

CITY OF YUBA CITY
STAFF REPORT

Date: April 5, 2016
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presentation by: Diana Langley, Public Works Director

Summary

Subject: Water and Wastewater Rate Study

Recommendation: A. Accept and adopt the Water and Wastewater Rate Study
B. Set the protest hearing for June 7, 2016 at 6:00 pm at the Council Chambers
C. Approve form of Notice for Proposition 218 Protest Hearing

Fiscal Impact: If approved by Council and rate payers, a rate increase would be added to monthly bills to fund on-going operation and maintenance expenses, provide adequate debt-service coverage, and fund capital improvement projects identified as Priority 1 & 2 as part of the 5-Year Rate Plan, Option 1

Purpose:

To address revenue needs in the Water and Wastewater Enterprise Funds.

Background:

The City's last water and wastewater rate studies were completed in 2011 and the proposed rates were adopted by Council in July 2011 through the Proposition 218 process. The adopted rates provided for increases to the City's water and wastewater rates through FY 15/16.

In September 2014, the City Council awarded a contract to NBS for the preparation of updated water and wastewater rate studies. With the historic drought in California, much has changed since 2011. Over the last few months, staff has worked with NBS to gather data, prepare a rate model, and evaluate alternatives to address revenue needs in the Water and Wastewater Enterprise Funds.

To present the information, two workshops were held on January 12 and February 9. The January 12 workshop focused on water and wastewater operational needs, condition of the water and wastewater systems, and major capital improvements required. The February 9 workshop focused on existing water and wastewater rates, three options to increase revenues, and review of the Proposition 218 process.

A brief summary of each workshop is provided below.

January 12, 2016 Workshop:

1. Operational Needs

The workshop highlighted the impact that California's historic drought has had on revenues in both the Water and Wastewater Funds, with the biggest impact on the Water Fund. Water sale revenues declined 3% in FY 13/14, 12% in FY 14/15, and 19% in the first 6 months of FY 15/16. Figure 1 shows water revenues received versus the water revenues anticipated under the 2011 approved rates.

The drought has also had an impact on the Wastewater Fund, primarily due to conservation within the commercial accounts as residential accounts are charged a flat rate. Figure 2 shows wastewater revenues received versus the wastewater revenues anticipated under the 2011 approved rates.

The City's bond covenants require that the City consider a rate increase in order to maintain the minimum 1.20 debt coverage ratio. With this significant fall in revenues, there is a need to consider both water and wastewater rate increases as it is anticipated that the debt service ratio will fall below the minimum required 1.20 threshold in the near future. In addition, with the debt coverage ratio approaching the 1.20 threshold, it becomes impossible to apply for potential low interest loans, which often become available in combination with grants. Potential grants also require local matching funds.

2. Condition of Infrastructure and Major Capital Improvements

The condition of the Water Treatment Plant (WTP), water distribution system, Wastewater Treatment Facility (WWTF), and sewer collection system were also presented and discussed.

Water:

The WTP was placed in to operation in 1969 and is in need of major improvements. Table 1 highlights priority capital improvement projects at the WTP.

Table 1: Priority Projects at the Water Treatment Plant

| Project | Estimated Cost | Priority |
|---|----------------|----------|
| Electrical & Instrumentation Improvements | \$1,000,000 | 1 |
| Aquifer Storage Recovery/Second Well | \$4,600,000 | 1 |
| Fluoride System Replacement | \$200,000 | 1 |
| Security Improvements | \$75,000 | 1 |
| Carbon Feed System Replacement | \$500,000 | 2 |
| Backwash Recovery | \$1,000,000 | 3 |
| Sedimentation/Floc Basin Rehabilitation | \$1,800,000 | 3 |
| Groundwater Well Abandonments | \$400,000 | 4 |
| Total: | \$9,575,000 | |

In addition, the water distribution system is comprised of water lines that are nearly 100 years old and in need of replacement, water meters that are nearing the end of their service life, and water storage reservoirs in need of recoating. Table 2 highlights priority capital improvement projects in the water distribution system.

Table 2: Priority projects in the water distribution system

| Project | Estimated Cost | Priority |
|-------------------------------------|------------------|----------|
| Recoating Water Storage Reservoirs | \$400,000 Annual | 1 |
| Replacement of Water Mains* | \$27,400,000 | 1 |
| Replace Water Services/Water Meters | \$700,000 Annual | 1 |

*Note: It is not expected to replace the water mains all at once. Historically, the City has programmed a nominal amount of funds on an annual basis for repair and replacement of water mains.

Wastewater:

The WWTF was placed in to operation in 1972 and also is in need of major improvements. Table 3 highlights priority capital improvement projects at the WWTF.

Table 3: Priority Projects at the Wastewater Treatment Facility

| Project | Estimated Cost | Priority |
|---|----------------|----------|
| Digester Improvements | \$3,300,000 | 1 |
| Secondary Clarifier No. 4 | \$5,500,000 | 1 |
| West Chlorine Contact Basin Rehabilitation | \$650,000 | 1 |
| New Outfall Diffuser | \$11,500,000 | 1 |
| Advanced Treatment & Water Recycling Opportunities Evaluation | \$270,000 | 1 |
| Barscreen Rehabilitation/Replacement | \$1,200,000 | 2 |
| Dewatering System Improvements | \$3,550,000 | 2 |
| Electrical & Instrumentation Improvements | \$1,000,000 | 2 |
| Oxygen Generation Improvements | \$4,000,000 | 3 |
| Disinfection System Evaluation & Replacement | \$3,150,000 | 3 |
| New Septage Receiving Facility | \$1,650,000 | 3 |
| Secondary Clarifier Improvements | \$980,000 | 3 |
| New Co-Generation System | \$2,800,000 | 3 |
| Grit Removal Facility | \$4,000,000 | 4 |
| Total: | \$43,550,000 | |

In addition, the sewer collection system is comprised of sewer lines that are nearly 100 years old and in need of rehabilitation and/or replacement. Table 4 highlights priority capital improvement projects in the sewer collection system.

Table 4: Priority projects in the sewer collection system

| Project | Estimated Cost | Priority |
|--|------------------|----------|
| Replacement/Rehabilitation of Sewer Lines* | \$33,000,000 | 1 |
| Lift Station Improvements | \$150,000 Annual | 1 |

*Note: It is not expected to replace the sewer lines all at once. Historically, the City has programmed a nominal amount of funds on an annual basis for repair and replacement of sewer lines.

February 9, 2016 Workshop

1. Existing Water and Wastewater Rates

As noted above, the existing rates were approved through a rate study and Proposition 218 process in 2011. The rates have increased annually beginning September 1, 2011, with the final increase going into effect September 1, 2015. Prior to that, the water and wastewater rates had not increased in 4 and 3 years, respectively.

2. Three Options to Increase Revenues

To address the decline in revenues, staff presented 3 rate options for Council consideration. Those options are as follows:

- 2 Year Rate Plan
 - Operation & Maintenance (O&M) Expenses + Debt Service
- 5 Year Rate Plan
 - Option 1: O&M Expenses + Debt Service + Priority 1 & 2 Projects
 - Option 2: O&M Expenses + Debt Service + All Projects noted above

Even though the replacement of water mains and sewer lines are categorized as Priority 1 projects, staff is not proposing to fund the entirety of those projects through the proposed rate increases at this time. The rate study assumes that a nominal amount will continue to be budgeted on an annual basis for these projects.

