/A
Paint Water Tank Exterior	\$ 155,310	2012	\$ -	10	100%	0%	N/A
Replace 600 Water Meters Annually (2)	\$ 2,000,426	Recurring	\$ -	20	100%	0%	N/A
Replace 50 Fire Hydrants (3)	\$ 155,310	2012	\$ -	30	100%	0%	N/A
Remodel Breakroom/Restrooms/Showers/Locker Rooms	\$ 6,523	2012	\$ -	20	100%	0%	N/A
Pump Plant #1 Building - Paint Exterior (4)	\$ 16,081	2013	\$ -	10	100%	0%	N/A
VFD Drives - Remove & Replace (4)	\$ 88,854	2015	\$ -	30	100%	0%	N/A
Pump Plant #1 - Replace Pump Turbines (4)	\$ 133,200	2014	\$ -	30	100%	0%	N/A
Well #1 Pump - Remove & Replace (4)	\$ 114,930	2015	\$ -	30	100%	0%	N/A
Well #6 Pump - Remove & Replace (4)	\$ 118,998	2016	\$ -	30	100%	0%	N/A
Additional Equipment (5)	\$ 26,801	2013	\$ -	10	100%	0%	N/A
Additional Equipment (5)	\$ 26,801	2013	\$ -	10	100%	0%	N/A
Additional Equipment (5)	\$ 26,801	2013	\$ -	10	100%	0%	N/A
Placeholder Projects for 2013-2031 (6)	\$ 9,537,875	Recurring	\$ -	30	100%	0%	N/A
Grand Total: Project Costs	\$ 14,810,039						

CAPITAL PROJECT DATA, CONTINUED:

Projects to Serve and Be Funded by Future Development (5)

Project Description	Future Cost Estimate	Completion Year	Annual O&M Impact (\$)	Useful Life (Years)	For Capacity Fee/Impact Fee Calculation and Reserve Segregation Only		
					For Existing Needs (%)	For Future Needs (%)	Basis / Note
<u>Water Supply Projects</u>							
New 1,800 gpm Well Site To Be Determined	\$ 1,232,109	2017	\$ -	40	0%	100%	Project will be funded by future development
New 1,800 gpm Well Site To Be Determined	\$ 1,466,188	2022	\$ -	40	0%	100%	Project will be funded by future development
<u>Reservoirs</u>							
Second 1.5 MGD Reservoir at Oak/13th Site	\$ 1,148,153	2018	\$ -	40	0%	100%	Project will be funded by future development
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ 1,625,853	2028	\$ -	40	0%	100%	Project will be funded by future development
<u>Pump Stations</u>							
Additions at Oak Ave./13th Site	\$ 892,487	2016	\$ -	25	0%	100%	Project will be funded by future development
Additions at 10th St. Corporation Yard	\$ 1,138,569	2023	\$ -	25	0%	100%	Project will be funded by future development
<u>Pipelines</u>							
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ 698,895	2012	\$ -	40	0%	100%	Project will be funded by future development
12" Cherry Ave. - McDonald Way to Third Street	\$ 512,523	2012	\$ -	40	0%	100%	Project will be funded by future development
12" Pine Ave. - El Camino to Third Street	\$ 530,666	2013	\$ -	40	0%	100%	Project will be funded by future development
12" Third Street - Walnut to Cypress Avenue	\$ 643,232	2013	\$ -	40	0%	100%	Project will be funded by future development
12" Elm Avenue - 4th Street to 3rd Street	\$ 233,101	2014	\$ -	40	0%	100%	Project will be funded by future development
12" Elm Avenue - 3rd Street to 2nd Street	\$ 439,562	2014	\$ -	40	0%	100%	Project will be funded by future development
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ 239,761	2014	\$ -	40	0%	100%	Project will be funded by future development
12" Cherry Ave. - 3rd Street to 2nd Street	\$ 455,122	2015	\$ -	40	0%	100%	Project will be funded by future development
12" Pine Ave. - 3rd Street to 2nd Street	\$ 455,122	2015	\$ -	40	0%	100%	Project will be funded by future development
12" 2nd Street - Oak Avenue southerly to SOI	\$ 646,857	2017	\$ -	40	0%	100%	Project will be funded by future development
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ 910,855	2023	\$ -	40	0%	100%	Project will be funded by future development
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ 1,069,918	2019	\$ -	40	0%	100%	Project will be funded by future development
12" Pine Avenue - 13th Street to El Camino Real	\$ 1,107,793	2020	\$ -	40	0%	100%	Project will be funded by future development
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ 849,636	2021	\$ -	40	0%	100%	Project will be funded by future development
12" Cypress Avenue - 13th Street to El Camino Real	\$ 1,273,184	2024	\$ -	40	0%	100%	Project will be funded by future development
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ 977,081	2021	\$ -	40	0%	100%	Project will be funded by future development
12" 13th Street - Elm Avenue to Cypress Avenue	\$ 1,965,176	2025	\$ -	40	0%	100%	Project will be funded by future development
12" Elm - 13th easterly to New 12"	\$ 341,230	2026	\$ -	40	0%	100%	Project will be funded by future development
12" Elm Avenue southerly to SOI	\$ 1,187,987	2026	\$ -	40	0%	100%	Project will be funded by future development
12" SOI Easterly to El Camino Real	\$ 1,360,897	2027	\$ -	40	0%	100%	Project will be funded by future development
12" Westerly SOI to Easterly SOI	\$ 2,285,957	2031	\$ -	40	0%	100%	Project will be funded by future development
12" El Camino Real - High School Southerly to SOI	\$ 1,010,045	2029	\$ -	40	0%	100%	Project will be funded by future development
12" Pipeline 29 to Pipeline 32	\$ 726,250	2030	\$ -	40	0%	100%	Project will be funded by future development
12" Pipeline 31 to 2nd Street	\$ 987,700	2030	\$ -	40	0%	100%	Project will be funded by future development
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ 617,250	2029	\$ -	40	0%	100%	Project will be funded by future development
12" Walnut Avenue - 13th Street to 12th Street	\$ 706,619	2027	\$ -	40	0%	100%	Project will be funded by future development
12" Apple Avenue - 13th Street to Existing Pipeline	\$ 202,328	2028	\$ -	40	0%	100%	Project will be funded by future development
<u>Additional Capital Expenses for Projects</u>							
Administration, Engineering and Contingencies (8)	\$ 9,407,648	Recurring	\$ -	40	0%	100%	Project will be funded by future development
Land Acquisition Costs (9)	\$ 134,915	Recurring	\$ -	10	0%	100%	Project will be funded by future development
Grand Total: Project Costs	\$ 39,480,666						

ADDITIONAL DEPRECIATION LIABILITY FROM PROJECTS:

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Projects to be Funded by Impact Fees:</i>									
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591	\$ 24,591
<i>Projects to be Funded by Water Operations Fund:</i>									
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474	\$ 28,474
Refurbish Oak Avenue Water Tower	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989	\$ 6,989
Paint Water Tank Exterior	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531	\$ 15,531
Replace 600 Water Meters Annually (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 50 Fire Hydrants (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms>Showers/Locker Rooms	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326	\$ 326
Pump Plant #1 Building - Paint Exterior (4)	\$ -	\$ 1,608	\$ 1,608	\$ 1,608	\$ 1,608	\$ 1,608	\$ 1,608	\$ 1,608	\$ 1,608
VFD Drives - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ 2,962	\$ 2,962	\$ 2,962	\$ 2,962	\$ 2,962	\$ 2,962
Pump Plant #1 - Replace Pump Turbines (4)	\$ -	\$ -	\$ 4,440	\$ 4,440	\$ 4,440	\$ 4,440	\$ 4,440	\$ 4,440	\$ 4,440
Well #1 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ 3,831	\$ 3,831	\$ 3,831	\$ 3,831	\$ 3,831	\$ 3,831
Well #6 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ 3,967	\$ 3,967	\$ 3,967	\$ 3,967	\$ 3,967
Additional Equipment (5)	\$ -	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680
Additional Equipment (5)	\$ -	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680
Additional Equipment (5)	\$ -	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680	\$ 2,680
Placeholder Projects for 2013-2031 (6)	\$ 5,503	\$ 5,503	\$ 5,503	\$ 5,503	\$ 26,923	\$ 43,351	\$ 60,361	\$ 77,972	\$ 96,208
Total: Additional Annual Depreciation Liability	\$ 81,414	\$ 91,062	\$ 95,502	\$ 102,295	\$ 127,681	\$ 144,109	\$ 161,119	\$ 178,731	\$ 196,966

