

# COST OF SERVICES STUDY WORKSHOP

August 23, 2011

# AGENDA

- Board direction
- Cost of Services Study Committee
  - Members
  - Principles
- Cost of Services Study details
  - Overhead and indirect cost allocations
  - Debt service allocation
  - Other non-rate revenue
  - Prop. 218 requirements
  - Draft rate models

# AGENDA CONTINUED

- Revised timeline
- Next steps

# BOARD DIRECTION

- The District shall conduct, complete and implement the results of a Cost of Services study as soon as possible to confirm whether the charges and differences in charges among various rate classifications are appropriate
- Board reviewed first draft of COS Study
  - Additional meeting requested by Board for further review and direction

# INVOLVING THE COMMUNITY

COMMUNITY BASED COMMITTEE MEMBERS



# COMMITTEE MEMBERS – COMMUNITY BASED MEMBERS

- Kim Beal, Cameron Park
- Albert Hazbun, El Dorado Hills
- Tom Heflin, Camino
- Doug Leisz, Placerville
- Greg Prada, Cameron Park

# COMMITTEE MEMBERS – DISTRICT STAFF

- Jim Abercrombie, General Manager
- Mary Lynn Carlton, Communications Director
- Mark Price, Finance Director
- Dana Strahan, Drinking Water Manager
- Elizabeth Wells, Engineering Manager

# COMMITTEE CONSULTANT

- **Greg Clumpner – HDR Project Manager**
  - Master's degree in Agricultural Economics from UC Davis
  - 26 years experience of national and international experience in water, sewer and recycled water projects
  - Completed 120 water and sewer rate studies, primarily for California clients
  - Regularly addresses workshops on conservation-oriented water rates and Prop. 218 requirements
  - Regular presenter at AWWA and related industry conferences, speaking on rate design, water conservation, and utility financial planning

# BEGINNING THE PROCESS

ESTABLISHING THE FOUNDATION



# PRINCIPLES FOR GUIDING THE RATE-SETTING PROCESS

- Principle 1 – Establish rates in compliance with all applicable Federal, State and local laws and regulations
- Principle 2 – Establish rates that are fair and equitable within the limitations of reasonable and attainable data and the District's administrative systems, personnel and finances
- Principle 3 – Attempt to make rates simple to understand for the public and reasonable to administer
- Principle 4 – Establish stable and predictable rates over time to the extent possible within the District's overall financial plan

# PRINCIPLES FOR GUIDING THE RATE-SETTING PROCESS

- Principle 5 – Make rates cost-based to the extent possible
- Principle 6 – Set rates to promote efficient customer use
- Principle 7 – Establish uniform rates within a service class; do not differentiate by area, within a service class, nor by pumped versus gravity water service
- Principle 8 – Calculate water, sewer, and recycled water rates independently, without subsidies where practicable

# PRINCIPLES FOR GUIDING THE RATE-SETTING PROCESS

- Principle 9 – Establish agricultural irrigation rates that recognize agriculture’s role in the District’s formation and development, the quality of water required to serve these customers, and the level of service provided
- Principle 10 – Establish recycled water rates that encourage efficient use and recognize the resource benefits of reuse
- Principle 11 – Allocate property tax revenues reasonably among commodities
- Principle 12 – Consider financial tests, such as debt service coverage, in all District financial planning and rate adjustments

# OVERHEAD AND INDIRECT COST ALLOCATIONS



# OVERHEAD AND INDIRECT COST ALLOCATIONS

- Committee reviewed overhead and indirect cost allocation methodologies using detailed staff reports and discussing many approaches such as: customer, operational FTEs\*, expense including labor and expense excluding labor
- One committee member discussed the need for a detailed time and motion study

\* Full-time equivalent

# OVERHEAD AND INDIRECT COST ALLOCATIONS

- Refer to detailed spreadsheet

# OVERHEAD AND INDIRECT COST ALLOCATIONS

## Overhead Allocation Options

	Water	Wastewater
Customer	65%	35%
FTE	62%	38%
Expense (including labor)	62%	38%
Expense (excluding labor)	61%	39%

# OVERHEAD AND INDIRECT COST ALLOCATIONS

- Staff and consultant evaluated 2 other Districts' allocation methodologies
  - Rancho Murieta and South Tahoe Public Utility District
  - Committee decided a detailed time and motion study was not necessary
- Committee supported using District's past overhead and indirect allocation methodologies
  - Considered methodologies reasonable
  - 9 to 1 majority vote

# DEBT SERVICE ALLOCATION



# DEBT SERVICE COVERAGE BY OFFICIAL STATEMENT SUMMARY

					Face Value
	water	ww	water	ww	total
2003A	0.5739	0.4261	42,485,698.98	31,539,301.02	74,025,000.00
2003 B	0.6520	0.3480	59,849,979.45	31,950,020.55	91,800,000.00
2004A	0.5270	0.4730	39,759,016.95	35,685,983.05	75,445,000.00
2004B	0.1390	0.8610	1,150,657.46	7,126,716.10	8,277,373.56
2009A	0.5600	0.4400	74,079,598.55	58,205,401.45	132,285,000.00
2008A	0.6700	0.3300	74,172,344.53	36,532,655.47	110,705,000.00
2010A			291,497,295.90	201,040,077.65	492,537,373.56
decrease in 2003A	0.5739	0.4261	(3,897,033.38)	(2,892,966.62)	(6,790,000.00)
decrease in 2004A	0.5270	0.4730	(9,343,592.95)	(8,386,407.05)	(17,730,000.00)
refinanced=2008A	0.6095	0.3905	(61,000,636.91)	(39,076,736.65)	(100,077,373.56)
	0.59047	0.40953	217,256,032.66	150,683,967.34	367,940,000.00

# DEBT SERVICE ALLOCATION

- Committee reaffirmed the debt service allocation using the Board approved Official Statements as reasonable allocation of cost between water and wastewater
  - 9 to 1 majority vote

## Official Statement Bond Allocation

Water	59% $\approx$ 60%
Wastewater	41% $\approx$ 40%

# DEBT SERVICE COVERAGE

- Staff proposed ranges
  - 1.35 to 1.50 with FCCs
  - 1.10 to 1.25 without FCCs
- Other utilities
  - EBMUD has target of 1.6 (with FCCs)
  - CCWD ranges from 1.5 to 2.0 and above (with FCCs)
- Critical to long-term financial stability and transition to increased pay-as-you-go project financing

# DEBT SERVICE ALLOCATION

- Provides adequate revenue to meet coverage and fund smaller capital replacement projects
- Committee discussed the need to phase in over time

# OTHER NON-RATE REVENUE



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- Property taxes
  - Committee unanimously supported Principle 11 which was adopted by the Board
  - Study shows that property taxes supplement both water and wastewater revenue requirements
  - Property tax is used so that each enterprise fund meets debt service coverage
  - Property tax is non-rate revenue not subject to Prop. 218

# PROPERTY TAX ALLOCATION

Year	Water	Debt Service Coverage	Wastewater	Debt Service Coverage
2010	44%	1.46%	56%	1.26%
2009	60%	0.83%	40%	0.81%
2008	40%	1.45%	60%	1.47%
2007	50%	2.27%	50%	1.44%
2006	50%	3.85%	50%	1.25%
2005	52%	2.05%	48%	1.26%
2004	56%	0.84%	44%	0.95%

# PROP. 218 REQUIREMENTS



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- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed

# PROP. 218 REQUIREMENTS

- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available in substantially the same manner as it is to property owners
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel

# PROP. 218 REQUIREMENTS

- The fee or charge may not be imposed for service, unless the service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Stand-by charges must be classified as assessments and must not be imposed without compliance with the proportionality requirements for assessments

# PROP. 218 REQUIREMENTS

	2012 Water (in millions)	2012 Wastewater (in millions)
Total Revenue Requirements	\$40.5	\$25.9
Net Revenue from Rates	\$22.5	\$21.1
Other Non-Rate Revenue		
Property Tax and Misc.	\$ 9.3	\$ 6.6
Hydro Revenue	\$ 8.0	---
Recreation Revenue	\$ 1.0	---
Total Other Non-Rate Revenue	\$18.3	\$ 6.6
Balance of Funds	<b>\$ 0.3</b>	<b>\$ 1.8</b>

# PROP. 218 REQUIREMENTS

- The COS Study rate structure is expected to generate sufficient revenue to meet the District's annual maintenance and operation expenses, as well as the rate funded capital costs and debt service coverage required to provide water or wastewater service

# PROP. 218 REQUIREMENTS

- Legal standard for COS Study: Use appropriate industry principles and guidelines, including AWWA and other industry best management practices
- Court decisions on Prop. 13, similar laws: Cost allocations for services provided are to be judged by a standard of reasonableness with some flexibility permitted to account for system-wide complexity

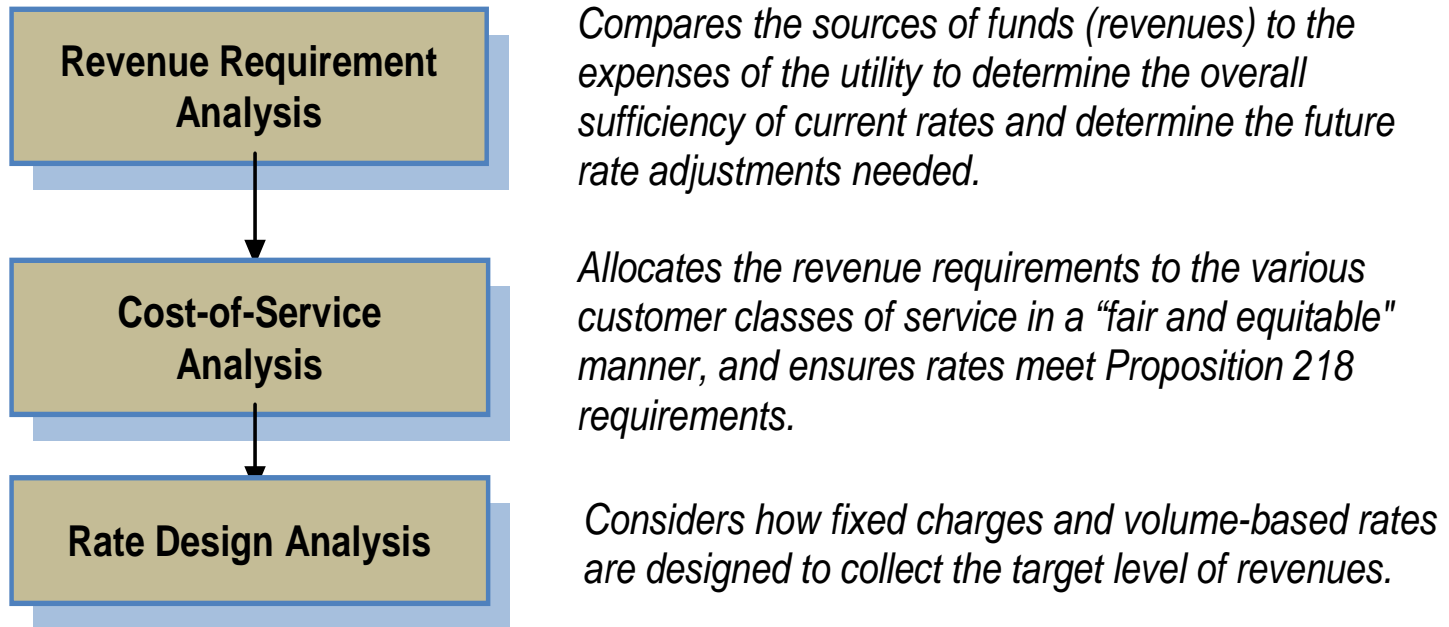
# PROP. 218 REQUIREMENTS

- Fair and equitable allocation of rates among water, wastewater and recycled water services
- Fully-disclosed cost allocation methodologies
- Detailed cost of service rate model
  - Committee comments
    - Fair methodology
    - Well documented
    - Fact-based process
    - Great model
    - Reasonable proposals for Board consideration
  - 9 to 1 majority vote