Figures 3 – 5 provide the funding allocation over time for the proposed water rate increase options noted above. In addition, Figures 6 and 7 provide a comparison of the proposed rate options over 5 years for an average residential account on a 1” water meter and an average commercial account on a 2” water meter.

Figures 8 – 10 provide the funding allocation over time for the proposed wastewater rate increase options noted above. Figures 11 and 12 provide a comparison of the proposed rate options over 5 years for a single family residential account and an average C1 commercial customer.

In addition, staff is proposing to reduce the baseline allocation for water by 33%. For instance, a 1” water meter currently has a baseline allocation of 15 hundred cubic feet (HCF) that is included in the monthly rate. With the proposal, the baseline allocation would be reduced to 10 HCF. This is in line with the mandate from the State for the City to reduce water consumption by 29% and it supports the City’s efforts to reduce overall water consumption by 20% by 2020.

3. Review of Proposition 218 Process

The purpose of Proposition 218 is to ensure that all taxes and most charges on property owners are subject to voter approval, including water and wastewater rate increases. The process requires that the City Council approve “Guidelines for the Submission and Tabulation of Protests”, mail a Notice of Public Hearing for proposed water and wastewater rate increases to property owners and customers at least 45 days prior to the protest hearing, conduct a protest hearing, and then tabulate the protests. A rate increase is approved if written protests do not exceed 50% of the property owners or customers.

The presentations for both workshops can be found on the City’s website at www.yubacity.net.

March 1, 2016 Council Meeting

On March 1, 2016, staff again reviewed the three rate plan options and a public hearing was held. Upon conclusion of the public hearing, Council directed staff to proceed with finalizing the Rate Study using the 5-Year Rate Plan - Option 1. In addition, Council asked staff to consider reducing the baseline allocation for water by 29% instead of 32%, to match the City's current conservation mandate, rounding up to the nearest whole number. For example, consider reducing the baseline allocation for a 1" water service from 15 units to 11 units, rather than 10 units.

Analysis:

The draft Rate Study (Exhibit A) has been completed utilizing the 5-Year Rate Plan – Option 1 in accordance with Council's direction at the March 1st Council meeting. Under the 5-Year Rate Plan – Option 1, the proposed rates are as follows for water and wastewater:

Water

Table 1 – Proposed Water Rates

| Meter Size | Current Rate** | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------|----------------|------------|------------|------------|------------|------------|
| 1" | \$21.59 | \$27.64 | \$32.89 | \$39.130 | \$40.70 | \$42.33 |
| 1-1/2" | \$43.18 | \$55.27 | \$65.77 | \$78.27 | \$81.40 | \$84.66 |
| 2" | \$86.37 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 3" | \$345.47 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 4" | \$690.95 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 6" | \$1,295.52 | \$1,658.27 | \$1,973.34 | \$2,348.27 | \$2,442.20 | \$2,539.89 |
| 8" | \$3,022.89 | \$3,869.30 | \$4,604.47 | \$5,479.31 | \$5,698.49 | \$5,926.43 |
| Flow Rate per Excess HCF | \$1.43 | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |

*1 HCF = 748 Gallons

**Current Rate includes a higher baseline allocation than what is proposed for the Year 1 – 5 rates.

As noted above, on March 1st, Council directed staff to evaluate reducing the baseline allocation for water by 29% instead of 32%, to match the City's current conservation mandate, rounding up to the nearest whole number. Below is a comparison of the current baseline allocation, current proposed baseline allocation, and modified proposed baseline allocation.

| Meter Size | Current Baseline Allocation (HCF) | Current Proposed Baseline Allocation (HCF) | Modified Proposed Baseline Allocation (HCF) |
|------------|-----------------------------------|--|---|
| 1" | 15 | 10 | 11 |
| 1-1/2" | 30 | 20 | 22 |
| 2" | 60 | 40 | 44 |
| 3" | 240 | 160 | 176 |
| 4" | 480 | 320 | 352 |
| 6" | 900 | 600 | 660 |
| 8" | 2,100 | 1,400 | 1,540 |

If Council chooses to proceed with the Modified Proposed Baseline Allocation, the fiscal impact is as follows:

| Year | Revenues as Compared to Staff Proposed Baseline Allocation |
|--------|--|
| 1 | -\$66,139.48 |
| 2 | -\$78,705.98 |
| 3 | -\$93,660.11 |
| 4 | -\$97,406.52 |
| 5 | -\$101,302.78 |
| Total: | -\$437,214.87 |

With the recent rains, there has been discussion as to whether the emergency water conservation requirements will remain in effect. There is no indication at this time that the Governor is going to remove the conservation mandate. However, if the emergency water conservation requirements were reduced or canceled, staff would expect water consumption and revenues to increase over time. This would not occur immediately, and would not occur in time to increase revenues sufficiently to meet the City's debt coverage ratio of 1.2 in FY 2016/17. Staff recommends proceeding with the Current Proposed Baseline Allocation and proposed water rates with the understanding that the Council can levy a lesser increase in any given year.

Wastewater

Table 2 – Proposed Wastewater Rates – Residential, Commercial, and Schools

| Sewer Rate Schedule | Current Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------------------|--------------|---------|---------|---------|---------|---------|
| Single Family | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Multi-Family | \$32.43 | \$35.67 | \$39.24 | \$43.16 | \$47.48 | \$52.23 |
| Commercial – C1 | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Commercial – C2 | \$45.60 | \$50.16 | \$55.18 | \$60.69 | \$66.76 | \$73.44 |
| Commercial – C3 | \$55.23 | \$60.75 | \$66.83 | \$73.51 | \$80.86 | \$88.95 |
| Commercial Volumetric Charge (HCF) | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Schools – Per Student/Year | \$18.61 | \$20.47 | \$22.52 | \$24.77 | \$27.25 | \$29.97 |

Table 3 – Proposed Wastewater Rates – Industrial and Septage Haulers

| Sewer Rate Schedule | Current Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------|--------------|------------|------------|------------|------------|------------|
| Industrial | | | | | | |
| Volume (MG) | \$2,336.92 | \$2,570.61 | \$2,827.67 | \$3,110.44 | \$3,421.48 | \$3,763.63 |
| TSS (lbs) | \$0.180 | \$0.198 | \$0.218 | \$0.240 | \$0.264 | \$0.290 |
| BOD (lbs) | \$0.239 | \$0.263 | \$0.290 | \$0.319 | \$0.350 | \$0.385 |
| Septage Hauler | | | | | | |
| \$/Gallon | \$0.312 | \$0.343 | \$0.378 | \$0.415 | \$0.457 | \$0.502 |
| 400 Gallons | \$124.80 | \$137.28 | \$151.01 | \$166.11 | \$182.72 | \$200.99 |
| 1,000 Gallons | \$312.00 | \$343.20 | \$377.52 | \$415.27 | \$456.80 | \$502.48 |
| 1,500 Gallons | \$468.00 | \$514.80 | \$566.28 | \$622.91 | \$685.20 | \$753.72 |

Proposition 218 Process

Proposition 218, which was adopted by the electorate in 1996, requires that the City hold a public hearing before adopting rate increases. If the City receives written protests with respect to a majority of parcels affected by the rates, then it may not implement the proposed increases.