Water Revenue Requirement Analysis
 Capital Improvement Plan Expenditures
 Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

Scenario 3: Strategic Outcome / Includes Phased-In Funding of a Capital Replacement Reserve

ADDITIONAL DEPRECIATION LIABILITY FROM PROJECTS, CONTINUED:

Projects to Serve and Be Funded by Future Development (5)

Project Description	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Supply Projects									
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,803	\$ 30,803	\$ 30,803	\$ 30,803
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoirs									
Second 1.5 MGD Reservoir at Oak/13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,704	\$ 28,704	\$ 28,704
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations									
Additions at Oak Ave./13th Site	\$ -	\$ -	\$ -	\$ -	\$ 35,699	\$ 35,699	\$ 35,699	\$ 35,699	\$ 35,699
Additions at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines									
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472	\$ 17,472
12" Cherry Ave. - McDonald Way to Third Street	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813	\$ 12,813
12" Pine Ave. - El Camino to Third Street	\$ -	\$ 13,267	\$ 13,267	\$ 13,267	\$ 13,267	\$ 13,267	\$ 13,267	\$ 13,267	\$ 13,267
12" Third Street - Walnut to Cypress Avenue	\$ -	\$ 16,081	\$ 16,081	\$ 16,081	\$ 16,081	\$ 16,081	\$ 16,081	\$ 16,081	\$ 16,081
12" Elm Avenue - 4th Street to 3rd Street	\$ -	\$ -	\$ 5,828	\$ 5,828	\$ 5,828	\$ 5,828	\$ 5,828	\$ 5,828	\$ 5,828
12" Elm Avenue - 3rd Street to 2nd Street	\$ -	\$ -	\$ 10,989	\$ 10,989	\$ 10,989	\$ 10,989	\$ 10,989	\$ 10,989	\$ 10,989
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ -	\$ -	\$ 5,994	\$ 5,994	\$ 5,994	\$ 5,994	\$ 5,994	\$ 5,994	\$ 5,994
12" Cherry Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378
12" Pine Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378	\$ 11,378
12" 2nd Street - Oak Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,171	\$ 16,171	\$ 16,171	\$ 16,171
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,748	\$ 26,748
12" Pine Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,695
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 13th Street - Elm Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm - 13th easterly to New 12"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" SOI Easterly to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Westerly SOI to Easterly SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" El Camino Real - High School Southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 29 to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 31 to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - 13th Street to 12th Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Apple Avenue - 13th Street to Existing Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Capital Expenses for Projects									
Administration, Engineering and Contingencies (8)	\$ 6,626	\$ 13,487	\$ 20,590	\$ 27,945	\$ 35,560	\$ 43,445	\$ 51,609	\$ 60,062	\$ 68,814
Land Acquisition Costs (9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Additional Annual Depreciation Liability	\$ 36,911	\$ 73,119	\$ 103,033	\$ 133,144	\$ 176,459	\$ 231,318	\$ 268,186	\$ 303,397	\$ 339,834
Grand Total: Additional Annual Depreciation Liability, all projects	\$ 118,325	\$ 164,181	\$ 198,535	\$ 235,439	\$ 304,140	\$ 375,427	\$ 429,305	\$ 482,117	\$ 536,800

- (1) Annual Construction Cost Inflation % is calculated by averaging the annual change in the Construction Cost Index for 2000-2010, from the Engineering News Record website.
- (2) Per City Staff, this is a five year program and the costs should not be depreciated.
- (3) Per City Staff, this project cost should not be depreciated.
- (4) Per direction from City Staff, this project was listed in the 2009 Financial Plan prepared by Bartle Wells Associates and should be added to CIP costs.
- (5) Added to CIP, per direction from City Staff.
- (6) In consultation with City Staff, the cost of the placeholder projects is set to \$400,000. In 2012-2016, the costs are set to \$0 since there were additional projects added, per the 2009 Bartle Wells Financial Plan.
- (7) The capital projects that are listed here are from the 2008 Update of the Water System Capital Improvement Plan and will be funded by future development.
- (8) For purposes of this analysis, the Administration, Engineering and Contingency costs will be spread evenly over the 20 year period.
- (9) Land Acquisition Costs are programmed into the analysis to occur in the same year that the well projects are. No depreciation is factored into future depreciation costs, since land is not depreciated.

SUMMARY OF CAPITAL EXPENDITURES

Expenditures to Meet Existing Needs (Repair/Replace):

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Projects to be Funded by Impact Fees:</u>									
Install Water Well #8 on Cherry Between 10th & El Camino	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Projects to be Funded by Water Operations Fund:</u>									
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ 1,138,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refurbish Oak Avenue Water Tower	\$ 279,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paint Water Tank Exterior	\$ 155,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 600 Water Meters Annually (2)	\$ 372,744	\$ 385,939	\$ 399,601	\$ 413,747	\$ 428,394	\$ -	\$ -	\$ -	\$ -
Replace 50 Fire Hydrants (3)	\$ 155,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms>Showers/Locker Rooms	\$ 6,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 Building - Paint Exterior (4)	\$ -	\$ 16,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
VFD Drives - Remove & Replace (4)	\$ -	\$ 42,882	\$ -	\$ 45,972	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 - Replace Pump Turbines (4)	\$ -	\$ -	\$ 133,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Well #1 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ 114,930	\$ -	\$ -	\$ -	\$ -	\$ -
Well #6 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ 118,998	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ 26,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Placeholder Projects for 2013-2031 (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,843	\$ 510,290	\$ 528,354	\$ 547,058
Subtotal: Expenditures for Existing Needs	\$ 2,108,385	\$ 525,306	\$ 532,802	\$ 574,649	\$ 547,392	\$ 492,843	\$ 510,290	\$ 528,354	\$ 547,058

Expenditures to Meet Existing Needs (Repair/Replace), Continued:

Projects to Serve and Be Funded by Future Development	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Supply Projects									
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoirs									
Second 1.5 MGD Reservoir at Oak/13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations									
Additions at Oak Ave./13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines									
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - McDonald Way to Third Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - El Camino to Third Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Third Street - Walnut to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 4th Street to 3rd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 2nd Street - Oak Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 13th Street - Elm Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm - 13th easterly to New 12"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" SOI Easterly to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Westerly SOI to Easterly SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" El Camino Real - High School Southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 29 to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 31 to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - 13th Street to 12th Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Apple Avenue - 13th Street to Existing Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Capital Expenses for Projects									
Administration, Engineering and Contingencies (8)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land Acquisition Costs (9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Expenditures for Existing Needs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Expenditures for Existing Needs	\$ 2,108,385	\$ 525,306	\$ 532,802	\$ 574,649	\$ 547,392	\$ 492,843	\$ 510,290	\$ 528,354	\$ 547,058

SUMMARY OF CAPITAL EXPENDITURES, CONTINUED

Expenditures to Meet Future Needs (For Growth):