# RATE STUDY OVERVIEW

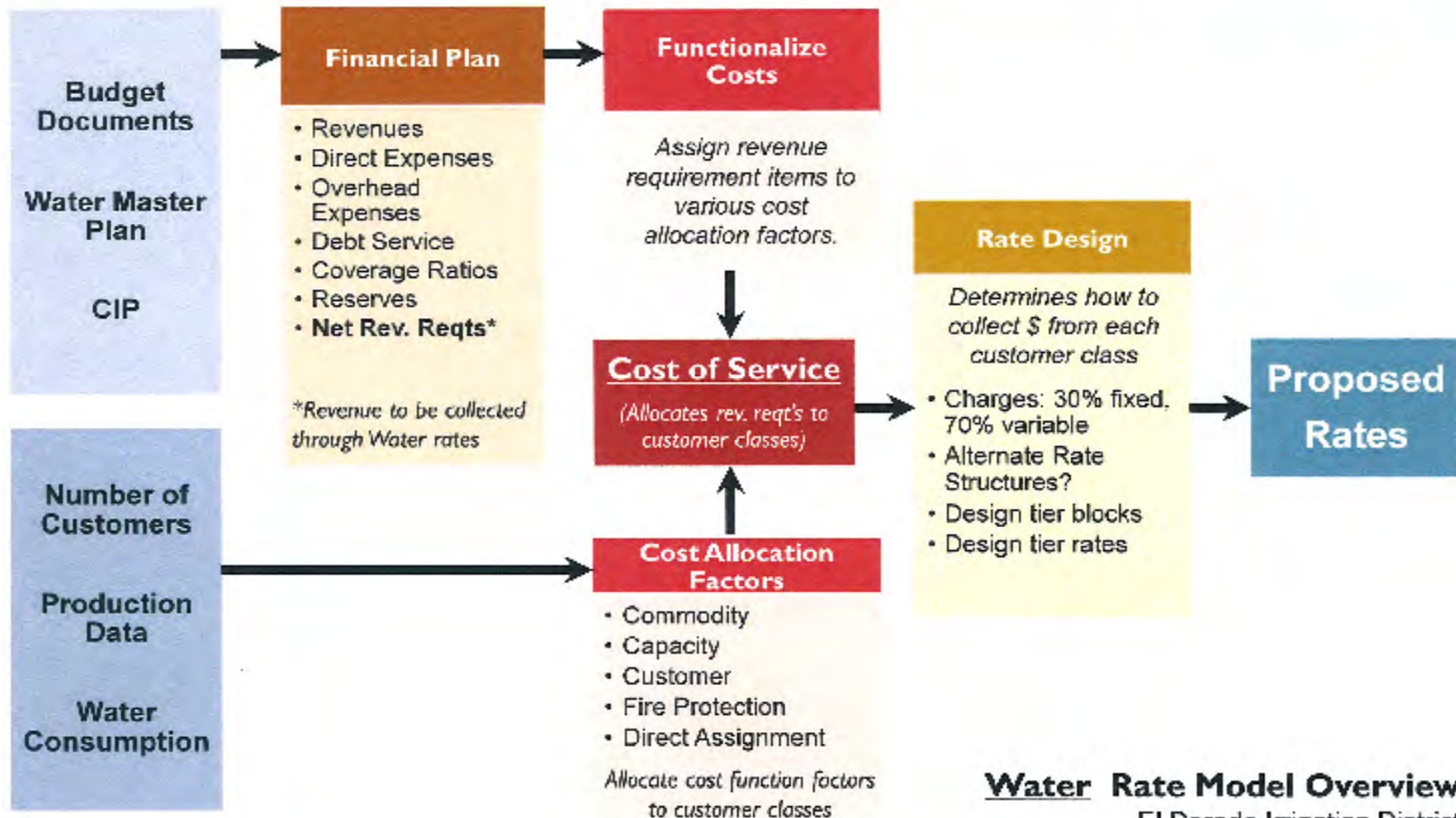


## Figure 1 – Overview of Rate Study Components



# WATER RATE MODEL OVERVIEW





**Water Rate Model Overview**  
El Dorado Irrigation District

# DRAFT WATER RATE MODELS



Table 3 - Development of Revenue Requirements

	Budget	Projected				
	2010	2011	2012	2013	2014	2015
	<i>Adopted Rate</i>					
<b>SOURCES OF FUNDS</b>	<i>Increases</i>	15%	5%	5%	5%	
Revenue at Present Rates						
Water sales	\$17,800,025	\$21,800,108	\$22,577,355	\$23,706,223	\$24,891,534	\$26,136,111
<b>Total Revenue at Present Rates</b>	<b>\$17,800,025</b>	<b>\$21,800,108</b>	<b>\$22,577,355</b>	<b>\$23,706,223</b>	<b>\$24,891,534</b>	<b>\$26,136,111</b>
Miscellaneous Revenues						
Hydroelectric revenues	\$7,500,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000
Surcharges	\$1,072,646	\$1,094,099	\$1,094,099	\$1,115,981	\$1,138,301	\$1,161,067
1% property tax revenues	\$6,300,000	\$6,240,000	\$6,271,200	\$6,302,556	\$6,334,069	\$6,365,739
Other income	\$750,000	\$765,000	\$765,000	\$765,000	\$765,000	\$765,000
Recreation fees	\$1,000,000	\$1,050,000	\$1,038,735	\$1,059,510	\$1,080,700	\$1,102,314
Wholesale Contract with City of Placerville	\$0	\$423,183	\$431,647	\$440,280	\$449,085	\$458,067
Other Revenue	\$647,425	\$711,319	\$750,000	\$956,319	\$915,000	\$961,319
<b>Total Miscellaneous Revenues</b>	<b>\$17,270,070</b>	<b>\$18,283,602</b>	<b>\$18,350,681</b>	<b>\$18,639,646</b>	<b>\$18,682,155</b>	<b>\$18,813,507</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$35,070,095</b>	<b>\$40,083,710</b>	<b>\$40,928,036</b>	<b>\$42,345,869</b>	<b>\$43,573,689</b>	<b>\$44,949,617</b>

Table 3 (cont.) - Development of Revenue Requirements

	Budget	Projected				
	2010	2011	2012	2013	2014	2015
<b>APPLICATIONS OF FUNDS</b>						
Operation and Maintenance Expense						
<i>Direct Expenses</i>						
Operations:						
Administration	\$ 195,231	\$ 230,222	\$ 237,129	\$ 241,871	\$ 246,709	\$ 251,643
Water operations	\$ 7,552,742	9,927,187	10,225,003	10,429,503	10,638,093	10,850,855
Hydro operations	\$ 3,137,603	3,235,452	3,332,516	3,399,166	3,467,149	3,536,492
Environmental (Compliance)	\$ 1,140,573	54,682	56,322	57,449	58,598	59,769
Recreation (Previously Natural Resources)	\$ 1,057,807	1,073,122	1,105,316	1,127,422	1,149,970	1,172,970
Anticipated New Staff (Salary and Benefits)	\$ -	0	0	0	0	80,000
<b>Total Direct Expenses</b>	<b>\$13,083,957</b>	<b>\$14,520,665</b>	<b>\$14,956,285</b>	<b>\$15,255,410</b>	<b>\$15,560,519</b>	<b>\$15,951,729</b>
<i>Indirect Expenses</i>						
Engineering	\$ 449,751	\$ 1,485,999	\$ 1,530,579	\$ 1,561,190	\$ 1,592,414	\$ 1,624,262
Communications	\$ 300,624	354,211	364,837	372,134	379,577	387,168
Office of the General Manager	\$ 1,608,789	1,992,108	2,051,872	2,092,909	2,134,767	2,177,463
Finance	\$ 3,591,736	4,426,141	4,558,925	4,650,103	4,743,105	4,837,967
Human Resources	\$ 1,294,459	1,414,696	1,457,137	1,486,279	1,516,005	1,546,325
Information Technology	\$ 1,484,135	1,436,759	1,479,862	1,509,459	1,539,648	1,570,441
Letter of Credit fee-Dexia Bank	\$ 449,416	798,962	798,962	798,962	798,962	798,962
<b>Total Indirect Expenses</b>	<b>\$ 9,178,910</b>	<b>\$11,908,875</b>	<b>\$12,242,173</b>	<b>\$12,471,037</b>	<b>\$12,704,478</b>	<b>\$12,942,589</b>
<b>Total Operating and Maintenance Expenses</b>	<b>\$ 22,262,867</b>	<b>\$ 26,429,540</b>	<b>\$ 27,198,457</b>	<b>\$ 27,726,447</b>	<b>\$ 28,264,997</b>	<b>\$ 28,894,318</b>
Debt Service						
<b>Total Water Debt Service</b>	<b>\$ 9,657,171</b>	<b>\$ 12,661,647</b>	<b>\$ 13,330,363</b>	<b>\$ 16,993,393</b>	<b>\$ 18,269,870</b>	<b>\$ 19,218,140</b>
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$31,920,037</b>	<b>\$39,091,187</b>	<b>\$40,528,820</b>	<b>\$44,719,840</b>	<b>\$46,534,867</b>	<b>\$48,112,457</b>
Less: Non-Rate Revenue	\$17,270,070	\$18,283,602	\$18,350,681	\$18,639,646	\$18,682,155	\$18,813,507
<b>NET REV. REQTS. FROM RATES</b>	<b>\$14,649,967</b>	<b>\$20,807,585</b>	<b>\$22,178,139</b>	<b>\$26,080,194</b>	<b>\$27,852,712</b>	<b>\$29,298,950</b>
Less: Forecasted Revenues at Present Rates	\$17,800,025	\$21,800,108	\$22,577,355	\$23,706,223	\$24,891,534	\$26,136,111
<b>Balance/(Deficiency) of Funds</b>	<b>\$ 3,150,058</b>	<b>\$ 992,523</b>	<b>\$ 399,216</b>	<b>\$ (2,373,971)</b>	<b>\$ (2,961,178)</b>	<b>\$ (3,162,840)</b>
<b>Balance/(Deficiency) as a % of Rates</b>	<b>17.7%</b>	<b>4.6%</b>	<b>1.8%</b>	<b>-10.0%</b>	<b>-11.9%</b>	<b>-12.1%</b>
<b>Additional Rate Adjustments*</b>	<b>0%</b>	<b>0%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
Additional Rate Revenue From Increase	\$ -	\$ -	\$ 1,354,641	\$ 2,930,089	\$ 4,754,681	\$ 6,860,127
<b>Balance/(Defic.) of Funds, Adjusted</b>	<b>\$ 3,150,058</b>	<b>\$ 992,523</b>	<b>\$ 1,753,857</b>	<b>\$ 556,118</b>	<b>\$ 1,793,503</b>	<b>\$ 3,697,287</b>
<i>* Additional to adopted 2012 - 2014 increases.</i>						
After Rate Adjustment, 1.25 Required	1.40	1.17	1.26	1.25	1.30	1.47
After Adjustment, w/o FCCs, 1.0 preferred	1.37	1.09	1.14	1.03	1.10	1.20

Table 4 - Development of the Commodity Allocation Factor

Customer Class	2009 Sales (ccf) <sup>1</sup>	Percent of Sales	Estimated Conservation	Estimated Sales w/ conservation	Percent of Adjusted Sales less ag
Single Family Residential	<b>6,521,217</b>	75.4%	652,122	5,869,095	76.0%
Multi Family Residential	665,339	7.7%	66,534	598,805	7.7%
Comm. & Ind. (& potable landscape irrig.)	757,858	8.8%	75,786	682,072	8.8%
Agricultural Irrigation - w/ residence	<b>24,549</b>	0.3%	-	24,549	0.3%
Recreational Turf	<b>504,833</b>	5.8%	126,208	378,625	4.9%
Small Farm	<b>22,903</b>	0.3%	-	22,903	0.3%
Domestic Irrigation	<b>151,059</b>	1.7%	-	151,059	2.0%
Fire Hydrant/ Construction	-	0.0%	-	-	0.0%
Other	0	0.0%	0	0	0.0%
<b>Total</b>	<b>8,647,759</b>	<b>100%</b>		<b>7,727,109</b>	<b>100%</b>

1. Single Family Residential is 2010 consumption, which provides more accurate usage by tier levels.

(COM)

For Ag, Small Farm, and Domestic Irrigation, 2010 consumption (for Tier 1 only) was increased by 21.3% to estimate more typical 2009 usage. 2010 Recreational/Turf consumption was reduced by 25% to reflect the estimated price-response and conservation.