The guidelines for the submission and tabulation of protests (Exhibit B) describe who can protest, what information must be provided on the protest, how protests are tabulated, and what constitutes a majority protest. The guidelines were previously adopted by resolution in 2011.

At Council's direction, staff will mail the attached protest hearing notice for water (Exhibit C) and wastewater (Exhibit D) to property owners and utility customers. The protest hearing is scheduled for June 7, 2016, at 6:00 pm in the Council Chambers and the notices will be mailed not less than 45 days prior to the protest hearing. At the protest hearing, property owners or customers may provide testimony and submit their protests. Protests may also be mailed or delivered to the City Clerk. If more than fifty percent (50%) of the affected property owners or customers protest in writing before the close of the public hearing, the rate increases will fail. If there is no majority protest, staff will make the appropriate changes to the rate ordinances for formal adoption by the Council.

Fiscal Impact:

If the rate increases are approved by Council and rate payers, a rate increase would be added to monthly bills to fund ongoing operation and maintenance expenses, provide adequate debt-service coverage, and fund capital improvement projects identified as Priority 1 & 2 as part of the 5-Year Rate Plan, Option 1.

Staff will provide Council with a status update of the Water and Wastewater Funds on an annual basis prior to the implementation of the increase for the following year. This will allow staff to make a recommendation to Council as to the rate increase that should be implemented, with the understanding that any increases cannot exceed those approved through the Proposition 218 process.

If the rate increases are not approved, reductions to ongoing costs will need to be implemented, the City may default on bond covenants, and capital improvement projects will not be funded.

Alternatives:

- a. Direct staff to consider an alternative rate option.

Recommendation:

- a. Accept and adopt the Water and Wastewater Rate Study.
- b. Set the protest hearing for June 7, 2016 at 6:00 pm at the Council Chambers.
- c. Approve form of Notice for Proposition 218 Protest Hearing.

Prepared by:

Diana Langley

Diana Langley
Public Works Director

Submitted by:

Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Finance

City Attorney

RB

TH by e-mail

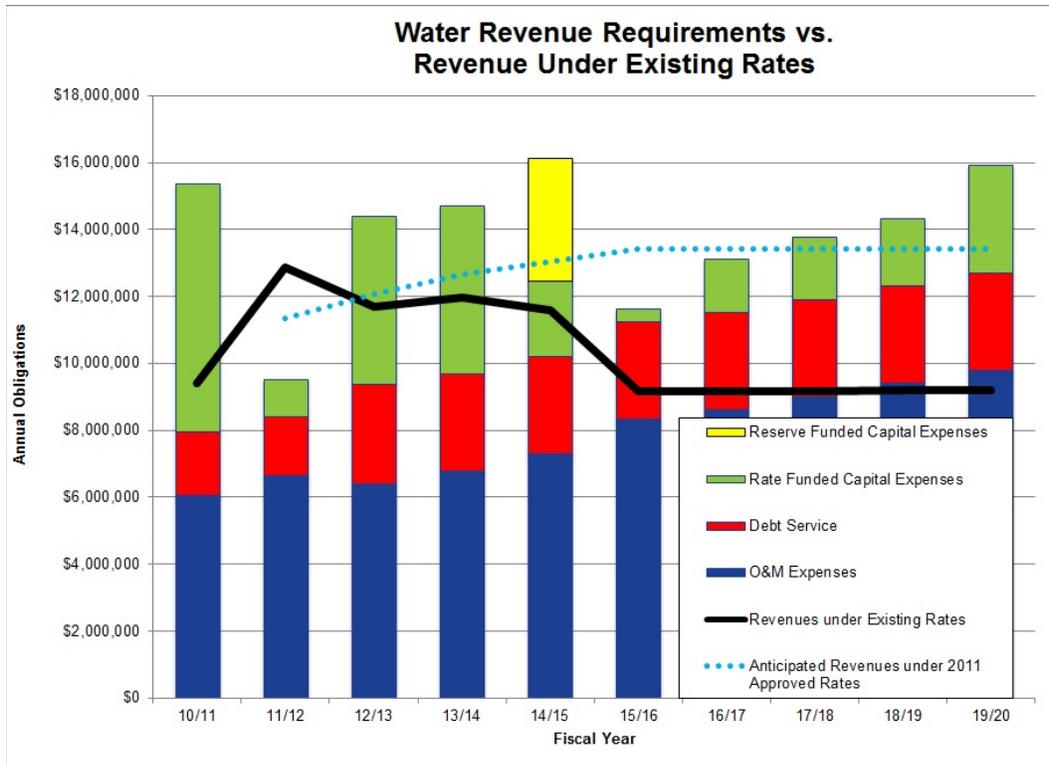


Figure 1: Comparison of Water Revenues Received to Anticipated Revenues Under 2011 Approved Rates

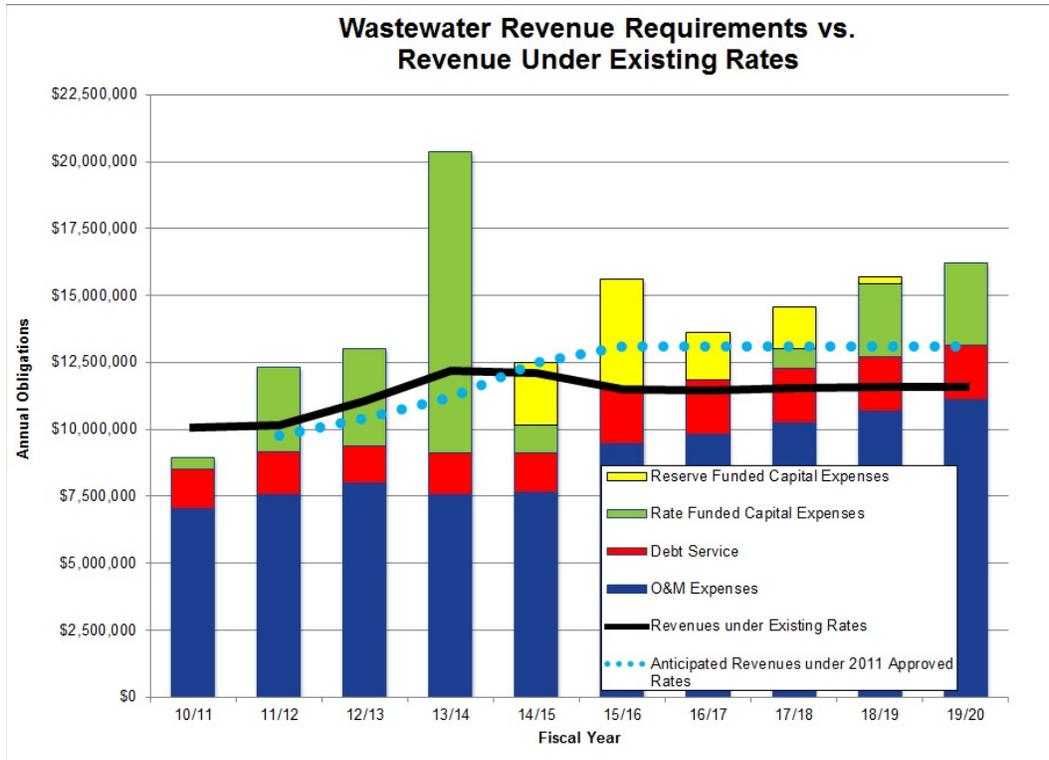


Figure 2: Comparison of Wastewater Revenues Received to Anticipated Revenues Under 2011 Approved Rates