Projects in the Fiscal Year 2011/12 Capital Improvement Projects Budget	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Projects to be Funded by Impact Fees:</u>									
Install Water Well #8 on Cherry Between 10th & El Camino	\$ 983,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Projects to be Funded by Water Operations Fund:</u>									
Extend Walnut Avenue Water Main - Walnut to 10th, to Tank #2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refurbish Oak Avenue Water Tower	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paint Water Tank Exterior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 600 Water Meters Annually (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 50 Fire Hydrants (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remodel Breakroom/Restrooms>Showers/Locker Rooms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 Building - Paint Exterior (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
VFD Drives - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Plant #1 - Replace Pump Turbines (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Well #1 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Well #6 Pump - Remove & Replace (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Equipment (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Placeholder Projects for 2013-2031 (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Expenditures for Future Needs	\$ 983,630	\$ -							

Expenditures to Meet Future Needs (For Growth), Continued:

Projects to Serve and Be Funded by Future Development	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Supply Projects									
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,232,109	\$ -	\$ -	\$ -
New 1,800 gpm Well Site To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoirs									
Second 1.5 MGD Reservoir at Oak/13th Site	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,148,153	\$ -	\$ -
Second 1.5 MGD Reservoir at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations									
Additions at Oak Ave./13th Site	\$ -	\$ -	\$ -	\$ -	\$ 892,487	\$ -	\$ -	\$ -	\$ -
Additions at 10th St. Corporation Yard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines									
12" Walnut Ave. - Santa Lucia SC to Third Street	\$ 698,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - McDonald Way to Third Street	\$ 512,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - El Camino to Third Street	\$ -	\$ 530,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Third Street - Walnut to Cypress Avenue	\$ -	\$ 643,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 4th Street to 3rd Street	\$ -	\$ -	\$ 233,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue - 3rd Street to 2nd Street	\$ -	\$ -	\$ 439,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - Thorpe Avenue to 2nd Street	\$ -	\$ -	\$ 239,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 455,122	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pine Ave. - 3rd Street to 2nd Street	\$ -	\$ -	\$ -	\$ 455,122	\$ -	\$ -	\$ -	\$ -	\$ -
12" 2nd Street - Oak Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,857	\$ -	\$ -	\$ -
12" 2nd Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cherry Avenue - Amaral Sub. to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,069,918	\$ -
12" Pine Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,793
12" 12th Street - Walnut Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - 13th Street to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Cypress Avenue - East of Freeway to 2nd Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 13th Street - Elm Avenue to Cypress Avenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm - 13th easterly to New 12"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Elm Avenue southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" SOI Easterly to El Camino Real	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Westerly SOI to Easterly SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" El Camino Real - High School Southerly to SOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 29 to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Pipeline 31 to 2nd Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" 3rd Street Extension - Elm Avenue to Pipeline 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Walnut Avenue - 13th Street to 12th Street	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12" Apple Avenue - 13th Street to Existing Pipeline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Capital Expenses for Projects									
Administration, Engineering and Contingencies (8)	\$ 331,300	\$ 343,028	\$ 355,171	\$ 367,744	\$ 380,762	\$ 394,241	\$ 408,197	\$ 422,647	\$ 437,609
Land Acquisition Costs (9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,605	\$ -	\$ -	\$ -
Subtotal: Expenditures for Future Needs	\$ 1,542,718	\$ 1,516,926	\$ 1,267,594	\$ 1,277,988	\$ 1,273,249	\$ 2,334,812	\$ 1,556,350	\$ 1,492,565	\$ 1,545,401
Grand Total: Expenditures for Future Needs	\$ 2,526,348	\$ 1,516,926	\$ 1,267,594	\$ 1,277,988	\$ 1,273,249	\$ 2,334,812	\$ 1,556,350	\$ 1,492,565	\$ 1,545,401
Grand Total: Capital Expenditures for Existing and Future Needs	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Full Funding of Capital Improvement Program, at actual cost & timing	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460
2 Full Funding of Capital Improvement Program, at average cost & timing	2,714,535	2,714,535	2,714,535	2,714,535	2,714,535	2,714,535	2,714,535	2,714,535	2,714,535
3 50% Funding of Capital Improvement Program, at average cost & timing	1,357,268	1,357,268	1,357,268	1,357,268	1,357,268	1,357,268	1,357,268	1,357,268	1,357,268
4 No Funding of Capital Improvement Program	-	-	-	-	-	-	-	-	-
5 Funding of Only Projects Listed in Current CIP	3,092,015	525,306	532,802	574,649	547,392	492,843	510,290	528,354	547,058
6 Funding of Only Projects for Future Development	1,542,718	1,516,926	1,267,594	1,277,988	1,273,249	2,334,812	1,556,350	1,492,565	1,545,401
7 Other Amount at Right	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

Insert choice in box to right, based on options listed above 1

Capital Improvement Program Funding Choice	2012	2013	2014	2015	2016	2017	2018	2019	2020
Effective Annual Funding Amount	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460

CAPITAL FUNDING FORECAST

Funding Sources	2012	2013	2014	2015	2016	2017	2018	2019	2020
Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Development Agreement Contribution	137,717	137,717	137,717	137,717	137,717	137,717	137,717	137,717	137,717
Surplus Impact Fee Fund Balance	983,630	-	-	-	-	-	-	-	-
State Revolving Fund Loan Program (SRF)	-	-	-	-	-	-	-	-	-
Revenue Bond	-	-	-	-	-	-	-	-	-
Surplus Capital Reserve	2,108,385	387,589	147,741	128,362	145,162	275,202	428,240	528,354	547,058
Rate Revenue	-	137,717	385,061	446,287	402,230	217,642	82,050	-	-
Grand Total: Funding Sources	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460

CAPITAL FUNDING SURPLUS (DEFICIENCY)	\$ -								
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EXISTING DEBT OBLIGATIONS:

Annual Repayment Schedules	2012	2013	2014	2015	2016	2017	2018	2019	2020
Loan Agreement No. CIEDB-B05-072:									
Principal Payment	\$ 80,954	\$ 83,504	\$ 86,134	\$ 88,847	\$ 91,646	\$ 94,533	\$ 97,511	\$ 100,582	\$ 103,751
Interest Payment	99,088	96,497	93,826	91,070	88,227	85,295	82,270	79,150	75,932
Subtotal: Annual Debt Service	\$ 180,041	\$ 180,001	\$ 179,960	\$ 179,917	\$ 179,873	\$ 179,827	\$ 179,781	\$ 179,732	\$ 179,682
Coverage Requirement (% above annual payment) (1)	10%	10%	10%	10%	10%	10%	10%	10%	10%
Reserve Requirement (total fund balance) (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Issue No. 2:									
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -								
Coverage Requirement (% above annual payment)	0%	0%	0%	0%	0%	0%	0%	0%	0%
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Debt Service	\$ 180,041	\$ 180,001	\$ 179,960	\$ 179,917	\$ 179,873	\$ 179,827	\$ 179,781	\$ 179,732	\$ 179,682
Grand Total: Existing Annual Coverage Req.	\$ 18,004	\$ 18,000	\$ 17,996	\$ 17,992	\$ 17,987	\$ 17,983	\$ 17,978	\$ 17,973	\$ 17,968
Grand Total: Existing Debt Reserve Target	\$ -								

NEW DEBT FINANCING ASSUMPTIONS:

Long-Term Debt Terms	State Revolving Fund Loan Program (SRF)	Revenue Bonds
Issuance Cost	0.00%	2.00%
Annual Interest Cost (%)	2.50%	5.50%
Term	20	30
Debt Reserve Funded?	No	Yes
Coverage Requirement (% above annual pmt)	0%	25%

NEW DEBT OBLIGATIONS:

Annual Repayment Schedules	2012	2013	2014	2015	2016	2017	2018	2019	2020
State Revolving Fund Loan Program (SRF)									
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -								
Revenue Bonds									
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -								
Grand Total: New Annual Debt Service	\$ -								
Grand Total: New Annual Coverage Requirement	\$ -								
Grand Total: New Debt Reserve Target	\$ -								

TOTAL DEBT SERVICE:

Annual Obligations	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Debt Service	\$ 180,041	\$ 180,001	\$ 179,960	\$ 179,917	\$ 179,873	\$ 179,827	\$ 179,781	\$ 179,732	\$ 179,682
Annual Coverage Requirement	\$ 18,004	\$ 18,000	\$ 17,996	\$ 17,992	\$ 17,987	\$ 17,983	\$ 17,978	\$ 17,973	\$ 17,968
Total Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) The Coverage Requirement for this loan is 110%, or 10% above the annual debt service payment.
 (2) Per the loan documents, there is no Debt Reserve Target for this debt issue.