**Note:** Commodity Allocation Factors reflect Ag w/Resid, Small Farms/DI Tier 1 consumption and, therefore, allocate their proportional share of Potable system costs to these customers. This is reflected in their paying the Fixed Meter Charge for 3/4" Residential customers. Other capacity-related costs for Ag infrastructure is reflected in DA cost analysis and results in additional capacity-related costs for meters larger than 3/4".

Table 4 (cont.) - Development of the Commodity Allocation Factor (Direct Assignment)

Customer Class - Direct Assignment	2009 Sales (ccf) <sup>1</sup>	Percent of Sales	Estimated Conservation	Estimated Sales w/ conservation for 2011	Percent of Adjusted Sales less ag and ditches
Agricultural Irrigation - w/ residence	<b>1,539,554</b>	51.5%	-	1,539,554	51.5%
Agricultural Irrigation - w/o residence	<b>53,657</b>	1.8%	-	53,657	1.8%
Small Farm	<b>262,693</b>	8.8%	-	262,693	8.8%
Domestic Irrigation	<b>803,698</b>	26.9%	-	803,698	26.9%
Raw Water - Landscape Irrigation	7,485	0.3%	-	7,485	0.3%
Raw Water - Continuous Flow/Flat	323,417	10.8%	-	323,417	10.8%
Other	-	0.0%	-	-	0.0%
<b>Total</b>	<b>2,990,504</b>	<b>100%</b>		<b>2,990,504</b>	<b>100%</b>

1. For Ag, Small Farm, and Domestic Irrigation, 2010 consumption (for Tiers 2 - 5) was increased by 21.3% to estimate more typical 2009 usage.

(COM-DA)

**Table 5 - Development of the Capacity Allocation Factor**

<b>Customer Class</b>	<b>Average Day Use (MGD)</b>	<b>Peaking Factor<sup>1</sup></b>	<b>Total Peak Day Use</b>	<b>Percent of Total</b>
Single Family Residential	12.028	1.76	21.17	78.6%
Multi Family Residential	1.227	1.38	1.69	6.3%
Comm. & Ind. (& potable landscape irrig.)	1.398	1.15	1.61	6.0%
Agricultural Irrigation - w/ residence	0.050	1.76	0.09	0.3%
Recreational Turf	0.776	2.25	1.75	6.5%
Small Farm	0.047	1.76	0.08	0.3%
Domestic Irrigation	0.310	1.76	0.54	2.0%
Fire Hydrant/ Construction	0.000	3.92	0.00	0.0%
Other	0.000	1.00	0.00	0.0%
<b>Total</b>	<b>15.835</b>		<b>26.93</b>	<b>100.0%</b>

Notes (CAP)

1. Peaking factor is the ratio of 2008 max. month- to the annual-average consumption per account per month.

**Table 5 (cont.) - Development of the Capacity Allocation Factor (Direct Assignment)**

<b>Customer Class - Direct Assignment</b>	<b>Average Day Use (MGD)</b>	<b>Peaking Factor<sup>a</sup></b>	<b>Total Peak Day Use</b>	<b>Percent of Total</b>
Agricultural Irrigation - w/ residence	3.16	0.50	1.58	51.5%
Agricultural Irrigation - w/o residence	0.11	0.50	0.05	1.8%
Small Farm	0.54	0.50	0.27	8.8%
Domestic Irrigation	1.65	0.50	0.82	26.9%
Raw Water - Landscape Irrigation	0.02	0.50	0.01	0.3%
Raw Water - Continuous Flow/Flat	0.66	0.50	0.33	10.8%
Other	0.00	0.50	0.00	0.0%
<b>Total</b>	<b>6.13</b>		<b>3.06</b>	<b>100.0%</b>

(CAP-DA)

*a. All Direct assignment classes are considered "Ag-Related" and have peaking factors that were adjusted to reflect District policy (Principal #9) regarding levels of service and water quality (e.g., most District facilities are not used by Ag-related customers).*

**Table 6 - Development of the Customer Allocation Factor**

<b>Customer Class</b>	<b>No. of Accounts (2010)</b>	<b>Percent of Total</b>
<b>Single Family Residential</b>	<b>34,561</b>	<b>89.0%</b>
<b>Multi Family Residential</b>	<b>777</b>	<b>2.0%</b>
<b>Comm. &amp; Ind. (&amp; potable landscape irrig.)</b>	<b>1,687</b>	<b>4.3%</b>
<b>Agricultural Irrigation - w/ residence</b>	<b>206</b>	<b>0.5%</b>
<b>Recreational Turf</b>	<b>113</b>	<b>0.3%</b>
<b>Small Farm</b>	<b>196</b>	<b>0.5%</b>
<b>Domestic Irrigation</b>	<b>1,303</b>	<b>3.4%</b>
<b>Fire Hydrant/ Construction</b>	<b>-</b>	<b>0.0%</b>
<b>Other</b>	<b>-</b>	<b>0.0%</b>
<b>Total</b>	<b>38,843</b>	<b>100%</b>

**(CA)**

<b>Direct Assignment - Customer Class</b>	<b>Number of Accounts<sup>a</sup></b>	<b>Percent of Total</b>
<b>Agricultural Irrigation - w/ residence</b>		
<b>Agricultural Irrigation - w/o residence</b>	<b>9</b>	<b>60.0%</b>
<b>Small Farm</b>		
<b>Domestic Irrigation</b>		
<b>Raw Water - Landscape Irrigation</b>	<b>6</b>	<b>40.0%</b>
<b>Raw Water - Continuous Flow/Flat</b>	<b>N.A.<sup>a</sup></b>	<b>N.A.<sup>a</sup></b>
<b>Total</b>	<b>15</b>	<b>100%</b>

*a. Ag w/o Resid and Raw Water customers are not charged a basic bi-mo. charge.*

**(CA-DA)**

Table 8 - Functionalization and Classification of 2011 Expenses

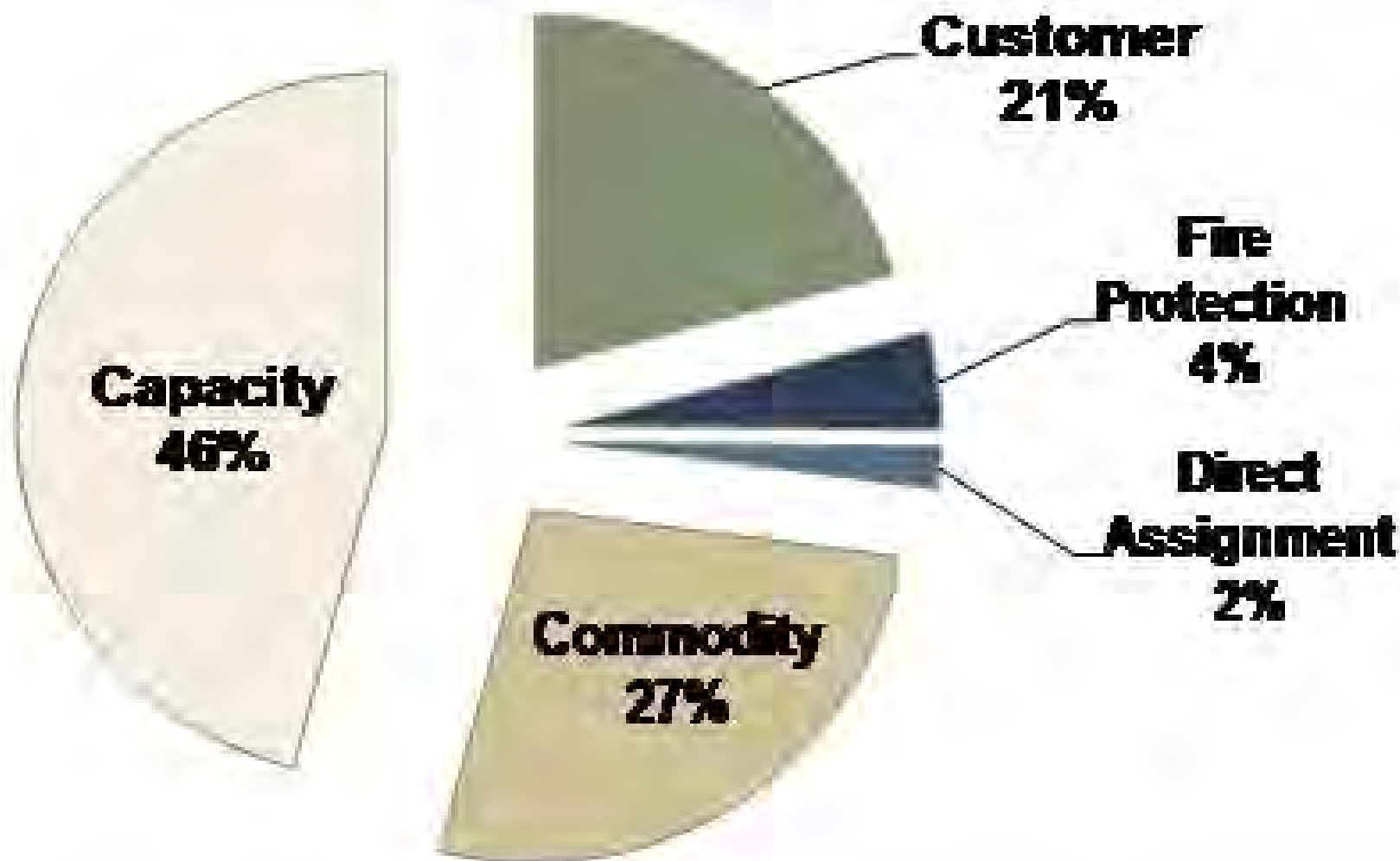
	Total 2011 Revenue Reqs.	Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Direct Assignment (DA)	Basis of Classification				
							(COM)	(CAP)	(CA)	(FP)	(DA)
<b>Account Type</b>											
Operation and Maintenance Expense											
<i>Direct Expenses</i>											
Operations:											
Administration	\$ 230,222	\$ -	\$ 214,106	\$ 11,511	\$ -	\$ 4,604	0.0%	93.0%	5.0%	0.0%	2.0%
Water operations	\$ 9,927,187	\$ 2,978,156	\$ 5,459,953	\$ 496,359	\$ 794,175	\$ 198,544	30.0%	55.0%	5.0%	8.0%	2.0%
Hydro operations	\$ 3,235,452	\$ -	\$ 3,170,743	\$ -	\$ -	\$ 64,709	0.0%	98.0%	0.0%	0.0%	2.0%
Environmental (Compliance)	\$ 54,682	\$ -	\$ 5,468	\$ 32,809	\$ 16,404	\$ -	0.0%	10.0%	60.0%	30.0%	0.0%
Recreation (Natural Resources)	\$ 1,073,122	\$ -	\$ 536,561	\$ 536,561	\$ -	\$ -	0.0%	50.0%	50.0%	0.0%	0.0%
	----	----	----	----	----	----					
Total Direct Expenses	\$ 14,520,665	\$ 2,978,156	\$ 9,386,831	\$ 1,077,240	\$ 810,579	\$ 267,857					
<i>Indirect Expenses</i>											
Engineering	\$ 1,485,999	\$ 62,180	\$ 1,063,628	\$ 225,265	\$ 126,793	\$ 8,132	4.2%	71.6%	15.2%	8.5%	0.5%
Communications	\$ 354,211	\$ -	\$ -	\$ 347,127	\$ -	\$ 7,084	0.0%	0.0%	98.0%	0.0%	2.0%
Office of the General Manager	\$ 1,992,108	\$ 199,211	\$ 199,211	\$ 1,394,476	\$ 159,369	\$ 39,842	10.0%	10.0%	70.0%	8.0%	2.0%
Finance	\$ 4,426,141	\$ -	\$ -	\$ 4,337,618	\$ -	\$ 88,523	0.0%	0.0%	98.0%	0.0%	2.0%
Human Resources	\$ 1,414,696	\$ 353,674	\$ 353,674	\$ 353,674	\$ 325,380	\$ 28,294	25.0%	25.0%	25.0%	23.0%	2.0%
Information Technology	\$ 1,436,759	\$ 359,190	\$ 359,190	\$ 359,190	\$ 330,455	\$ 28,735	25.0%	25.0%	25.0%	23.0%	2.0%
Letter of Credit fee-Dexia Bank	\$ 798,962	\$ 383,502	\$ 399,481	\$ -	\$ -	\$ 15,979	48.0%	50.0%	0.0%	0.0%	2.0%
	----	----	----	----	----	----					
Total Indirect Expenses	\$ 11,908,875	\$ 1,357,756	\$ 2,375,183	\$ 7,017,349	\$ 941,997	\$ 216,590					
<b>Total Oper. &amp; Maint. Expenses</b>	<b>\$ 26,429,540</b>	<b>\$ 4,335,912</b>	<b>\$ 11,762,015</b>	<b>\$ 8,094,590</b>	<b>\$ 1,752,576</b>	<b>\$ 484,447</b>					
<i>Debt Service</i>											
<b>Total Water Debt Service</b>	<b>\$ 12,661,647</b>	<b>\$ 6,204,207</b>	<b>\$ 6,204,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 253,233</b>	<b>49.0%</b>	<b>49.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.0%</b>
<i>Capital Projects</i>											
<b>Capital Funded Through Rates</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>49.0%</b>	<b>49.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.0%</b>
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 39,091,187</b>	<b>\$ 10,540,119</b>	<b>\$ 17,966,222</b>	<b>\$ 8,094,590</b>	<b>\$ 1,752,576</b>	<b>\$ 737,680</b>	<b>27.0%</b>	<b>46.0%</b>	<b>20.7%</b>	<b>4.5%</b>	<b>1.9%</b>
<i>Less: Non-Rate Revenue</i>	\$ 18,283,602	\$ 4,929,790	\$ 8,403,102	\$ 3,785,975	\$ 819,709	\$ 345,025	27.0%	46.0%	20.7%	4.5%	1.9%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 20,807,585</b>	<b>\$ 5,610,329</b>	<b>\$ 9,563,120</b>	<b>\$ 4,308,615</b>	<b>\$ 932,867</b>	<b>\$ 392,655</b>	<b>27.0%</b>	<b>46.0%</b>	<b>20.7%</b>	<b>4.5%</b>	<b>1.9%</b>