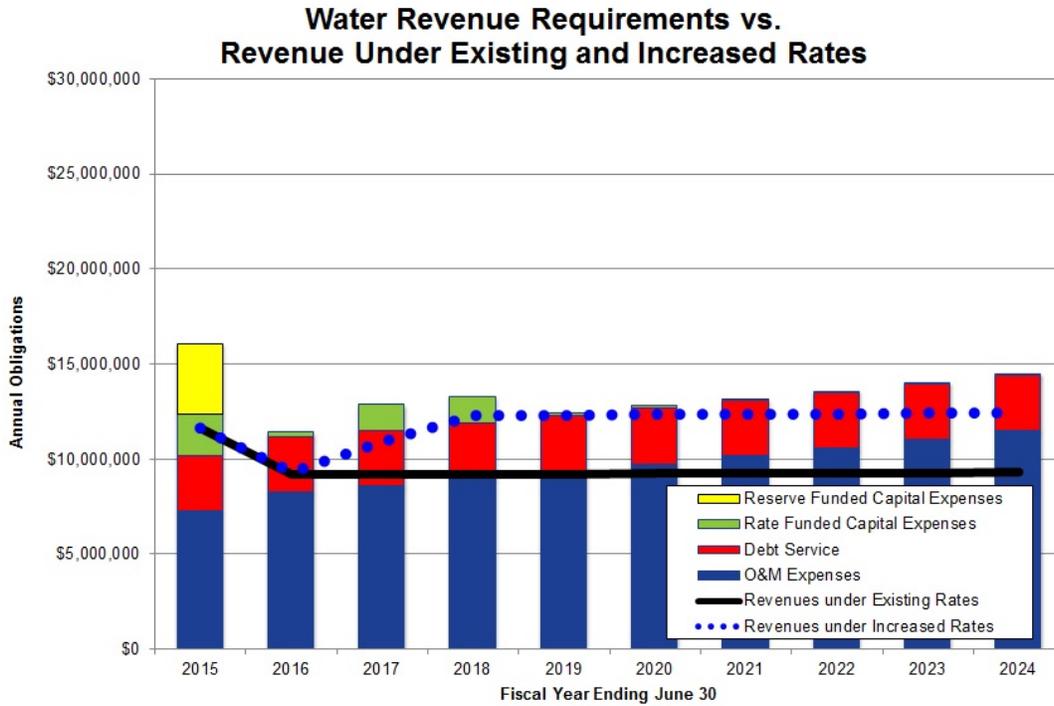


Figure 3: Water Revenues – 2 Year Rate Plan

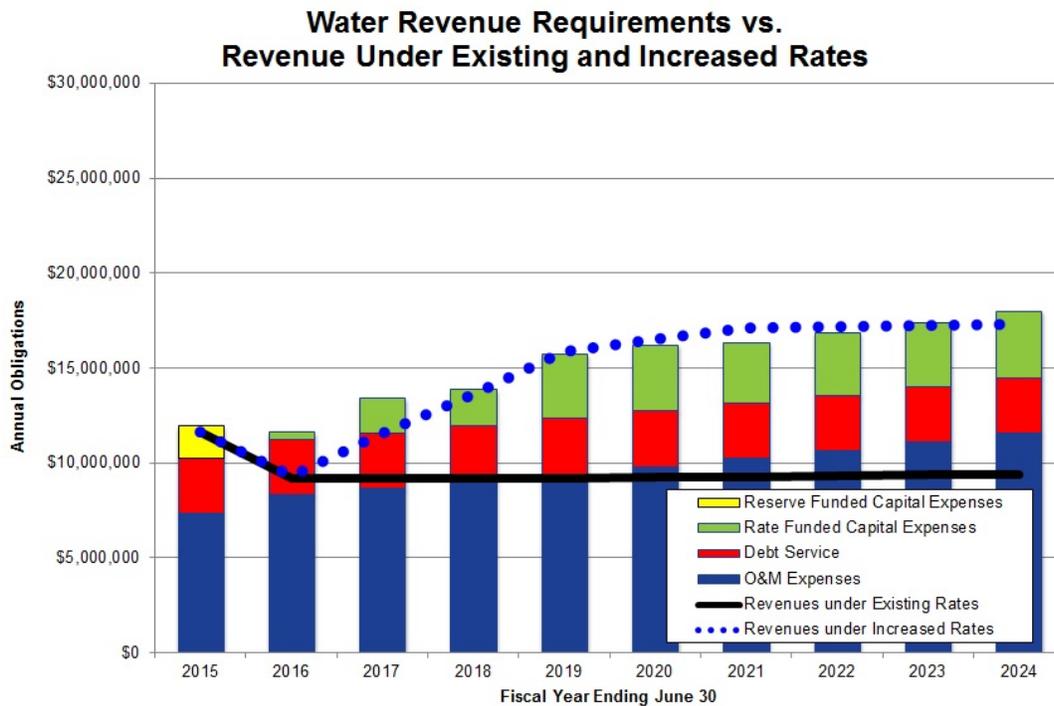


Figure 4: Water Revenues – 5 Year Rate Plan – Option 1

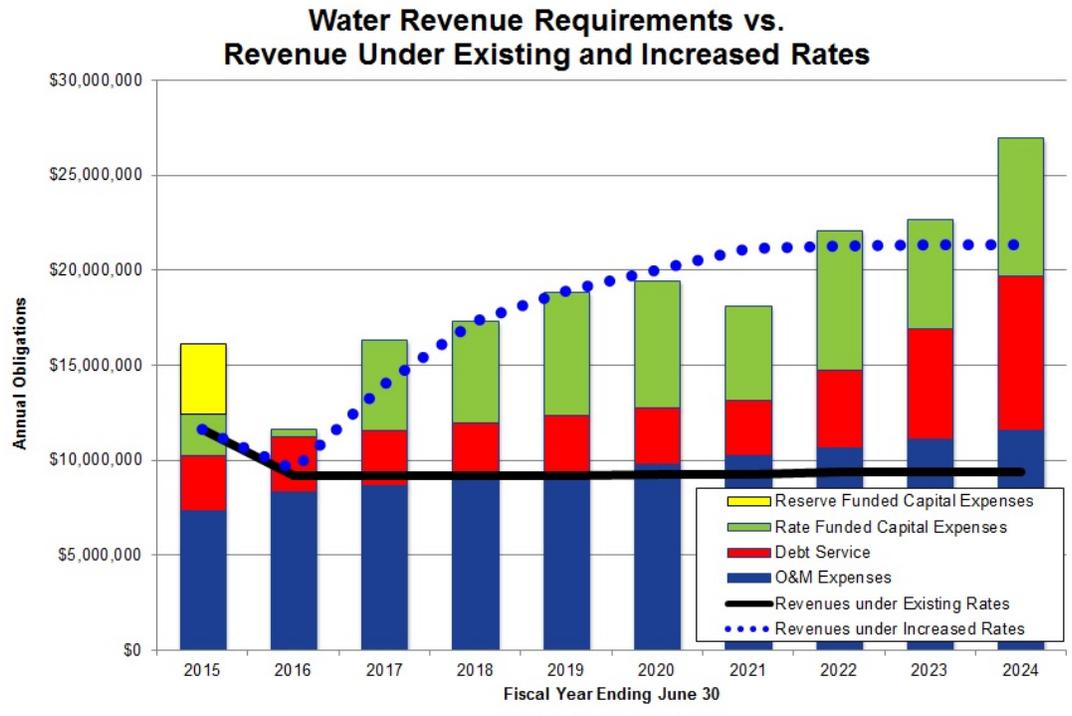


Figure 5: Water Revenues – 5 Year Rate Plan – Option 2

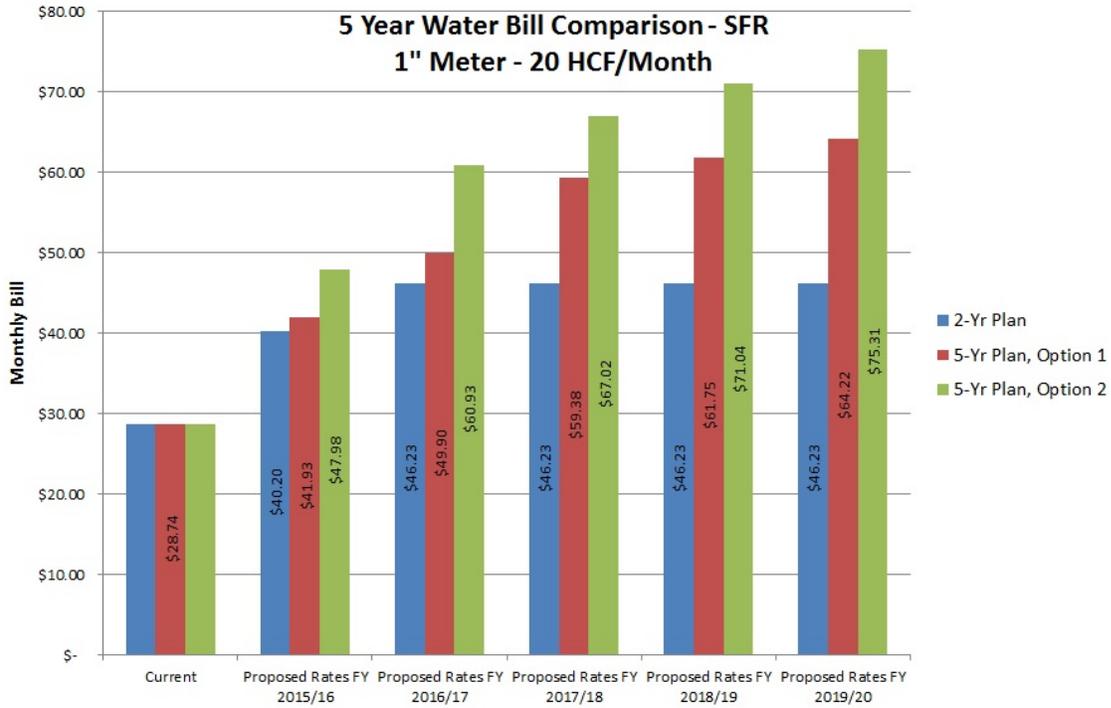


Figure 6: Summary of Water Rate Options – Average 1” Single Family Residential Account