FORECASTING ASSUMPTIONS:

Minimum Reserve Targets	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Reserve Days	60	60	60	60	60	60	60	60	60
Operating Reserve (% of Annual Operating Expenses)	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Capital Improvement Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Reserve	-	-	-	-	-	-	-	-	-

Economic Variables	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Interest Earnings Rate (1)	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%

CASH FLOW FORECAST BY TYPE OF RESERVE:

Operations Fund	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance (2)	\$ 434,961	\$ 135,748	\$ 140,528	\$ 145,452	\$ 150,593	\$ 155,768	\$ 161,302	\$ 167,039	\$ 172,989
Plus: Net Cash Flow (After Rate Increases)	77,833	150,583	132,547	149,341	278,924	430,334	531,540	577,950	541,009
Less: Transfer of Surplus Cash to the Capital Reserve	(377,047)	(145,803)	(127,623)	(144,199)	(273,750)	(424,800)	(525,802)	(572,000)	(534,841)
Subtotal: Ending Cash Balance	\$ 135,748	\$ 140,528	\$ 145,452	\$ 150,593	\$ 155,768	\$ 161,302	\$ 167,039	\$ 172,989	\$ 179,158
Less: Minimum Operating Reserve Target	(135,748)	(140,528)	(145,452)	(150,593)	(155,768)	(161,302)	(167,039)	(172,989)	(179,158)
Cash Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Capital Replacement Reserve Fund	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance (2)	\$ 2,108,386	\$ 387,589	\$ 147,741	\$ 128,362	\$ 145,162	\$ 275,202	\$ 428,240	\$ 532,226	\$ 585,186
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-
Plus: Net Debt Proceeds	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	377,047	145,803	127,623	144,199	273,750	424,800	525,802	572,000	534,841
Plus: Interest Earnings	10,542	1,938	739	963	1,452	3,440	6,424	9,314	11,704
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-	-	-	-
Less: Capital Projects Funded by Capital Reserve Balance	(3,651,103)	(1,904,515)	(1,415,335)	(1,406,349)	(1,418,411)	(2,610,013)	(1,984,590)	(2,020,919)	(2,092,460)
Subtotal: Ending Cash Balance	\$ 387,589	\$ 147,741	\$ 128,362	\$ 145,162	\$ 275,202	\$ 428,240	\$ 532,226	\$ 585,186	\$ 584,672
Less: Minimum Capital Improvement Fund Reserve Target	-	-	-	-	-	-	-	-	-
Cash Surplus (Deficiency)	\$ 387,589	\$ 147,741	\$ 128,362	\$ 145,162	\$ 275,202	\$ 428,240	\$ 532,226	\$ 585,186	\$ 584,672

Developer Impact Fee Fund	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance (3)	\$ 2,079,000	\$ 1,105,765	\$ 1,136,294	\$ 1,166,975	\$ 1,200,728	\$ 1,237,735	\$ 1,278,207	\$ 1,322,380	\$ 1,370,521
Plus: Interest Earnings	10,395	5,529	5,681	8,752	12,007	15,472	19,173	23,142	27,410
Plus: Developer Impact Fee Revenue	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Less: Capital Projects Funded	(983,630)	-	-	-	-	-	-	-	-
Subtotal: Ending Cash Balance	\$ 1,105,765	\$ 1,136,294	\$ 1,166,975	\$ 1,200,728	\$ 1,237,735	\$ 1,278,207	\$ 1,322,380	\$ 1,370,521	\$ 1,422,932
Cash Surplus (Deficiency)	\$ 1,105,765	\$ 1,136,294	\$ 1,166,975	\$ 1,200,728	\$ 1,237,735	\$ 1,278,207	\$ 1,322,380	\$ 1,370,521	\$ 1,422,932

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Debt Reserves	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Balance (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Reserve Funding from New Debt Obligations	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	-	-	-	-	-	-	-	-	-
Less: Transfer of Surplus Cash to Capital Reserve	-	-	-	-	-	-	-	-	-
Subtotal: Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Minimum Debt Reserve Target	-	-	-	-	-	-	-	-	-
Cash Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOTAL CASH RESERVES:

All Reserves	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ending Cash Balance in All Reserves	\$ 1,629,102	\$ 1,424,563	\$ 1,440,789	\$ 1,496,483	\$ 1,668,704	\$ 1,867,748	\$ 2,021,645	\$ 2,128,696	\$ 2,186,761
Less: Minimum Reserve Targets	(135,748)	(140,528)	(145,452)	(150,593)	(155,768)	(161,302)	(167,039)	(172,989)	(179,158)
Total Cash Surplus (Deficiency)	\$ 1,493,354	\$ 1,284,035	\$ 1,295,337	\$ 1,345,890	\$ 1,512,937	\$ 1,706,447	\$ 1,854,605	\$ 1,955,707	\$ 2,007,604

- (1) Historical interest earning rates were referenced on the California Treasurer's Office website for funds invested in LAIF. Future years earnings were conservatively estimated through FY 2016/17 and phase into the historical 10 year average interest earnings rate.
- (2) For purposes of this analysis, it is assumed that available cash can be deposited into distinct Operating and Capital Reserve Funds. Accordingly, the total beginning cash balance of \$2,543,347 has been segregated as follows:
 \$434,961 has been assigned as the beginning cash balance in the Operating Fund and \$2,108,386 has been assigned as the beginning cash balance in the Capital Reserve, so that funds are available for CIP expenditures.
 The total cash balance of \$2,543,347 was provided by City Staff on 10/17/2011.
- (3) The beginning Developer Impact Fee Balance was provided by City Staff on 10/27/2011.

CASH FLOW SUFFICIENCY TEST:

Cash Resources and Uses	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash Resources:									
Rate Revenue	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Other Miscellaneous Operating Revenues	1,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Operating Reserve Interest Earnings	2,175	679	703	1,091	1,506	1,947	2,420	2,923	3,460
Policy: Use of Operating Fund Balance to Meet Expenditures	-	-	-	-	-	-	-	-	-
Subtotal: Cash Resources	\$ 903,675	\$ 927,179	\$ 927,203	\$ 927,591	\$ 928,006	\$ 928,447	\$ 928,920	\$ 929,423	\$ 929,960
Cash Uses:									
Operating Expenses	\$ 825,800	\$ 854,878	\$ 884,835	\$ 916,110	\$ 947,586	\$ 981,251	\$ 1,016,156	\$ 1,052,348	\$ 1,089,875
Existing Debt Repayment	180,041	180,001	179,960	179,917	179,873	179,827	179,781	179,732	179,682
New Debt Repayment	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	137,717	385,061	446,287	402,230	217,642	82,050	-	-
Capital Replacement Reserve Funding	77,833	145,803	127,623	144,199	273,750	294,109	311,119	328,731	346,966
Additions to Meet Minimum Operating Reserve Balance	-	4,780	4,924	5,141	5,174	5,534	5,738	5,949	6,169
Subtotal: Cash Uses	\$ 1,083,675	\$ 1,323,179	\$ 1,582,403	\$ 1,691,655	\$ 1,808,613	\$ 1,678,363	\$ 1,594,844	\$ 1,566,761	\$ 1,622,692
Cash Surplus (Deficit)	\$ (180,000)	\$ (396,000)	\$ (655,200)	\$ (764,064)	\$ (880,607)	\$ (749,916)	\$ (665,924)	\$ (637,337)	\$ (692,733)