**Table 9 - Allocation of 2011 Revenue Requirements by Customer Class**

*(Excludes all Directly Assigned costs)*

Classification Components	Net Revenue Requirements <i>(Reflects Revised 50/50 Split)</i>	Customer Classes					
		Single Family Residential	Multi Family Residential	Comm. & Ind. (& potable landscape irrig.)	Agricultural Irrigation - w/ residence	Recreational Turf	Small Farm (& Domestic Irrig.)
Commodity	\$ 10,694,362	\$ 8,122,861	\$ 828,750	\$ 943,992	\$ 33,976	\$ 524,019	\$ 240,765
Capacity	\$ 6,908,086	\$ 5,429,907	\$ 434,383	\$ 412,322	\$ 22,712	\$ 447,817	\$ 160,945
Customer Related	\$ 3,112,403	\$ 2,769,296	\$ 62,259	\$ 135,176	\$ 16,506	\$ 9,054	\$ 120,112
Public Fire Protection	\$ 673,873	\$ 491,530	\$ 54,880	\$ 104,086	\$ 2,824	\$ -	\$ 20,553
<b>Net Revenue Requirement</b>	<b>\$ 21,388,724</b>	<b>\$ 16,813,593</b>	<b>\$ 1,380,272</b>	<b>\$ 1,595,575</b>	<b>\$ 76,019</b>	<b>\$ 980,891</b>	<b>\$ 542,374</b>

# Allocation of Water Revenue Requirements



**Table 10b****Proposed POTABLE Water Basic Charges (\$/Bi-Mo.) for 2011**

<i>Meter Size</i>	<b>Current Basic Charges (\$/bi-mo.)</b>	<b>Proposed Basic Charges (\$/bi-mo.)<sup>a</sup></b>		
		<b>Single-Family<sup>b</sup></b>	<b>Multi-Family &amp; Commercial</b>	<b>Rec. Turf</b>
<b>5/8"</b>	<b>\$25.89</b>	<b>\$43.28</b>	<b>\$45.57</b>	<b>\$41.00</b>
<b>3/4"</b>	<b>\$25.89</b>	<b>\$43.28</b>	<b>\$45.57</b>	<b>\$41.00</b>
<b>1"</b>	<b>\$30.06</b>	<b>\$64.20</b>	<b>\$68.08</b>	<b>\$60.31</b>
<b>1.5"</b>	<b>\$34.90</b>	<b>\$112.00</b>	<b>\$119.54</b>	<b>\$104.46</b>
<b>1.5" T</b>	<b>\$40.51</b>	<b>\$132.92</b>	<b>\$142.06</b>	<b>\$123.78</b>
<b>2"</b>	<b>\$47.04</b>	<b>\$171.76</b>	<b>\$183.87</b>	<b>\$159.65</b>
<b>2" T</b>	<b>\$54.60</b>	<b>\$171.76</b>	<b>\$183.87</b>	<b>\$159.65</b>
<b>3"</b>	<b>\$63.39</b>	<i>N.A.</i>	<b>\$357.55</b>	<b>\$308.65</b>
<b>3" T</b>	<b>\$73.60</b>	<b>\$362.98</b>	<b>\$389.72</b>	<b>\$336.24</b>
<b>4"</b>	<b>\$85.45</b>	<b>\$512.37</b>	<b>\$550.54</b>	<b>\$474.21</b>
<b>4" T</b>	<b>\$99.20</b>	<b>\$640.85</b>	<b>\$688.84</b>	<b>\$592.86</b>
<b>6"</b>	<b>\$115.16</b>	<i>N.A.</i>	<b>\$1,084.45</b>	<b>\$932.26</b>
<b>6" T</b>	<b>\$133.70</b>	<b>\$1,408.73</b>	<b>\$1,302.01</b>	<b>\$1,302.01</b>
<b>8" T</b>	<b>\$155.22</b>	<i>N.A.</i>	<b>\$2,586.49</b>	<b>\$2,220.87</b>
<b>12" T</b>	<b>\$209.20</b>	<i>N.A.</i>	<b>\$5,375.08</b>	<b>\$4,613.21</b>

*a. Note: Charges include fire protection costs for all classes except Recreational Turf.*

*b. Applies to Ag. Irrigation w/ Residence, Small Fam/DI meters ≤ 3/4".*

**Table 11 - Proposed Consumptive Uniform Rates for 2011**

Potable Water Customer Class	Number of Accounts	Water Consumption (ccf/yr) <sup>1</sup>	Commodity Rates (\$/ccf)	Target Rev. Req't	Rate Structure
Single Family Residential	34,424	5,869,095	\$ 1.3840	\$ 8,122,861	Tiered
Multi Family Residential	777	598,805	\$ 1.3840	\$ 828,750	Uniform
Comm. & Ind. (& potable land)	1,687	682,072	\$ 1.3840	\$ 943,992	Uniform
Agricultural Irrigation - w/ resi	206	24,549	\$ 1.3840	\$ 33,976	Tiered
Recreational Turf	109	378,625	\$ 1.3840	\$ 524,019	Uniform
Small Farm (& Domestic Irrig.	1,499	<u>173,962</u>	\$ 1.3840	<u>\$ 240,765</u>	Tiered
<b>Total</b>		<b>7,727,109</b>		<b>\$ 10,694,362</b>	

**Table 12 - Proposed Residential Tiered Rates for 2011**

Potable Water Customer Class		Upper Tier Breakpoint <sup>3</sup>	Water Consumption (ccf/yr) <sup>4</sup>	Commodity Rates		Target Rev. Req't
				(\$/ccf)	(\$/cf)	
Single Family Residential	Tier 1	1,800 ccf/bi-mo.	2,395,887	\$1.1624	\$0.01162	\$2,784,957
	Tier 2	4,500 ccf/bi-mo.	1,548,605	\$1.4030	\$0.01403	\$2,172,752
	Tier 3	-	<u>1,924,603</u>	\$1.6446	\$0.01645	<u>\$3,165,152</u>
<i>Total</i>			5,869,095			\$8,122,861

1. 2009 consumption less reductions to account for conservation in 2011. Recreational Turf is assumed to be 25% lower.

2. Includes only consumption occurring in Tier 1. Consumption above Tier 1 are Ag rates.

3. Same as current potable residential tiers.

4. Based on 2010 consumption by Tier for single-family residential consumption data less the estimated 2011 conservation of 10%.

**Table 13 - Allocation of 2011 Direct Assignment Revenue Requirements**

Classification Components	Net Revenue Requirements <sup>1</sup>	Customer Classes (Direct Assignment)					
		Agricultural Irrigation -w/ residence	Agricultural Irrigation -w/o residence	Small Farm	Domestic Irrigation	Raw Water - Landscape Irrigation	Raw Water - Continuous Flow/Flat
Commodity	\$ 318,219	\$ 163,823	\$ 5,710	\$ 27,953	\$ 85,521	\$ 796	\$ 34,415
Capacity	\$ 92,644	\$ 47,694	\$ 1,662	\$ 8,138	\$ 24,898	\$ 232	\$ 10,019
Customer Related <sup>2</sup>	\$ 522	\$ -	\$ 313	\$ -	\$ -	\$ 209	\$ -
Public Fire Protection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Revenue Requirement</b>	<b>\$ 411,384</b>	<b>\$ 211,518</b>	<b>\$ 7,685</b>	<b>\$ 36,091</b>	<b>\$ 110,419</b>	<b>\$ 1,237</b>	<b>\$ 44,434</b>

<sup>1</sup> Assumes an allocation to Commodity, Capacity, Customer-Related and Fire Protection and classifications in the same proportion as non-DA costs with the exception of no fire protection costs.

<sup>2</sup> No Customer-Related costs are assigned to Ag w/ Resid., Small Farms, or Domestic Irrigation; these customers pay Customer-Related costs through their Potable charges. Ag w/o Resid. and Raw Water customers do not have potable charges, and therefore pay Customer-Related costs in DA charges.