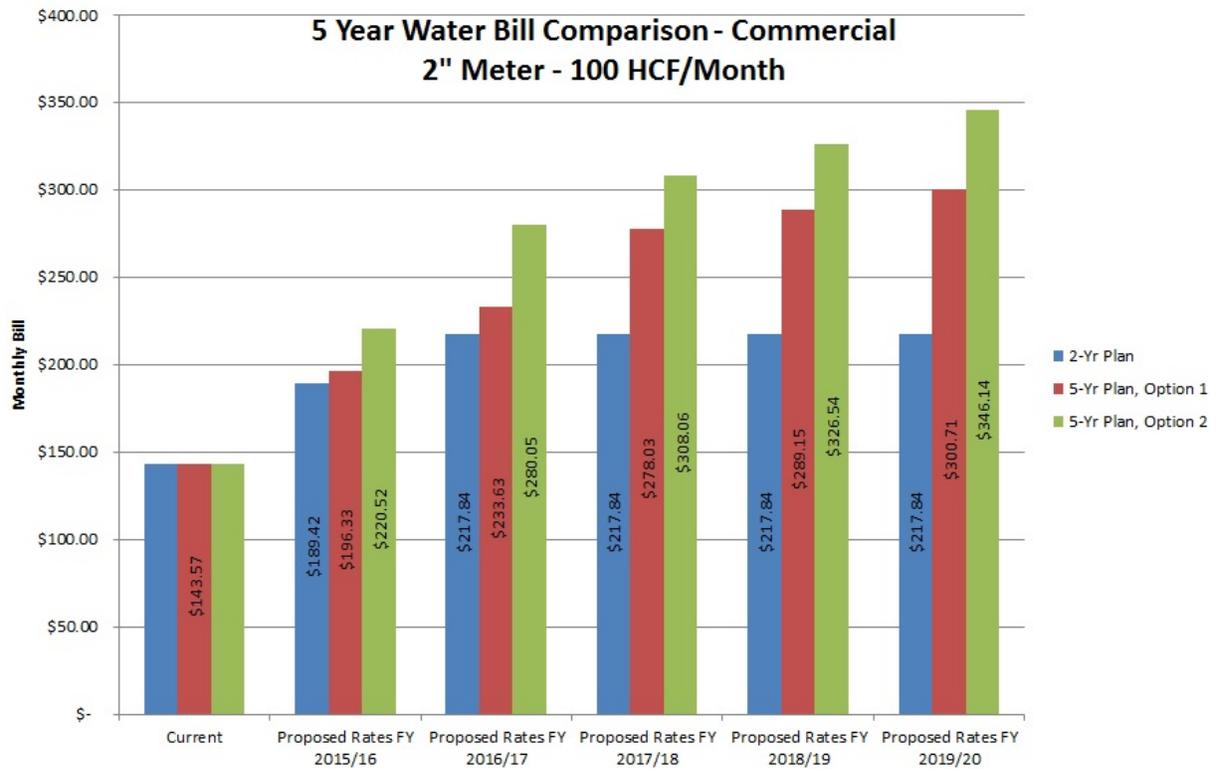


Figure 7: Summary of Water Rate Options – Average 2” Commercial Account

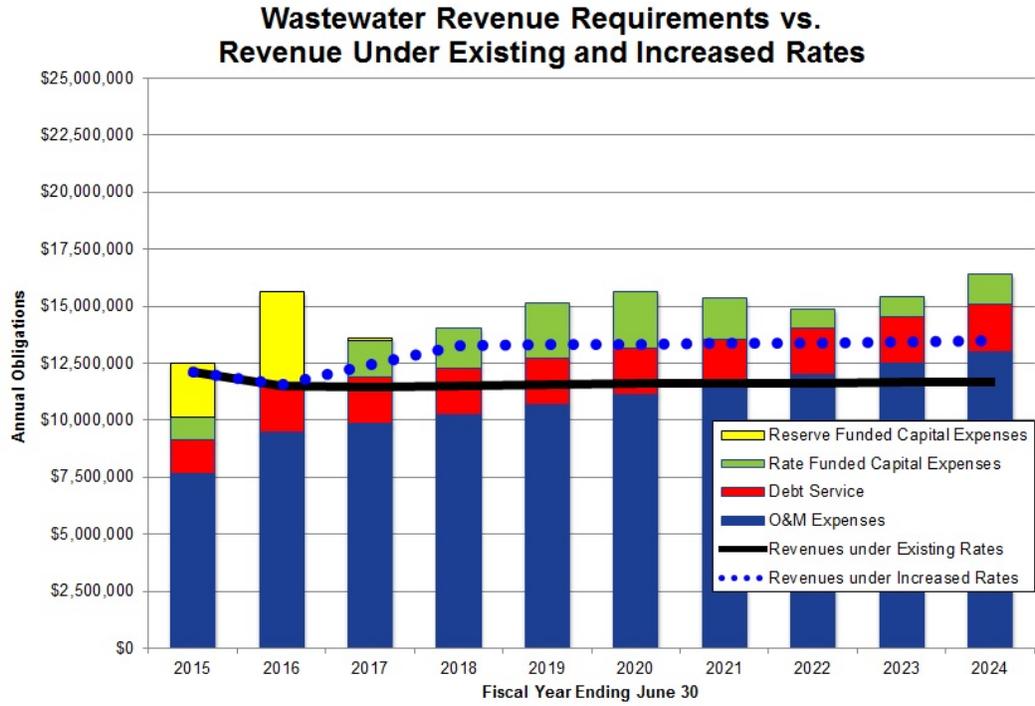


Figure 8: Wastewater Revenues – 2 Year Rate Plan

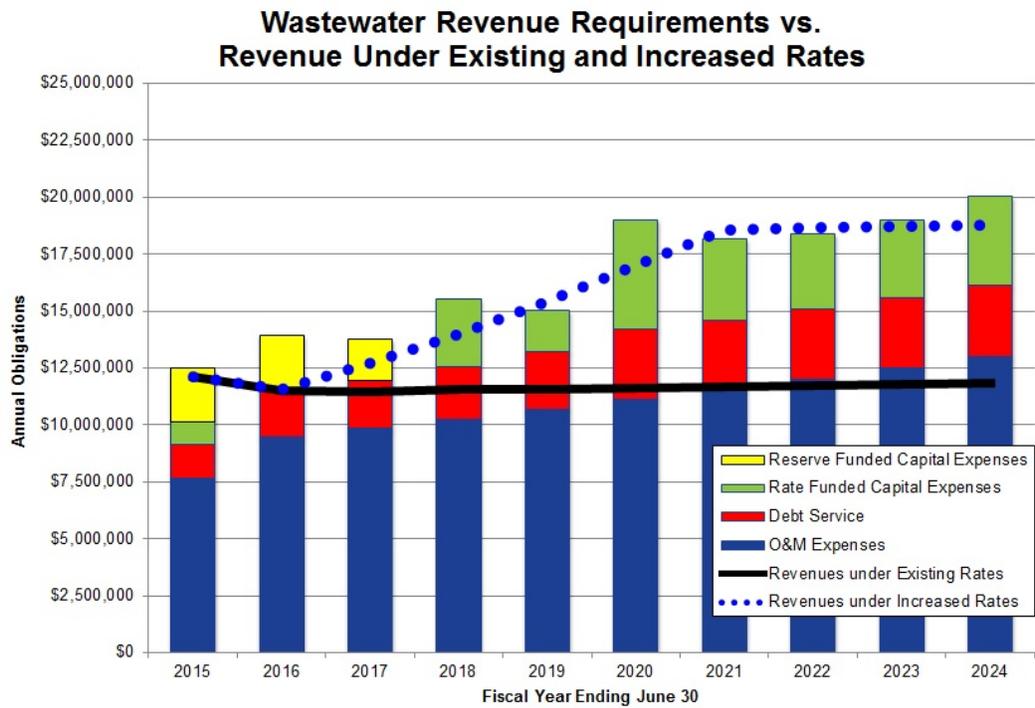


Figure 9: Wastewater Revenues – 5 Year Rate Plan – Option 1

Wastewater Revenue Requirements vs. Revenue Under Existing and Increased Rates

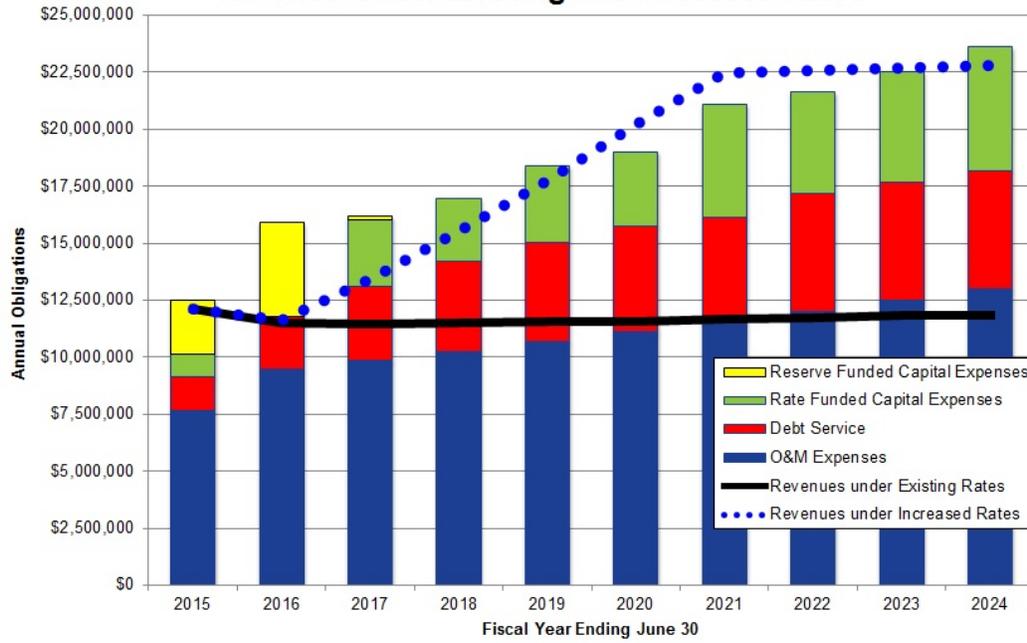


Figure 10: Wastewater Revenues - 5 Year Rate Plan – Option 2

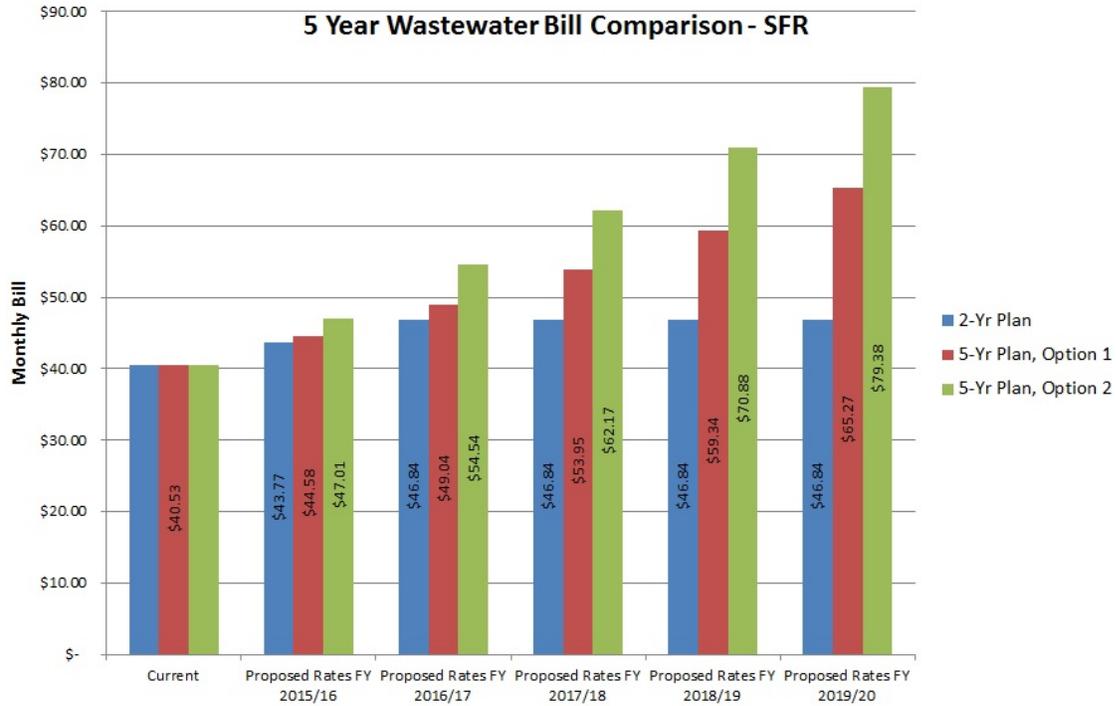


Figure 11: Summary of Wastewater Rate Options – Single Family Residential Account

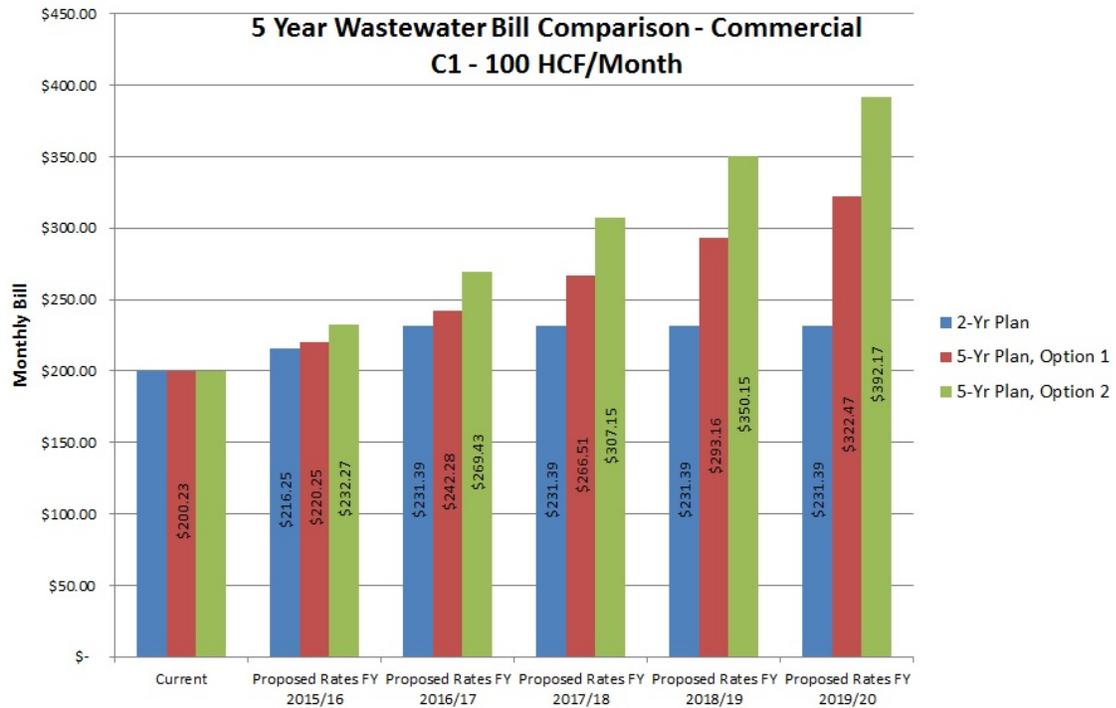


Figure 12: Summary of Wastewater Rate Options – Average Commercial Account

EXHIBIT A
Draft Rate Study

Draft Rate Study provided as separate attachment.

EXHIBIT B
Guidelines for the Submission and Tabulation of Protests

When notice of a public hearing with respect to a utility or other rate increase has been given by the City pursuant to Article XIII D, Section 6 of the California Constitution, the following shall apply:

Submission of Protests