DEBT COVERAGE SUFFICIENCY TEST:

Option to Include or Exclude Debt Coverage Sufficiency Test in the Rate Forecast:

Allowable Resources and Required Uses	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allowable Resources:									
Rate Revenue	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Non-Rate Revenues	3,675	27,179	27,203	27,591	28,006	28,447	28,920	29,423	29,960
Interest Earnings in Capital Reserve and Debt Reserve	10,542	1,938	739	963	1,452	3,440	6,424	9,314	11,704
Subtotal: Allowable Resources	\$ 914,217	\$ 929,117	\$ 927,941	\$ 928,554	\$ 929,458	\$ 931,887	\$ 935,343	\$ 938,737	\$ 941,663
Required Uses:									
Operating Expenses	\$ 825,800	\$ 854,878	\$ 884,835	\$ 916,110	\$ 947,586	\$ 981,251	\$ 1,016,156	\$ 1,052,348	\$ 1,089,875
Debt Repayment (Only Issues Requiring Coverage)	180,041	180,001	179,960	179,917	179,873	179,827	179,781	179,732	179,682
Coverage Requirement	18,004	18,000	17,996	17,992	17,987	17,983	17,978	17,973	17,968
Subtotal: Required Uses	\$ 1,023,845	\$ 1,052,879	\$ 1,082,790	\$ 1,114,019	\$ 1,145,446	\$ 1,179,061	\$ 1,213,915	\$ 1,250,054	\$ 1,287,526
Debt Coverage Surplus (Deficit)	\$ (109,629)	\$ (123,763)	\$ (154,849)	\$ (185,465)	\$ (215,989)	\$ (247,174)	\$ (278,572)	\$ (311,317)	\$ (345,862)

MAXIMUM REVENUE DEFICIENCY FROM TESTS:

Identification of Revenue Deficiency	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sufficiency Test Driving Any Deficiency	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Cash Flow				
Maximum Sufficiency Test Deficiency	\$ 180,000	\$ 396,000	\$ 655,200	\$ 764,064	\$ 880,607	\$ 749,916	\$ 665,924	\$ 637,337	\$ 692,733
plus: Adjustment to Levelize	-	-	-	-	-	-	-	-	-
less: Net Revenue from Prior Rate Increases	-	(180,000)	(396,000)	(655,200)	(764,064)	(749,916)	(665,924)	(637,337)	(692,733)
Total Revenue Deficiency	\$ 180,000	\$ 216,000	\$ 259,200	\$ 108,864	\$ 116,543	\$ -	\$ -	\$ -	\$ -

RATE INCREASES FORECASTED:

Calculation of Required Rate Increases	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rate Revenue with No Rate Increase	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
plus: Revenue from Prior Rate Increases	-	180,000	396,000	655,200	764,064	880,607	880,607	880,607	880,607
Total Rate Revenue Before Rate Increase	\$ 900,000	\$ 1,080,000	\$ 1,296,000	\$ 1,555,200	\$ 1,664,064	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607
Calculated Required Annual Rate Increase	20.00%	20.00%	20.00%	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Increase from Annual Rate Increases	20.00%	44.00%	72.80%	84.90%	97.85%	97.85%	97.85%	97.85%	97.85%

Water Revenue Requirement Analysis

Rate Revenue Requirements Tests

Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

Scenario 3: Strategic Outcome / Includes Phased-In Funding of a Capital Replacement Reserve

IMPACTS OF RATE INCREASES:

Revenue Statistics	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rate Revenues After Rate Increase	\$ 1,080,000	\$ 1,296,000	\$ 1,555,200	\$ 1,664,064	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607
Net Cash Flow After Rate Increase	77,833	150,583	132,547	149,341	278,924	430,334	531,540	577,950	541,009
Net Cash Flow After Rate Increase [Contribution to All Reserves]	-	-	-	-	-	130,691	214,683	243,270	187,875
Coverage After Rate Increase	1.49	2.61	3.88	4.32	4.79	4.62	4.45	4.27	4.08

CAPITAL EXPENDITURE FUNDING SUMMARY	FY 2011 2012	FY 2012 2013	FY 2013 2014	FY 2014 2015	FY 2015 2016	FY 2016 2017	FY 2017 2018	FY 2018 2019	FY 2019 2020
Effective Annual Funding of Capital Expenditures	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460
Capital Expenditure Funding Sources:									
Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Development Agreement Contribution	1,542,718	1,516,926	1,267,594	1,277,988	1,273,249	2,334,812	1,556,350	1,492,565	1,545,401
Surplus Impact Fee Fund Balance	983,630	-	-	-	-	-	-	-	-
State Revolving Fund Loan Program (SRF)	-	-	-	-	-	-	-	-	-
Revenue Bond	-	-	-	-	-	-	-	-	-
Surplus Capital Reserve	2,108,385	387,589	147,741	128,362	145,162	275,202	428,240	528,354	547,058
Rate Revenue	-	137,717	385,061	446,287	402,230	217,642	82,050	-	-
Subtotal: Sources	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RATE REVENUE REQUIREMENTS SUMMARY	FY 2011 2012	FY 2012 2013	FY 2013 2014	FY 2014 2015	FY 2015 2016	FY 2016 2017	FY 2017 2018	FY 2018 2019	FY 2019 2020
Sources:									
Rate Revenue using Current Rates	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Non-Rate Revenues	3,675	27,179	27,203	27,591	28,006	28,447	28,920	29,423	29,960
Policy: Use of Operating Reserve Balance to Meet Expenses	-	-	-	-	-	-	-	-	-
Subtotal: Revenue	\$ 903,675	\$ 927,179	\$ 927,203	\$ 927,591	\$ 928,006	\$ 928,447	\$ 928,920	\$ 929,423	\$ 929,960
Uses:									
Operating, Maintenance, & Administration Expenses	\$ 825,800	\$ 859,658	\$ 889,759	\$ 921,251	\$ 952,760	\$ 986,785	\$ 1,021,894	\$ 1,058,298	\$ 1,096,044
Existing Debt Service	180,041	180,001	179,960	179,917	179,873	179,827	179,781	179,732	179,682
New Debt Service	-	-	-	-	-	-	-	-	-
Policy: Capital Replacement Reserve Funding	77,833	145,803	127,623	144,199	273,750	294,109	311,119	328,731	346,966
Rate-Funded Capital Expenses	-	137,717	385,061	446,287	402,230	217,642	82,050	-	-
Incremental Debt Coverage Obligation	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	\$ 1,083,675	\$ 1,323,179	\$ 1,582,403	\$ 1,691,655	\$ 1,808,613	\$ 1,678,363	\$ 1,594,844	\$ 1,566,761	\$ 1,622,692
Adjustment to Levelize Rate Increases	-	-	-	-	-	-	-	-	-
Forecasted Surplus (Deficiency) before Rate Increase	\$ (180,000)	\$ (396,000)	\$ (655,200)	\$ (764,064)	\$ (880,607)	\$ (749,916)	\$ (665,924)	\$ (637,337)	\$ (692,733)

Rate Increases Required	20.00%	20.00%	20.00%	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
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Rate Revenue using Increased Rates	\$ 1,080,000	\$ 1,296,000	\$ 1,555,200	\$ 1,664,064	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607	\$ 1,780,607
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Sample Residential Monthly Bill	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Rate (1)	\$ 16.89	\$ 20.27	\$ 24.32	\$ 29.19	\$ 31.23	\$ 33.42	\$ 33.42	\$ 33.42	\$ 33.42
Increased Rate	20.27	24.32	29.19	31.23	33.42	33.42	33.42	33.42	33.42
Difference between Current and Increased Rate	\$ 3.38	\$ 4.05	\$ 4.86	\$ 2.04	\$ 2.19	\$ -	\$ -	\$ -	\$ -

(1) Based on a 5/8 inch meter size and 15,000 gallons of water consumption.