**Table 15****Basic Charges - Direct Assignment Classes for 2011**

Customer Class/ Meter Size	Current Basic Charges	Proposed Basic Charges (\$/bi-mo.) <sup>a</sup>	
		Ag w/ Resid. & Small Farms/DI <sup>b</sup>	Ag w/o Resid. & Raw Metered
Current Basic Charges			
Domestic Irrigation	<b>\$71.10</b>	--	--
Metered Landscape	<b>\$80.83</b>	--	--
Small Farms (Potable Charges)		--	--
Ag w/o Residence (Potable Charges)		--	--
5/8"	<b>\$25.89</b>	<b>\$43.28</b>	N.A.
3/4"	<b>\$25.89</b>	<b>\$43.28</b>	<b>\$9.31</b>
1"	<b>\$30.06</b>	<b>\$49.24</b>	<b>\$11.76</b>
1.5"	<b>\$34.90</b>	<b>\$54.85</b>	<b>\$17.37</b>
1.5" T	<b>\$40.51</b>	<b>\$57.31</b>	<b>\$19.83</b>
2"	<b>\$47.04</b>	<b>\$61.87</b>	<b>\$24.39</b>
2" T	<b>\$54.60</b>	<b>\$61.87</b>	<b>\$24.39</b>
3"	<b>\$63.39</b>	<b>\$80.80</b>	N.A.
3" T	<b>\$73.60</b>	<b>\$84.31</b>	N.A.
4"	<b>\$85.45</b>	N.A.	N.A.
4" T	<b>\$99.20</b>	<b>\$116.92</b>	N.A.
6"	<b>\$115.16</b>	<b>\$160.06</b>	<b>\$122.58</b>
6" T	<b>\$133.70</b>	<b>\$207.05</b>	N.A.
8" T	<b>\$155.22</b>	N.A.	N.A.
12" T	<b>\$209.20</b>	N.A.	N.A.

a. Charges exclude fire protection costs. Charges for meter sizes with no customers are not shown.

b. All Ag w/ Residence and Small Farm/DI customer charges include the Potable Single-Family Basic Charge for a 3/4" meter plus add'l capacity charges that reflect Ag-related infrastructure costs only.

Table 16 - Proposed Consumptive Tiered Rates for 2011

Ag w/& w/o Residence and Combined Small Farms & Domestic Irrigation

Customer Class/Tier	Tier Range <sup>a</sup>	Water Consumption (ccf/yr) <sup>b</sup>	Commodity Rates		Total Rate Revenue	
			(\$/ccf)	(\$/cf)		
Agricultural Irrigation - (with residence)	Tier 1 (Potable Rate)	≤1,800 ccf/bi-mo.	24,549	\$1.1624	\$0.01162	\$28,536
Small Farms/Domestic Irrigation	Tier 1 (Potable Rate)	≤1,800 ccf/bi-mo.	143,419	\$1.1624	\$0.01162	\$166,709
Agricultural Irrigation - (w/ & w/o residence)	Tier 2 (Ag Irrig.)	> 1,800 ccf/bi-mo.	1,568,662	\$0.1380	\$0.00138	\$216,535
Small Farms/Domestic Irrigation	Tier 2 (Small Farm/DI)	> 1,800 ccf/bi-mo.	922,972	\$0.1380	\$0.00138	\$127,405
<i>Total - All Tiers</i>			2,659,602			\$539,186

a. Same as potable residential Tier 1 for ag with residence; Ag w/ residence is only charged Tier 2 rates after 1,800 ccf.

b. Consumption for Tier 2 only includes usage greater than Tier 1. Reflects 2010 consumption plus 21.3% to approximate 2009 usage levels.

c. These are Ag rates based only on direct assignment costs.

## Proposed Raw Rates for 2011

Customer Class/Tier	Basic Charge or Flat Rate <sup>1</sup>	Water Consumption (ccf/yr) <sup>3</sup>	Commodity Rates		
			(\$/ccf)	(\$/cf)	
Metered Landscape Irrigation	Uniform Rate <sup>1</sup>	(Same as Ag Irrig.)	--	\$0.1380	\$0.00138
	Outside Rate <sup>2</sup>	(see note 2)	--	\$0.1725	\$0.00173
Raw Water - Flat Rates <sup>3</sup>	1/2" flow	\$537.00	3,888	\$0.1380	\$0.00138
	1" flow	\$1,073.00	7,776	\$0.1380	\$0.00138
	2" flow	\$2,147.00	15,552	\$0.1380	\$0.00138
	4" flow	\$4,294.00	31,104	\$0.1380	\$0.00138
Raw Water - Continuous Flow <sup>3</sup>	Uniform Rate	N.A.	--	\$0.1380	\$0.00138
	Outside Rate <sup>2</sup>	N.A.	--	\$0.1725	\$0.00173

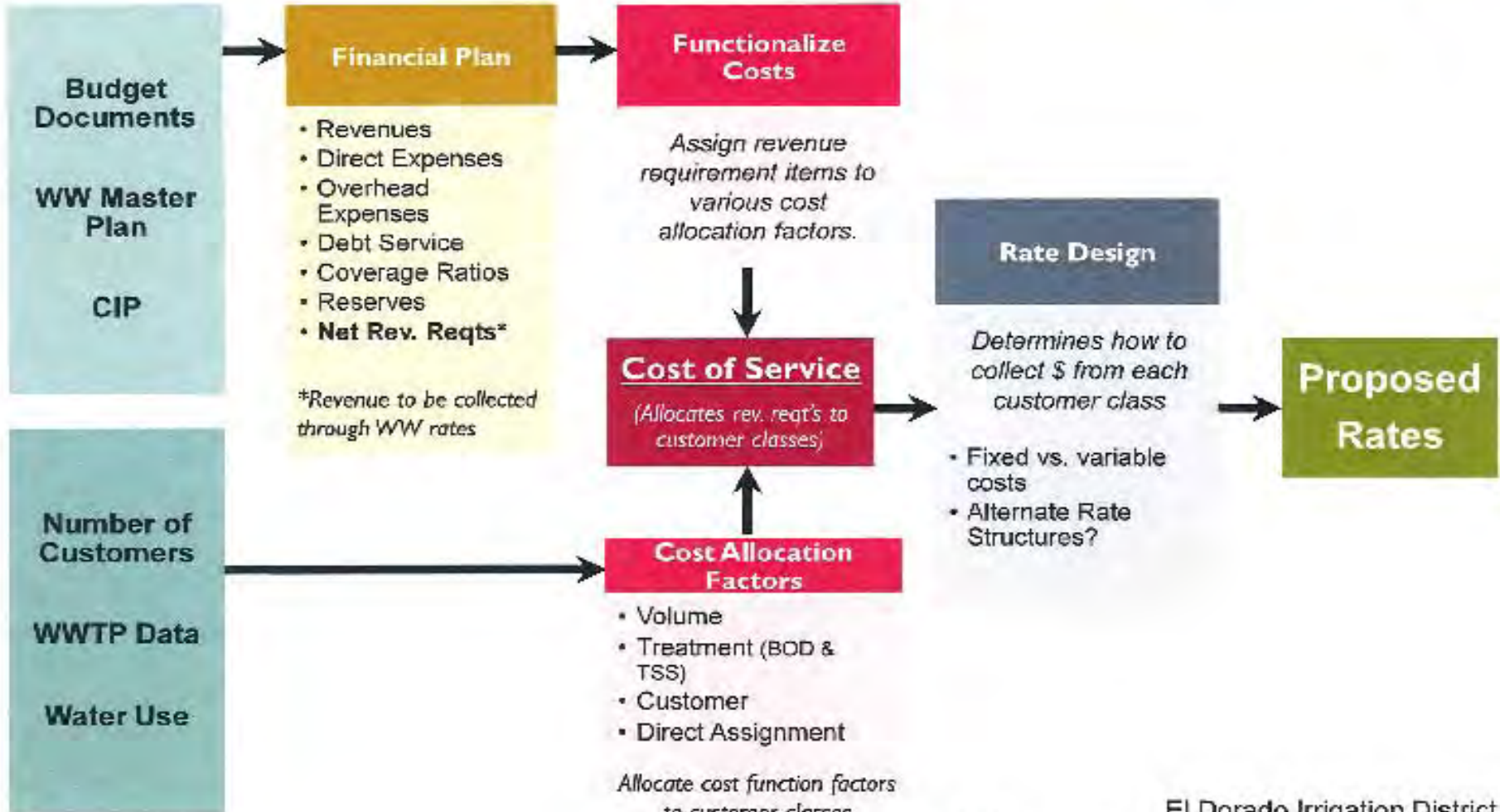
1. Same as Ag Irrigation Tier 2.

2. Assumes a surcharge of 25%.

3. Based on miner's inch calculations (129,600 ccf/miner's inch) and assumes year-round usage.

# SEWER RATE MODEL - OVERVIEW





# DRAFT SEWER RATE MODELS



**Table 2 - Development of Revenue Requirements**

	Budget	Projected				
	2010	2011	2012	2013	2014	2015
<b>SOURCES OF FUNDS</b>	<i>Adopter Rate Increases</i>	15%	5%	5%	5%	
<b>Operating Revenues</b>						
Wastewater service charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater service	\$ 16,863,315	\$ 19,661,456	\$ 20,362,453	\$ 21,380,576	\$ 22,449,604	\$ 23,572,085
Recycled water sales	\$ 647,035	\$ 754,398	\$ 781,295	\$ 820,360	\$ 861,378	\$ 904,447
<b>Total Revenue at Present Rates</b>	<b>\$ 17,510,350</b>	<b>\$ 20,415,854</b>	<b>\$ 21,143,748</b>	<b>\$ 22,200,935</b>	<b>\$ 23,310,982</b>	<b>\$ 24,476,531</b>
<b>Miscellaneous Revenues</b>						
Investment income	\$ 400,000	\$ 360,880	\$ 350,000	\$ 360,880	\$ 350,000	\$ 360,880
Surcharges	\$ 867,597	\$ 884,949	\$ 884,949	\$ 884,949	\$ 884,949	\$ 884,949
IPP and cross connection program fees	\$ 50,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000
Property Taxes	\$ 4,100,000	\$ 4,160,000	\$ 4,180,800	\$ 4,201,704	\$ 4,222,713	\$ 4,243,826
Other income	\$ 800,000	\$ 816,000	\$ 816,000	\$ 816,000	\$ 816,000	\$ 816,000
<b>Total Miscellaneous Revenues</b>	<b>\$ 6,217,597</b>	<b>\$ 6,646,829</b>	<b>\$ 6,656,749</b>	<b>\$ 6,688,533</b>	<b>\$ 6,698,661</b>	<b>\$ 6,730,655</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 23,727,947</b>	<b>\$ 27,062,683</b>	<b>\$ 27,800,497</b>	<b>\$ 28,889,468</b>	<b>\$ 30,009,644</b>	<b>\$ 31,207,186</b>