1. Any property owner or utility customer may submit a written protest to the City Clerk, either by mail or delivery to the City Clerk's Office, 1201 Civic Center Blvd, Yuba City CA 95993 or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must state that it is a protest (or indicate opposition to the proposed rates). If the City has given notices for public hearings regarding rates for both sewer and water service, and those hearing are to be held on the same date, then the protest may indicate whether it is made (i) with respect only to water rates, (ii) with respect only to sewer rates, or (iii) with respect to both water and sewer rates. If no limitation is indicated, the City will interpret the protest as covering all rates to be considered on the hearing date. Email or facsimile protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed fees.
3. A protest by a property owner that is a trust must be signed by the Trustee and identified as such with the signature (i.e., John Smith, Trustee for Smith Family Trust). Protests by property owners that are corporations, partnerships, or similar entities must be signed by a person authorized to execute documents on behalf of the property owner.
4. If a parcel served by the City is owned by more than one record owner or more than one name appears on the City's records as the customer for the property, or the customer is not the record owner, each owner or customer may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property
5. In order to be valid, a protest must bear date, designation of parcel address or parcel number, printed name, and original signature of the record owner or customer of record with respect to the property identified on the protest. The customer of record is the name of the person whose name is printed on the Utility Bills for the parcel. Except as set forth in paragraph 3 above protests not bearing the original signature of a record owner or customer of record shall not be counted. Protests which have been altered by someone other than the person who signed them shall not be counted.
6. Any person who submits a protest may withdraw it by submitting to the City Clerk a dated written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
7. A fee protest proceeding is not an election.
8. To ensure transparency and accountability in the fee protest tabulation, protests shall constitute disclosable public records from and after the close of the public hearing. Records shall be maintained for three years and then may be destroyed.