Water Revenue Requirement Analysis
Cash Flow Summary (After Rate Increases)
Preliminary Draft Subject to Material Revision/Do Not Cite or Distribute

Scenario 3: Strategic Outcome / Includes Phased-In Funding of a Capital Replacement Reserve

CASH POSITION AFTER RATE INCREASES	FY 2011 2012	FY 2012 2013	FY 2013 2014	FY 2014 2015	FY 2015 2016	FY 2016 2017	FY 2017 2018	FY 2018 2019	FY 2019 2020
Annual Rate Increase	20.00%	20.00%	20.00%	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Available Resources									
Beginning Cash Balance:									
Operations & Maintenance Fund	\$ 434,961	\$ 135,748	\$ 140,528	\$ 145,452	\$ 150,593	\$ 155,768	\$ 161,302	\$ 167,039	\$ 172,989
Capital Replacement Reserve Fund	2,108,386	387,589	147,741	128,362	145,162	275,202	428,240	532,226	585,186
Developer Impact Fee Fund	2,079,000	1,105,765	1,136,294	1,166,975	1,200,728	1,237,735	1,278,207	1,322,380	1,370,521
Debt Reserve	-	-	-	-	-	-	-	-	-
Subtotal: Beginning Cash Balance	\$ 4,622,347	\$ 1,629,102	\$ 1,424,563	\$ 1,440,789	\$ 1,496,483	\$ 1,668,704	\$ 1,867,748	\$ 2,021,645	\$ 2,128,696
Operating Revenues									
Rate Revenues under Existing Rates	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Additional Rate Revenues from Rate Increases	180,000	396,000	655,200	764,064	880,607	880,607	880,607	880,607	880,607
Other Operating Revenues	1,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Operating Reserve Interest Earnings	2,175	679	703	1,091	1,506	1,947	2,420	2,923	3,460
Subtotal: Operating Revenues	\$ 1,083,675	\$ 1,323,179	\$ 1,582,403	\$ 1,691,655	\$ 1,808,613	\$ 1,809,054	\$ 1,809,527	\$ 1,810,030	\$ 1,810,567
Capital Revenues									
Proceeds from Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from State Revolving Fund Loan Program	-	-	-	-	-	-	-	-	-
Proceeds from New Debt Issues	-	-	-	-	-	-	-	-	-
Developer Impact Fee Revenue	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Development Agreement Contributions	1,542,718	1,516,926	1,267,594	1,277,988	1,273,249	2,334,812	1,556,350	1,492,565	1,545,401
Interest Earnings	20,937	7,467	6,420	9,715	13,459	18,912	25,597	32,456	39,114
Subtotal: Capital Revenues	\$ 1,563,654	\$ 1,549,393	\$ 1,299,014	\$ 1,312,703	\$ 1,311,708	\$ 2,378,723	\$ 1,606,946	\$ 1,550,020	\$ 1,609,516
Total: Available Resources	\$ 7,269,676	\$ 4,501,674	\$ 4,305,979	\$ 4,445,147	\$ 4,616,804	\$ 5,856,482	\$ 5,284,221	\$ 5,381,695	\$ 5,548,778
Anticipated Uses									
Operating Expenses:									
Employee Services	\$ 368,700	\$ 383,448	\$ 398,786	\$ 414,737	\$ 431,327	\$ 448,580	\$ 466,523	\$ 485,184	\$ 504,591
Maintenance and Operations	446,200	460,830	475,949	491,573	507,719	524,406	541,652	559,475	577,897
Fiscal Agent Fees	10,900	10,600	10,100	9,800	8,540	8,265	7,981	7,689	7,387
Capital Outlay	-	-	-	-	-	-	-	-	-
Additional O&M Expenses from CIP Expenditures	-	-	-	-	-	-	-	-	-
Subtotal: Operating Expenses	\$ 825,800	\$ 854,878	\$ 884,835	\$ 916,110	\$ 947,586	\$ 981,251	\$ 1,016,156	\$ 1,052,348	\$ 1,089,875
Debt Service:									
Principal and Interest, Existing Obligations	\$ 180,041	\$ 180,001	\$ 179,960	\$ 179,917	\$ 179,873	\$ 179,827	\$ 179,781	\$ 179,732	\$ 179,682
Principal and Interest, New Obligations	-	-	-	-	-	-	-	-	-
Subtotal: Debt Service	\$ 180,041	\$ 180,001	\$ 179,960	\$ 179,917	\$ 179,873	\$ 179,827	\$ 179,781	\$ 179,732	\$ 179,682
Capital Improvement Plan Expenditures	\$ 4,634,733	\$ 2,042,232	\$ 1,800,396	\$ 1,852,637	\$ 1,820,641	\$ 2,827,655	\$ 2,066,640	\$ 2,020,919	\$ 2,092,460
Total: Anticipated Uses	\$ 5,640,574	\$ 3,077,111	\$ 2,865,190	\$ 2,948,664	\$ 2,948,100	\$ 3,988,734	\$ 3,262,577	\$ 3,253,000	\$ 3,362,017
Ending Cash Balance	\$ 1,629,102	\$ 1,424,563	\$ 1,440,789	\$ 1,496,483	\$ 1,668,704	\$ 1,867,748	\$ 2,021,645	\$ 2,128,696	\$ 2,186,761
Restricted Cash Balance									
Operating Reserve Minimum Balance	\$ 135,748	\$ 140,528	\$ 145,452	\$ 150,593	\$ 155,768	\$ 161,302	\$ 167,039	\$ 172,989	\$ 179,158
Debt Reserve Requirement	-	-	-	-	-	-	-	-	-
Subtotal: Restricted Cash Balance	\$ 135,748	\$ 140,528	\$ 145,452	\$ 150,593	\$ 155,768	\$ 161,302	\$ 167,039	\$ 172,989	\$ 179,158
Unrestricted Cash Balance	\$ 1,493,354	\$ 1,284,035	\$ 1,295,337	\$ 1,345,890	\$ 1,512,937	\$ 1,706,447	\$ 1,854,605	\$ 1,955,707	\$ 2,007,604