**Table 2 (cont.) - Development of Revenue Requirements**

<b>APPLICATIONS OF FUNDS</b>						
	Budget	Projected				
	2010	2011	2012	2013	2014	2015
<b>Operation and Maintenance Expense</b>						
<i>Direct Expenses (Operations)</i>						
Administration	\$ 129,386	\$ 139,459	\$ 143,643	\$ 146,516	\$ 149,446	\$ 152,435
Wastewater Operations	\$ 9,232,787	\$ 8,893,052	\$ 9,159,844	\$ 9,343,040	\$ 9,529,901	\$ 9,720,499
Recycled Water Operations	\$ 408,227	\$ 448,697	\$ 462,158	\$ 471,401	\$ 480,829	\$ 490,446
Anticipated New Staff (Salary and Benefit)	\$ -	\$ -	\$ -	\$ 80,000	\$ 81,600	\$ 83,232
<b>Total Direct Expenses</b>	<b>\$ 9,770,400</b>	<b>\$ 9,481,208</b>	<b>\$ 9,765,644</b>	<b>\$ 10,040,957</b>	<b>\$ 10,241,776</b>	<b>\$ 10,446,612</b>
<i>Indirect Expenses</i>						
Natural Resources: Environmental	\$ 755,894	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering	\$ 1,128,174	\$ 652,243	\$ 671,810	\$ 685,246	\$ 698,951	\$ 712,930
Facilities Management	\$ -	\$ 408,618	\$ 420,877	\$ 429,294	\$ 437,880	\$ 446,638
Communications	\$ 199,233	\$ 214,566	\$ 221,003	\$ 225,423	\$ 229,932	\$ 234,530
Office of the General Manager	\$ 1,066,195	\$ 1,206,737	\$ 1,242,939	\$ 1,267,798	\$ 1,293,154	\$ 1,319,017
Finance	\$ 1,799,086	\$ 2,130,603	\$ 2,194,522	\$ 2,238,412	\$ 2,283,180	\$ 2,328,844
Human Resources	\$ 857,879	\$ 856,964	\$ 882,673	\$ 900,327	\$ 918,333	\$ 936,700
Information Technology	\$ 983,583	\$ 870,329	\$ 896,439	\$ 914,368	\$ 932,655	\$ 951,308
Letter of Credit fee-Dexia Bank	\$ 297,842	\$ 529,498	\$ 529,498	\$ 529,498	\$ 529,498	\$ 529,498
<b>Total Indirect Expenses</b>	<b>\$ 7,087,886</b>	<b>\$ 6,869,558</b>	<b>\$ 7,059,760</b>	<b>\$ 7,190,365</b>	<b>\$ 7,323,582</b>	<b>\$ 7,459,464</b>
<b>Total Operating and Maintenance Expense</b>	<b>\$ 16,858,286</b>	<b>\$ 16,350,766</b>	<b>\$ 16,825,404</b>	<b>\$ 17,231,322</b>	<b>\$ 17,565,359</b>	<b>\$ 17,906,076</b>
<b>Debt Service Installments</b>						
<b>Total Wastewater Debt Service</b>	<b>\$ 6,432,424</b>	<b>\$ 8,722,675</b>	<b>\$ 9,136,085</b>	<b>\$ 10,079,269</b>	<b>\$ 9,649,942</b>	<b>\$ 10,327,991</b>
<b>Capital Projects</b>						
<i>Rate-Funded CIP</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue Requirements</b>	<b>\$ 23,290,710</b>	<b>\$ 25,073,441</b>	<b>\$ 25,961,489</b>	<b>\$ 27,310,591</b>	<b>\$ 27,215,301</b>	<b>\$ 28,234,067</b>
Less: Non-Rate Revenue	\$ 6,217,597	\$ 6,646,829	\$ 6,656,749	\$ 6,688,533	\$ 6,698,661	\$ 6,730,655
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 17,073,113</b>	<b>\$ 18,426,613</b>	<b>\$ 19,304,740</b>	<b>\$ 20,622,059</b>	<b>\$ 20,516,639</b>	<b>\$ 21,503,412</b>
<b>Debt Service Coverage Ratio</b>						
After Rate Adjustment, 1.25 Required	1.09	1.35	1.37	1.52	1.67	1.79
After Adjustment, w/o FCCs, 1.0 preferred	1.07	1.23	1.20	1.16	1.29	1.29

Table 3 - Development of the Volume Allocation Factor

Customer Class	Est. 2009 Volume <sup>1</sup> (ccf)	% of Volume (for each utility)	2009 Vol. w/o Recycled Water	% of Accounts (allocate 2/3 of I&I)	% of Vol (allocate 1/3 of I&I)	Estimated I&I (ccf)	Adjusted Flow Total (ccf)	Percent of Adjusted Vol.
Single Family Residential	1,966,326	74.6%	1,966,326	94.5%	74.6%	240,372	2,206,697	75.9%
Multi Family Residential	315,441	12.0%	315,441	1.6%	12.0%	13,868	329,309	11.3%
Commercial - Laundromat	2,346	0.1%	2,346	0.0%	0.1%	116	2,462	0.1%
Commercial - Repair Shops/Service Stations	16,168	0.6%	16,168	0.3%	0.6%	1,116	17,284	0.6%
Commercial - Light Industrial	15,308	0.6%	15,308	0.3%	0.6%	1,016	16,325	0.6%
Commercial - Market	33,306	1.3%	33,306	0.1%	1.3%	1,291	34,598	1.2%
Commercial - Restaurant	59,648	2.3%	59,648	0.5%	2.3%	2,898	62,546	2.2%
Commercial - Other	181,851	6.9%	181,851	2.6%	6.9%	11,038	192,889	6.6%
Schools	44,442	1.7%	44,442	0.1%	1.7%	1,737	46,179	1.6%
Commercial Landscape (Recycled Only)	331,000	35%	-	-	-	-	-	0.0%
Recreational Turf (Recycled Only)	139,000	15%	-	-	-	-	-	0.0%
Residential - Dual Plumbed (Recycled Only)	463,000	50%	-	-	-	-	-	0.0%
<b>Total</b>	<b>3,567,837</b>		<b>2,634,837</b>	<b>100%</b>	<b>100%</b>	<b>273,452</b>	<b>2,908,289</b>	<b>100%</b>

**Table 4 - Development of the Strength Allocation Factor**

Customer Class	Adjusted Annual Flow (ccf)	Biological Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Avg Strength Factor * (mg/l)	Calculated BOD (lb/yr)	Adjusted BOD (lb/yr)	Percent of Total	Avg Strength Factor * (mg/l)	Calculated TSS (lb/yr)	Adjusted TSS (lb/yr)	Percent of Total
Single Family Residential	2,208,697	229	3,152,433	3,118,697	66.30%	229	3,152,433	3,958,195	68.99%
Multi Family Residential	329,309	229	470,443	465,409	9.89%	229	470,443	590,390	10.30%
Commercial- Laundromat	2,462	229	3,518	3,480	0.07%	245	3,763	4,723	0.08%
Commercial- Repair Shops/Service Stations	17,284	229	24,691	24,427	0.52%	280	30,190	37,887	0.66%
Commercial- Light Industrial	16,325	670	68,232	67,502	1.44%	680	69,251	86,907	1.52%
Commercial- Market	34,598	600	129,498	128,112	2.72%	600	129,498	162,516	2.83%
Commercial- Restaurant	62,548	900	351,162	347,404	7.39%	600	234,108	293,798	5.12%
Commercial- Other	192,889	425	511,404	505,931	10.76%	370	445,222	558,738	9.74%
Schools	46,179	150	43,212	42,750	0.91%	120	34,570	43,364	0.76%
Commercial Landscape (Recycled Only)	N/A								
Recreational Turf (Recycled Only)	N/A								
Residential- Dual Plum bed (Recycled Only)	N/A								
<b>Total</b>	<b>2,908,289</b>		<b>4,754,594</b>	<b>4,703,712</b>	<b>100%</b>		<b>4,569,479</b>	<b>5,734,538</b>	<b>100%</b>
		Target (Plant Data)	<b>4,703,712</b>		(BOD)	Target (Plant Data)	<b>5,734,538</b>		(TSS)

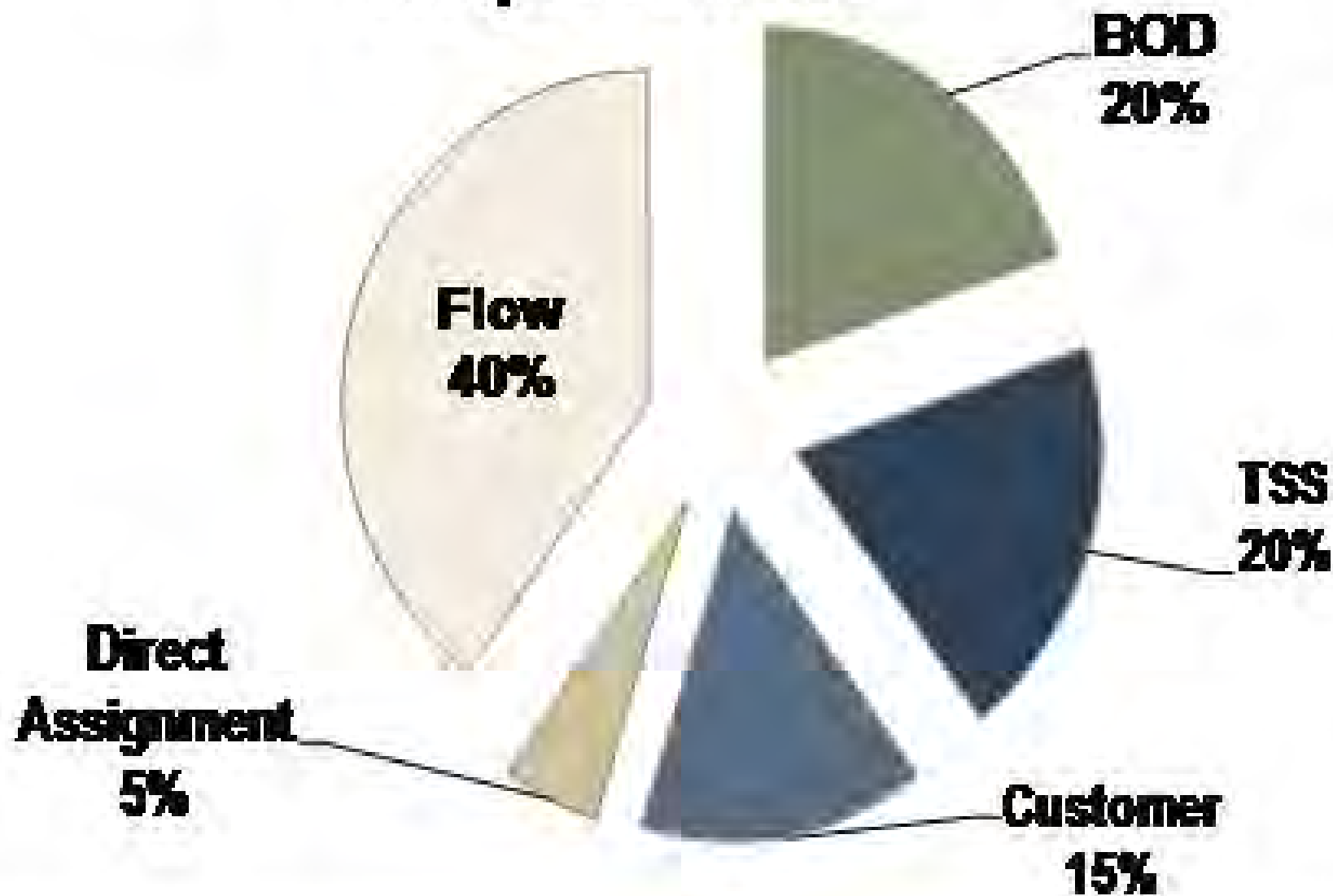
**Table 5 - Development of the Customer Allocation Factor**

<b>Customer Class</b>	<b>Number of Accounts</b>	<b>Adjusted, if needed</b>	<b>Percent of Total</b>
Single Family Residential	19,825	19,825	94.63%
Multi Family Residential	340	340	1.62%
Commercial - Laundromat	4	4	0.02%
Commercial - Repair Shops/Service Stations	64	64	0.31%
Commercial - Light Industrial	56	56	0.27%
Commercial - Market	16	16	0.08%
Commercial - Restaurant	96	96	0.46%
Commercial - Other	546	546	2.61%
Schools	4	4	0.02%
Commercial Landscape (Recycled Only)	155	153	4.34%
Recreational Turf (Recycled Only)	11	12	0.34%
Residential - Dual Plumbed (Recycled Only)	3,890	3,360	95.32%
<b>Total</b>	<b>25,007</b>	<b>24,476</b>	<b>(CA)</b>