Exhibit 9.A - Water Revenue Requirements Under Existing Rates

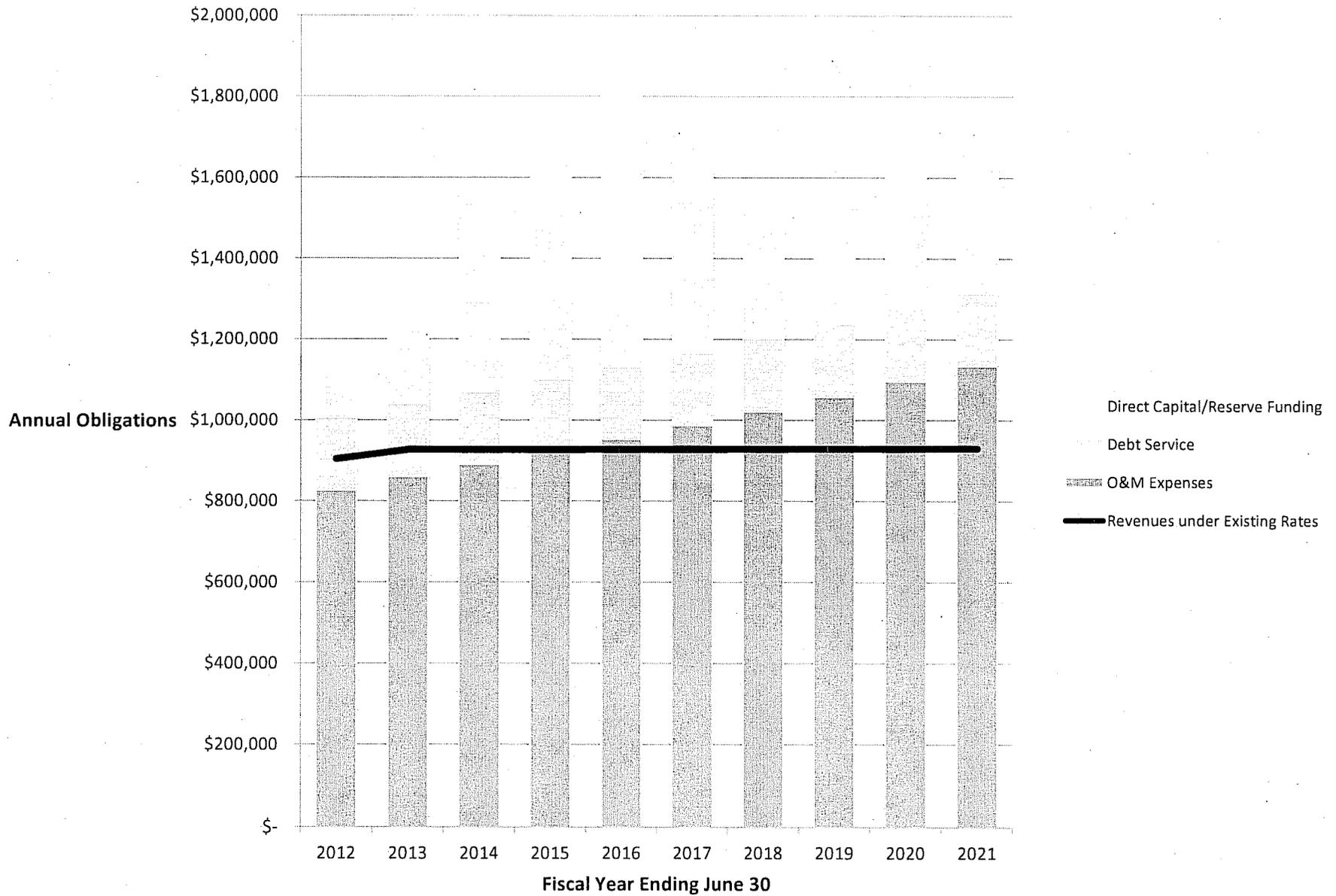
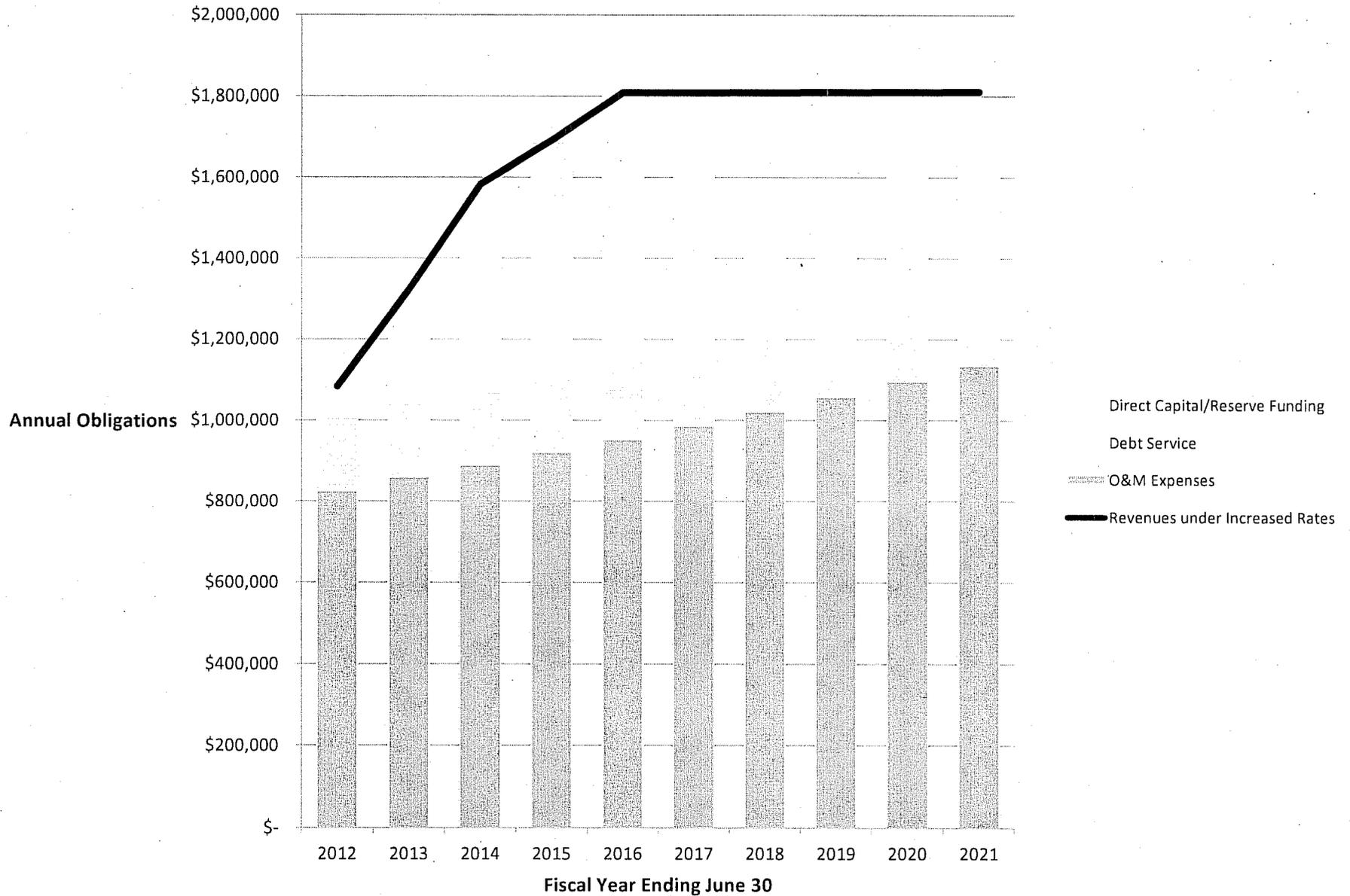


Exhibit 9.B - Water Revenue Requirements Under Increased Rates



RATE STRUCTURE FORECAST (NO EQUITY / STRUCTURAL CHANGES APPLIED)	Prevailing Rates	FY 2011 2012	FY 2012 2013	FY 2013 2014	FY 2014 2015	FY 2015 2016	FY 2016 2017	FY 2017 2018	FY 2018 2019	FY 2019 2020
Calculated Annual Rate Increases		20.00%	20.00%	20.00%	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Rates for Customers Within City Limits:										
Monthly Base Service Charge:										
5/8 x 3/4" meter	\$ 7.59	\$ 9.11	\$ 10.93	\$ 13.12	\$ 14.03	\$ 15.02	\$ 15.02	\$ 15.02	\$ 15.02	\$ 15.02
1" meter	\$ 8.46	\$ 10.15	\$ 12.18	\$ 14.62	\$ 15.64	\$ 16.74	\$ 16.74	\$ 16.74	\$ 16.74	\$ 16.74
1 1/2" meter	\$ 10.48	\$ 12.58	\$ 15.09	\$ 18.11	\$ 19.38	\$ 20.73	\$ 20.73	\$ 20.73	\$ 20.73	\$ 20.73
2" meter	\$ 12.46	\$ 14.95	\$ 17.94	\$ 21.53	\$ 23.04	\$ 24.65	\$ 24.65	\$ 24.65	\$ 24.65	\$ 24.65
3" meter	\$ 26.83	\$ 32.20	\$ 38.64	\$ 46.36	\$ 49.61	\$ 53.08	\$ 53.08	\$ 53.08	\$ 53.08	\$ 53.08
4" meter	\$ 32.93	\$ 39.52	\$ 47.42	\$ 56.90	\$ 60.89	\$ 65.15	\$ 65.15	\$ 65.15	\$ 65.15	\$ 65.15
6" meter	\$ 86.05	\$ 103.26	\$ 123.91	\$ 148.69	\$ 159.10	\$ 170.25	\$ 170.25	\$ 170.25	\$ 170.25	\$ 170.25
Variable Consumption Rate per 1,000 gallons:										
0 to 5,000	\$ 0.40	\$ 0.48	\$ 0.58	\$ 0.69	\$ 0.74	\$ 0.79	\$ 0.79	\$ 0.79	\$ 0.79	\$ 0.79
5,001 to 10,000	\$ 0.65	\$ 0.78	\$ 0.94	\$ 1.12	\$ 1.20	\$ 1.29	\$ 1.29	\$ 1.29	\$ 1.29	\$ 1.29
10,001 to 15,000	\$ 0.81	\$ 0.97	\$ 1.17	\$ 1.40	\$ 1.50	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
15,001 to 20,000	\$ 0.95	\$ 1.14	\$ 1.37	\$ 1.64	\$ 1.76	\$ 1.88	\$ 1.88	\$ 1.88	\$ 1.88	\$ 1.88
20,001 to 25,000	\$ 1.00	\$ 1.20	\$ 1.44	\$ 1.73	\$ 1.85	\$ 1.98	\$ 1.98	\$ 1.98	\$ 1.98	\$ 1.98
25,001 and up	\$ 1.50	\$ 1.80	\$ 2.16	\$ 2.59	\$ 2.77	\$ 2.97	\$ 2.97	\$ 2.97	\$ 2.97	\$ 2.97
Monthly Base Service Charge for Fire Protection Services:										
1 1/2" meter	\$ 7.96	\$ 9.55	\$ 11.46	\$ 13.75	\$ 14.72	\$ 15.75	\$ 15.75	\$ 15.75	\$ 15.75	\$ 15.75
2" meter	\$ 9.38	\$ 11.26	\$ 13.51	\$ 16.21	\$ 17.34	\$ 18.56	\$ 18.56	\$ 18.56	\$ 18.56	\$ 18.56
3" meter	\$ 10.80	\$ 12.96	\$ 15.55	\$ 18.66	\$ 19.97	\$ 21.37	\$ 21.37	\$ 21.37	\$ 21.37	\$ 21.37
4" meter	\$ 12.22	\$ 14.66	\$ 17.60	\$ 21.12	\$ 22.59	\$ 24.18	\$ 24.18	\$ 24.18	\$ 24.18	\$ 24.18
6" meter	\$ 15.50	\$ 18.60	\$ 22.32	\$ 26.78	\$ 28.66	\$ 30.67	\$ 30.67	\$ 30.67	\$ 30.67	\$ 30.67
Water Usage Rates for 3-inch Fire Hydrant Meter										
For first 9,000 gallons	\$ 48.50	\$ 58.20	\$ 69.84	\$ 83.81	\$ 89.67	\$ 95.95	\$ 95.95	\$ 95.95	\$ 95.95	\$ 95.95
For each 1,000 gallons above 9,000 gallons (Deposit is two times the usage fee)	\$ 1.28	\$ 1.54	\$ 1.84	\$ 2.21	\$ 2.37	\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.53

RATE STRUCTURE FORECAST (NO EQUITY / STRUCTURAL CHANGES APPLIED)	Prevailing Rates	FY 2011 2012	FY 2012 2013	FY 2013 2014	FY 2014 2015	FY 2015 2016	FY 2016 2017	FY 2017 2018	FY 2018 2019	FY 2019 2020
Calculated Annual Rate Increases		20.00%	20.00%	20.00%	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Rates for Customers Outside City Limits:										
Monthly Base Service Charge:										
5/8 x 3/4" meter	\$ 15.18	\$ 18.22	\$ 21.86	\$ 26.23	\$ 28.07	\$ 30.03	\$ 30.03	\$ 30.03	\$ 30.03	\$ 30.03
1" meter	\$ 16.92	\$ 20.30	\$ 24.36	\$ 29.24	\$ 31.28	\$ 33.48	\$ 33.48	\$ 33.48	\$ 33.48	\$ 33.48
1 1/2" meter	\$ 20.96	\$ 25.15	\$ 30.18	\$ 36.22	\$ 38.75	\$ 41.47	\$ 41.47	\$ 41.47	\$ 41.47	\$ 41.47
2" meter	\$ 24.92	\$ 29.90	\$ 35.88	\$ 43.06	\$ 46.08	\$ 49.30	\$ 49.30	\$ 49.30	\$ 49.30	\$ 49.30
3" meter	\$ 53.66	\$ 64.39	\$ 77.27	\$ 92.72	\$ 99.22	\$ 106.16	\$ 106.16	\$ 106.16	\$ 106.16	\$ 106.16
4" meter	\$ 65.86	\$ 79.03	\$ 94.84	\$ 113.81	\$ 121.77	\$ 130.30	\$ 130.30	\$ 130.30	\$ 130.30	\$ 130.30
6" meter	\$ 172.10	\$ 206.52	\$ 247.82	\$ 297.39	\$ 318.21	\$ 340.49	\$ 340.49	\$ 340.49	\$ 340.49	\$ 340.49
Variable Consumption Rate per 1,000 gallons:										
0 to 5,000	\$ 0.82	\$ 0.98	\$ 1.18	\$ 1.42	\$ 1.52	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62	\$ 1.62
5,001 to 10,000	\$ 1.30	\$ 1.56	\$ 1.87	\$ 2.25	\$ 2.40	\$ 2.57	\$ 2.57	\$ 2.57	\$ 2.57	\$ 2.57
10,001 to 15,000	\$ 1.62	\$ 1.94	\$ 2.33	\$ 2.80	\$ 3.00	\$ 3.21	\$ 3.21	\$ 3.21	\$ 3.21	\$ 3.21
15,001 to 20,000	\$ 1.90	\$ 2.28	\$ 2.74	\$ 3.28	\$ 3.51	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76
20,001 to 25,000	\$ 2.00	\$ 2.40	\$ 2.88	\$ 3.46	\$ 3.70	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.96
25,001 and up	\$ 3.00	\$ 3.60	\$ 4.32	\$ 5.18	\$ 5.55	\$ 5.94	\$ 5.94	\$ 5.94	\$ 5.94	\$ 5.94
Monthly Base Service Charge for Fire Protection Services:										
1 1/2" meter	\$ 12.22	\$ 14.66	\$ 17.60	\$ 21.12	\$ 22.59	\$ 24.18	\$ 24.18	\$ 24.18	\$ 24.18	\$ 24.18
2" meter	\$ 15.50	\$ 18.60	\$ 22.32	\$ 26.78	\$ 28.66	\$ 30.67	\$ 30.67	\$ 30.67	\$ 30.67	\$ 30.67
3" meter	\$ 18.23	\$ 21.88	\$ 26.25	\$ 31.50	\$ 33.71	\$ 36.07	\$ 36.07	\$ 36.07	\$ 36.07	\$ 36.07
4" meter	\$ 21.60	\$ 25.92	\$ 31.10	\$ 37.32	\$ 39.94	\$ 42.73	\$ 42.73	\$ 42.73	\$ 42.73	\$ 42.73
6" meter	\$ 27.81	\$ 33.37	\$ 40.05	\$ 48.06	\$ 51.42	\$ 55.02	\$ 55.02	\$ 55.02	\$ 55.02	\$ 55.02
Water Usage Rates for 3-inch Fire Hydrant Meter										
For first 9,000 gallons	\$ 97.17	\$ 116.60	\$ 139.92	\$ 167.91	\$ 179.66	\$ 192.25	\$ 192.25	\$ 192.25	\$ 192.25	\$ 192.25
For each 1,000 gallons above 9,000 gallons (Deposit is two times the usage fee)	\$ 2.58	\$ 3.10	\$ 3.72	\$ 4.46	\$ 4.77	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10