**Table 6 - Functionalization and Classification of Expenses**

	Total Revenue Requirements 2011	Flow (VOL)	Strength		Customer Actual (CA)	Direct Assignment (DA)	Basis of Classification				
			(BOD)	(TSS)			(VOL)	(BOD)	(TSS)	(CA)	(DA)
<b>Account Type</b>											
<i>Operation and Maintenance Expense</i>											
<i>Direct Expenses (Operations)</i>											
Administration	\$ 139,459	\$ 47,880	\$ 20,919	\$ 20,919	\$ 41,838	\$ 7,904	34%	15%	15%	30%	6%
Wastewater Operations	\$ 8,893,052	\$ 4,446,526	\$ 2,223,263	\$ 2,223,263	\$ -	\$ -	50%	25%	25%	0%	0%
Recycled Water Operations	\$ 448,697	\$ -	\$ -	\$ -	\$ -	\$ 448,697	0%	0%	0%	0%	100%
Antic. New Staff (Salary & Benefits)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	40%	10%	10%	10%	30%
	----	----	----	----	----	----					
<b>Total Direct Expenses</b>	<b>\$ 9,481,208</b>	<b>\$ 4,494,406</b>	<b>\$ 2,244,182</b>	<b>\$ 2,244,182</b>	<b>\$ 41,838</b>	<b>\$ 456,601</b>					
<i>Indirect Expenses</i>											
Engineering	\$ 652,243	\$ 305,391	\$ 64,743	\$ 64,743	\$ 163,634	\$ 53,732					
Facilities Management	\$ 408,618	\$ -	\$ 56,907	\$ 56,907	\$ 150,073	\$ 144,732					
Communications	\$ 214,566	\$ -	\$ -	\$ -	\$ 202,406	\$ 12,160	0%	0%	0%	94%	6%
Office of the General Manager	\$ 1,206,737	\$ 181,011	\$ 60,337	\$ 60,337	\$ 836,663	\$ 68,389	15%	5%	5%	69%	6%
Finance	\$ 2,130,603	\$ -	\$ -	\$ -	\$ 2,009,856	\$ 120,747	0%	0%	0%	94%	6%
Human Resources	\$ 856,964	\$ 337,067	\$ 128,545	\$ 128,545	\$ 214,241	\$ 48,567	39%	15%	15%	25%	6%
Information Technology	\$ 870,329	\$ 255,291	\$ 174,066	\$ 174,066	\$ 217,582	\$ 49,324	29%	20%	20%	25%	6%
Letter of Credit fee-Dexia Bank	\$ 529,498	\$ 238,274	\$ 132,374	\$ 132,374	\$ -	\$ 26,475	45%	25%	25%	0%	5%
	----	----	----	----	----	----					
<b>Total Indirect Expenses</b>	<b>\$ 6,869,558</b>	<b>\$ 1,317,034</b>	<b>\$ 616,971</b>	<b>\$ 616,971</b>	<b>\$ 3,794,456</b>	<b>\$ 524,126</b>					
	----	----	----	----	----	----					
<b>Total Oper. and Maint. Expenses</b>	<b>\$ 16,350,766</b>	<b>\$ 5,811,440</b>	<b>\$ 2,861,153</b>	<b>\$ 2,861,153</b>	<b>\$ 3,836,293</b>	<b>\$ 980,727</b>					
<i>Debt Service Installments</i>											
<b>Total Wastewater Debt Service</b>	<b>\$ 8,722,675</b>	<b>\$ 4,361,338</b>	<b>\$ 2,180,669</b>	<b>\$ 2,180,669</b>	<b>\$ -</b>	<b>\$ -</b>	50%	25%	25%	0%	0%
<i>Capital Projects</i>											
<i>Rate-Funded CIP</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	50%	25%	25%	0%	0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 25,073,441</b>	<b>\$ 10,172,777</b>	<b>\$ 5,041,822</b>	<b>\$ 5,041,822</b>	<b>\$ 3,836,293</b>	<b>\$ 980,727</b>	<b>41%</b>	<b>20%</b>	<b>20%</b>	<b>15%</b>	<b>4%</b>
<i>Less: Non-Rate Revenue</i>	\$ 6,646,829	\$ 2,785,409	\$ 1,380,502	\$ 1,380,502	\$ 1,050,416	\$ 50,000	42%	21%	21%	16%	1%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 18,426,613</b>	<b>\$ 7,387,368</b>	<b>\$ 3,661,320</b>	<b>\$ 3,661,320</b>	<b>\$ 2,785,877</b>	<b>\$ 930,727</b>	<b>40%</b>	<b>20%</b>	<b>20%</b>	<b>15%</b>	<b>5%</b>

# Allocation of Sewer Revenue Requirements



**Table 7 - Allocation of Revenue Requirements**

Classification Components	Net Revenue Requirements	Customer Classes								
		Single Family Residential	Multi Family Residential	Commercial - Laundromat	Commercial - Shops/Service Stations	Commercial - Light Industrial	Commercial - Market	Commercial - Restaurant	Commercial - Other	Schools
<b>Volume Treatment</b>	<b>\$7,753,860</b>	\$5,883,330	\$ 877,980	\$ 6,565	\$ 46,080	\$ 43,524	\$ 92,241	\$ 166,755	\$ 514,266	\$ 123,119
- BOD	<b>\$1,876,930</b>	\$ 2,570,517	\$ 383,603	\$ 2,868	\$ 20,133	\$ 55,637	\$ 105,594	\$ 286,340	\$ 417,002	\$ 35,235
- TSS	<b>\$1,876,930</b>	\$ 2,674,652	\$ 399,143	\$ 3,193	\$ 25,614	\$ 58,755	\$ 109,872	\$ 198,627	\$ 377,744	\$ 29,330
<b>Customer-Related</b>	<b>\$1,876,930</b>	\$ 3,668,996	\$ 62,917	\$ 740	\$ 11,843	\$ 10,363	\$ 2,961	\$ 17,765	\$ 101,037	\$ 709
<b>Direct Assignment</b>	<b>\$1,031,203</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Revenue Requirement</b>	<b>\$ 20,415,654</b>	<b>\$ 14,797,095</b>	<b>\$ 1,723,643</b>	<b>\$ 13,366</b>	<b>\$ 103,671</b>	<b>\$ 168,279</b>	<b>\$ 310,668</b>	<b>\$ 669,436</b>	<b>\$1,410,049</b>	<b>\$ 188,394</b>

Table 7 (cont.) - Allocation of Revenue Requirements

Customer Class	Cost of Service Allocated Costs - 2011					Total Revenue		
	(CA)	(VOL)	(BOD)	(TSS)	(DA)	GOS Req'd	at Present Rates	Percent Difference
Single Family Residential	\$3,668,596	\$5,883,330	\$2,570,517	\$2,674,652	-	\$14,797,095	\$15,094,406	-2%
Multi Family Residential	\$62,917	\$877,980	\$383,603	\$399,143	-	\$1,723,643	\$1,773,810	-3%
Commercial - Laundromat	\$740	\$6,565	\$2,868	\$3,193	-	\$13,366	\$10,187	31%
Commercial - Repair Shops/Serv	\$11,843	\$46,080	\$20,133	\$25,614	-	\$103,671	\$153,005	-32%
Commercial - Light Industrial	\$10,363	\$43,524	\$55,637	\$58,755	-	\$168,279	\$204,961	-18%
Commercial - Market	\$2,961	\$92,241	\$105,594	\$109,872	-	\$310,668	\$248,208	25%
Commercial - Restaurant	\$17,765	\$166,755	\$286,340	\$198,627	-	\$669,486	\$764,235	-12%
Commercial - Other	\$101,037	\$514,266	\$417,002	\$377,744	-	\$1,410,049	\$1,280,041	10%
Schools	\$709	\$123,119	\$35,235	\$29,330	-	\$188,394	\$132,603	42%
<b>Total</b>	<b>\$3,876,930</b>	<b>\$7,753,860</b>	<b>\$3,876,930</b>	<b>\$3,876,930</b>	-	<b>\$19,384,651</b>	<b>\$19,561,456</b>	<b>-1%</b>

Table 8 - Annual SDS Revenue Requirements by Customer Class

Customer Class	CUMULATIVE COSTS				ETRIEMENT			BOD			ISS		
	No. of Units	\$/Unit/yr	\$/Accum. mo	Annual Rev. Req'd	lb/yr	\$/lb	Annual Rev. Req'd	Load (lb/yr)	\$/lb	Annual Rev. Req'd	Load (lb/yr)	\$/lb	Annual Rev. Req'd
Single Family Residential	19,825	\$185.05	\$30.84	\$3,668,596	2,206,697	\$2.67	\$5,883,330	3,118,697	\$0.82	\$2,570,517	3,956,195	\$0.88	\$2,674,652
Multi Family Residential	340	\$185.05	\$30.84	\$62,917	329,309	\$2.67	\$877,980	465,409	\$0.82	\$383,603	590,390	\$0.88	\$399,143
Commercial - Laundromat	4	\$185.05	\$30.84	\$740	2,462	\$2.67	\$6,565	3,480	\$0.82	\$2,868	4,723	\$0.88	\$3,193
Commercial - Repair Shops/Service	64	\$185.05	\$30.84	\$11,843	17,284	\$2.67	\$46,080	24,427	\$0.82	\$20,133	37,887	\$0.88	\$25,614
Commercial - Light Industrial	56	\$185.05	\$30.84	\$10,363	16,325	\$2.67	\$43,524	67,502	\$0.82	\$55,637	86,907	\$0.88	\$58,755
Commercial - Market	16	\$185.05	\$30.84	\$2,961	34,598	\$2.67	\$92,241	128,112	\$0.82	\$105,594	162,516	\$0.88	\$109,872
Commercial - Restaurant	96	\$185.05	\$30.84	\$17,765	62,546	\$2.67	\$166,755	347,404	\$0.82	\$286,340	293,798	\$0.88	\$198,627
Commercial - Other	546	\$185.05	\$30.84	\$101,037	192,889	\$2.67	\$514,266	505,931	\$0.82	\$417,002	558,738	\$0.88	\$377,744
Schools	23	\$30.84	\$5.14	\$709	46,179	\$2.67	\$123,119	42,750	\$0.82	\$35,235	43,384	\$0.88	\$29,330
<b>Total</b>	<b>20,970</b>	<b>--</b>	<b>-</b>	<b>\$3,876,930</b>	<b>2,908,289</b>	<b>--</b>	<b>\$7,753,860</b>	<b>4,703,712</b>	<b>--</b>	<b>\$3,876,930</b>	<b>5,734,538</b>	<b>--</b>	<b>\$3,876,930</b>

Table 9 - Monthly Fixed and Variable Wastewater Rates

Customer Class	Cust. Cost Rev. Req't	No. of Accounts	Bi-Mo. Customer Service (Flat Rate)	Annual Volume-Based Revenue Requirement (\$/yr)					Annual Water Use/Delivery	ADA Rate School (\$/ADA/yr)	Volume Rate (\$/ccf)	
				Flow	BOD	TSS	DA	Total			Flow	Treatment (BOD & TSS)
Single Family Residential	\$3,668,596	19,825	\$30.84	\$5,883,330	\$2,570,517	\$2,674,662	-	\$11,128,499	2,206,697	-	\$2.67	\$2.38
Multi Family Residential	\$62,917	340	\$30.84	\$877,980	\$383,603	\$399,146	-	\$1,660,726	329,309	-	\$2.67	\$2.38
Commercial- Laundromat	\$740	4	\$30.84	\$6,565	\$2,868	\$3,193	-	\$12,626	2,462	-	\$2.67	\$2.46
Commercial- Repair Shops/S	\$11,843	64	\$30.84	\$46,080	\$20,133	\$25,614	-	\$91,828	17,284	-	\$2.67	\$2.65
Commercial- Light Industrial	\$10,363	56	\$30.84	\$43,524	\$55,637	\$58,755	-	\$157,916	16,325	-	\$2.67	\$7.01
Commercial- Market	\$2,961	16	\$30.84	\$92,241	\$105,594	\$109,872	-	\$307,707	34,598	-	\$2.67	\$6.23
Commercial- Restaurant	\$17,765	96	\$30.84	\$166,755	\$286,340	\$198,627	-	\$651,722	62,546	-	\$2.67	\$7.75
Commercial- Other	\$101,037	546	\$30.84	\$514,266	\$417,002	\$377,744	-	\$1,309,012	192,889	-	\$2.67	\$4.12
Schools	\$709	23	\$5.14	\$123,119	\$35,235	\$29,330	-	\$187,685	46,179	\$10.16	\$2.67	\$1.40
<b>Total</b>	<b>\$3,876,930</b>	<b>20,970</b>	<b>-</b>	<b>\$7,753,860</b>	<b>\$3,876,930</b>	<b>\$3,876,930</b>	<b>-</b>	<b>\$15,507,721</b>	<b>2,908,289</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 9 (cont.) - Summary of COS Bi-Monthly Sewer Charges**

Customer Class	Customer Service Flat Rate (bi. mo.)	Volume-Based Rate (\$/ccf)		
		Flow	Treatment	Total (\$/ccf)
Single Family Residential	\$30.84	\$2.67	\$2.38	\$5.04
Multi Family Residential	\$30.84	\$2.67	\$2.38	\$5.04
Commercial - Laundromat	\$30.84	\$2.67	\$2.46	\$5.13
Commercial - Repair Shops/Service	\$30.84	\$2.67	\$2.65	\$5.31
Commercial - Light Industrial	\$30.84	\$2.67	\$7.01	\$9.67
Commercial - Market	\$30.84	\$2.67	\$6.23	\$8.89
Commercial - Restaurant	\$30.84	\$2.67	\$7.75	\$10.42
Commercial - Other	\$30.84	\$2.67	\$4.12	\$6.79
Schools	\$5.14	\$2.67	\$1.40	\$4.06

**Table 10 - Adjustments to Fixed vs. Variable Sewer Charges**

Customer Class	Existing 2010 Rates		2011 C.O.S. Rates (50% of Resid. Revenue comes from Basic Charges)		
	Basic Charge	Variable (per cf)	Basic Charge	Variable (per cf)	Rate Rev. Generated
<i>% Allocation of Revenue</i>			<i>50%</i>	<i>50%</i>	<i>\$/yr.</i>
<b>Single Family Residential</b>	<b>\$ 77.33</b>	<b>\$ 0.02898</b>	<b>\$ 62.20</b>	<b>\$0.03353</b>	<b>\$14,797,095</b>
<i>% Allocation of Revenue</i>			<i>50%</i>	<i>50%</i>	
<b>Multi Family Residential<sup>1</sup></b>	<b>\$ 77.33</b>	<b>\$ 0.02898</b>	<b>\$ 30.42</b>	<b>\$0.02617</b>	\$1,723,643
<i>% Allocation of Revenue</i>			<i>fixed</i>	<i>calculated</i>	
<b>Commercial - Laundromat</b>	<b>\$ 69.76</b>	<b>\$ 0.03853</b>	<b>\$ 69.76</b>	<b>\$0.04748</b>	\$13,366
<b>Commercial - Repair Shops</b>	<b>\$ 69.76</b>	<b>\$ 0.05798</b>	<b>\$ 69.76</b>	<b>\$0.04448</b>	\$103,671
<b>Commercial - Light Industrial</b>	<b>\$ 69.76</b>	<b>\$ 0.07759</b>	<b>\$ 69.76</b>	<b>\$0.08872</b>	\$168,279
<b>Commercial - Market</b>	<b>\$ 69.76</b>	<b>\$ 0.08320</b>	<b>\$ 69.76</b>	<b>\$0.08786</b>	\$310,668
<b>Commercial - Restaurant</b>	<b>\$ 69.76</b>	<b>\$ 0.10731</b>	<b>\$ 69.76</b>	<b>\$0.10062</b>	\$669,486
<b>Commercial - Other</b>	<b>\$ 69.76</b>	<b>\$ 0.04969</b>	<b>\$ 69.76</b>	<b>\$0.06125</b>	\$1,410,049
<i>% Allocation of Revenue</i>			<i>100%</i>	<i>0%</i>	
<b>Schools (Billed Annually/student)</b>	<b>\$5.52/Student</b>	<i>N.A.</i>	<b>\$ 10.20</b>	<b>\$ -</b>	\$188,394
<i>% Allocation of Revenue</i>					

1. Number of multi-family unit 4,722

# Table 11 - Comparison of Current and Proposed Sewer Charges

Customer Class	Existing 2011 Rates		Proposed New Rates	
	Basic	Variable (\$ per cf)	Basic	Variable (\$ per cf)
Single Family Residential	\$77.33	\$0.02898	\$62.20	\$0.03353
Multi Family Residential	\$77.33	\$0.02898	\$30.42	\$0.02617
Commercial - Laundromat	\$69.76	\$0.03853	\$69.76	\$0.04748
Commercial - Repair Shops/S	\$69.76	\$0.05798	\$69.76	\$0.04448
Commercial - Light Industrial	\$69.76	\$0.07759	\$69.76	\$0.08872
Commercial - Market	\$69.76	\$0.08320	\$69.76	\$0.08786
Commercial - Restaurant	\$69.76	\$0.10731	\$69.76	\$0.10062
Commercial - Other	\$69.76	\$0.04969	\$69.76	\$0.06125
Schools	\$5.52/student	\$4.80	<b>\$10.20/student</b>	--

# DRAFT RECYCLED WATER RATE MODELS



**Table 13 - Allocation of Recycled Water Revenue Requirements**

Classification Components	Net Revenue Requirements	Customer Classes		
		Commercial Landscape (Recycled Only)	Recreational Turf (Recycled Only)	Residential - Dual Plumbed (Recycled Only)
<b>Commodity</b>	<b>\$ 385,945</b>	\$ 136,922	\$ 57,499	\$ 191,525
<b>Capacity</b>	<b>\$ 409,695</b>	\$ 102,142	\$ 83,922	\$ 223,631
<b>Fire Protection</b>	<b>\$ -</b>	\$ -	\$ -	\$ -
<b>Customer Related</b>	<b>\$ 235,562</b>	\$ 10,224	\$ 802	\$ 224,536
<b>Net Revenue Requirement</b>	<b>\$ 1,031,203</b>	<b>\$ 249,288</b>	<b>\$ 142,223</b>	<b>\$ 639,692</b>

Table 14 - Proposed Dual-Plumbed RECYCLED Rates for 2011

Recycled Water Customer Class	Customers	Dual-Plumbed Basic Charge	Water Consumption (ccf/yr) <sup>2</sup>	Commodity Rates (Tied to Potable Rates) <sup>3</sup>		Rate Revenue
				(\$/ccf)	(\$/cf)	
<i>L-Plumbed - Basic Charges</i>	3,360	<b>\$20.00</b>	--	--	--	\$403,200
<i>Tiered Dual-Plumbed Recycled Rates</i>	<i>Breakpoint</i>			<i>Dual-Plumbed Tiered Rates</i>		
<i>Tier 1 (50% of Potable Water -Tier 1)</i>	3,000 c.f./mo.	--	272,000	\$0.5096	<b>\$0.00510</b>	\$138,606
<i>Tier 2 (70% of Potable Water -Tier 2)</i>	4,500 c.f./mo.	--	69,000	\$0.8611	<b>\$0.00861</b>	\$59,417
<i>Tier 3 (90% of Potable Water -Tier 3)</i>	-	--	122,000	\$1.4419	<b>\$0.01442</b>	\$175,916
<i>Total - Commodity Rates</i>	--		463,000	--	--	\$373,938
<i>Total Dual-Plumbed</i>						\$777,138

Table 15 - Commercial Landscape Options (Assumes Fixed & Commodity Charges)<sup>a</sup>

Commercial Landscape - Options	% of Potable Fixed Charge	% of Potable Variable Rate	Fixed Charge (3/4" Meter)	Commodity Rates		Target Volum. Rev. Req't
				(\$/ccf)	(\$/cf)	
Option 1	80%	86%	\$32.80	\$1.1836	\$0.01184	\$136,922
Option 2	70%	91%	\$28.70	\$1.2554	\$0.01255	\$136,922
<b>Option 3 (Selected)</b>	<b>60%</b>	<b>96%</b>	<b>\$24.60</b>	<b>\$1.3272</b>	<b>\$0.01327</b>	<b>\$136,922</b>

a. Assumes Fixed Charges include Customer and Capacity related costs, Commodity rates include Commodity related costs.

**Table 16 - Current vs. Proposed Commercial Recycled Rates**

Customer Class	Existing 2011 Rates		Proposed Commodity Rate (w/o Basic)
	Basic	Variable (\$ per cf)	
<b>Commercial Landscape</b>	<b>\$143.84</b>	<b>\$0.00831</b>	
Meter Size	Proposed Rates (w/ Basic Charge)		Proposed Commodity Rate (w/o Basic)
	Basic <sup>a</sup>	(\$ per cf)	
<b>5/8"</b>	<b>\$24.60</b>	<b>\$0.01327</b>	<b>\$0.01230</b>
<b>3/4"</b>	<b>\$24.60</b>	"	"
<b>1"</b>	<b>\$36.19</b>	"	"
<b>1.5"</b>	<b>\$62.68</b>	"	"
<b>1.5" T</b>	<b>\$74.27</b>	"	"
<b>2"</b>	<b>\$95.79</b>	"	"
<b>2" T</b>	<b>\$95.79</b>	"	"
<b>3"</b>	<b>\$185.19</b>	"	"
<b>3" T</b>	<b>\$201.75</b>	"	"
<b>4"</b>	<b>\$284.53</b>	"	"
<b>4" T</b>	<b>\$355.72</b>	"	"
<b>6"</b>	<b>\$559.36</b>	"	"
<b>6" T</b>	<b>\$781.21</b>	"	"
<b>8" T</b>	<b>\$1,332.52</b>	"	"
<b>12" T</b>	<b>\$2,767.92</b>	"	"

*a. Proportionally adjusted Rec Turf (Potable) Fixed charges.*

# COST OF SERVICES STUDY MODEL SUMMARY



# REVENUE REQUIREMENTS DRAFT MODEL

- Water
  - Overall water revenue may require an increase in addition to the previously Board adopted 5% rate increase based on several contingencies
    - District Capital Improvement Plan (CIP)
    - District Budget
    - Domestic Irrigation customer class results
    - Debt service coverage targets
    - Potential refinancing opportunity
    - Fixed vs. variable cost allocation revision
  - The proposed cost of services allocation methodology will have a different effect on each customer class

# REVENUE REQUIREMENTS DRAFT MODEL

- Wastewater
  - The previously Board adopted 5% rate increase in overall wastewater revenue appears to be adequate
    - Single family residence rates may not require the previously adopted 5% increase in 2012 based on several contingencies
      - District Capital Improvement Plan (CIP)
      - District Budget
      - Regulatory requirements
      - Potential refinancing opportunity
  - The proposed cost of services allocation methodology will have a different effect on each customer class

# NEXT STEPS

- Postpone Community Workshops until the financial plan is updated
  - Revised Capital Improvement Plan (CIP) reduced by \$50 million over 5 years
  - 2012 Budget development
  - \$1.2 million Mello Roos payment
  - Debt restructuring proposal
  - Establish debt service coverage goals
  - Fixed vs. variable cost allocation revision

# NEXT STEPS CONTINUED

- Board review of updated financial plan
- Workshops to be scheduled following financial plan update and Board review
- Board to consider customer feedback
- Board to consider rate adjustments

# NEXT STEPS CONTINUED

- Community Workshop Agenda
  - Cost of Services Study review
  - Capital Improvement Plan (CIP)
  - Average bill comparison
  - Domestic Irrigation customer class