Tabulation of Protests

1. The City Clerk, or designee, shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if s/he determines that any of the following conditions exist:
 - a. The protest does not identify a property that will be subject to the proposed fees.
 - b. The protest does not bear an original signature of a record owner or identified as trustee of the parcel identified on the protest or of a record customer of that parcel.
 - c. The protest does not state its opposition to the proposed fees or is illegible.
 - d. The protest has been altered in any way by someone other than the person who signed it.
 - e. The protest was not received by the City Clerk before the close of the public hearing on the proposed fees.
 - f. A request to withdraw the protest was received by the City Clerk prior to the close of the public hearing on the proposed fees.
 - g. The protest or request for withdrawal is dated prior to the date of mailing of the notices of hearing on the proposed fees.
2. The City Clerk's decision that a protest is not valid shall constitute a final action of the City and shall not be subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners, trustee, or customers with respect to, a majority (50.0% plus one) of the properties subject to the proposed fee. If both water and sewer rates are being considered, a separate determination will be made for with respect to each of these two types of rates.
4. At the conclusion of the public hearing, the City Clerk shall count all protests received, including those received during the public hearing, and shall report the results to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee which is the subject of the protest, then the City Clerk may advise the Council of the absence of a majority protest without determining the validity of all protests.
5. If, at the conclusion of the public hearing, the Clerk determines that s/he will require additional time to count the protests, s/he shall so advise the Council, which may adjourn the meeting to allow the count to be completed on another day or days. If so, the Council shall declare the time and place of the count, which shall be conducted in a place where interested members of the public may observe the counting, and the Council shall declare the time at which its meeting shall be resumed to receive and act on the report of the Clerk.

EXHIBIT C
Notice of Public Hearing – Proposed Water Rate Increase

Notice is hereby given that a public hearing will be held by the City of Yuba City City Council to consider a proposed water rate increase.

The public hearing will be held on Tuesday, June 7, 2016, at 6:00 pm at the Council Chambers, City Hall, 1201 Civic Center Boulevard, Yuba City, CA. During the Proposition 218 protest hearing, the City Council will hear and consider any objections to the proposed water rate increase.

This notice is being sent to the record owners of parcels that receive water service from the City and existing customers who currently receive water service from the City.

The proposed rates are based upon the estimated cost to keep up with on-going operation and maintenance expenses, provide adequate debt service coverage for existing loans, and fund capitalization at a modest level to rehabilitate/replace deteriorating infrastructure. They are designed to ensure that each customer only pay their proportional share of the water system costs.

Proposed Water Rates

Each water customer pays a monthly rate, based on the size of their water meter, plus a “flow rate” for each hundred cubic feet (HCF) of metered water use above the baseline use that is included in the monthly rate.

Monthly Water Rates

| Meter Size | Baseline HCF's | Existing Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------|----------------|---------------|------------|------------|------------|------------|------------|
| 1" | 10 | \$21.59 | \$27.64 | \$32.89 | \$39.130 | \$40.70 | \$42.33 |
| 1-1/2" | 20 | \$43.18 | \$55.27 | \$65.77 | \$78.27 | \$81.40 | \$84.66 |
| 2" | 40 | \$86.37 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 3" | 160 | \$345.47 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 4" | 320 | \$690.95 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 6" | 600 | \$1,295.52 | \$1,658.27 | \$1,973.34 | \$2,348.27 | \$2,442.20 | \$2,539.89 |
| 8" | 1,400 | \$3,022.89 | \$3,869.30 | \$4,604.47 | \$5,479.31 | \$5,698.49 | \$5,926.43 |

Water Flow Rates

| | Existing Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------------|---------------|---------|---------|---------|---------|---------|
| Per Excess HCF | \$1.43 | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |

If approved, the Year 1 rates will go into effect 30 days after their adoption by ordinance of the City Council. Rates for subsequent years will go into effect automatically on July 1.

Protest

You may submit a written protest against the proposed water rate increase with the City of Yuba City before the close of the public comment portion of the public hearing on June 7, 2016 at 6:00 pm. If written protests against the proposed water rate increase are filed by the record owners or customers of record with a respect to a majority of the parcels to which the proposed water

rate increase applies, the rate increase will not be imposed. **Only one protest will be counted per parcel.**

A written protest may be submitted by a record owner or a customer of record and must (i) indicate opposition to the proposed rates, (ii) be signed and dated, and (iii) indicate the name of the person submitting the protest and the address or parcel number of the parcel for which the protest is submitted. Protests may be mailed or delivered to:

City of Yuba City
Proposed Utility Rate Increase Protest
City Clerk
1201 Civic Center Boulevard
Yuba City, CA 95993

Protests must be *received* by the City Clerk at this address *prior* to the public hearing. Protests may also be submitted to the City Clerk at the public hearing any time prior to the close of public input. Emailed or faxed protests cannot be accepted. Protests will be accepted and tabulated according to procedures adopted by the City Council, which are available for review at www.yubacity.net.

EXHIBIT D
Notice of Public Hearing – Proposed Wastewater Rate Increases

Notice is hereby given that a public hearing will be held by the City of Yuba City City Council to consider a proposed wastewater rate increase.

The public hearing will be held on Tuesday, June 7, 2016, at 6:00 pm at the Council Chambers, City Hall, 1201 Civic Center Boulevard, Yuba City, CA. During the Proposition 218 protest hearing, the City Council will hear and consider any objections to the proposed wastewater rate increase.

This notice is being sent to the record owners of parcels that receive sewer service from the City and existing customers who currently receive sewer service from the City.

The proposed rates are based upon the estimated cost to keep up with on-going operation and maintenance expenses, provide adequate debt service coverage for existing loans, fund capitalization at a modest level to rehabilitate/replace deteriorating infrastructure, and provide adequate debt service coverage for two proposed loans to fund major capital projects attributable to existing rate payers. They are designed to ensure that each customer only pay their proportional share of wastewater system costs.

Proposed Wastewater Rates

The following represents the existing and proposed wastewater rates:

Table 1 – Proposed Wastewater Rates – Residential, Commercial, and Schools

| Sewer Rate Schedule | Current Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------------------|--------------|---------|---------|---------|---------|---------|
| Single Family | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Multi-Family | \$32.43 | \$35.67 | \$39.24 | \$43.16 | \$47.48 | \$52.23 |
| Commercial – C1 | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Commercial – C2 | \$45.60 | \$50.16 | \$55.18 | \$60.69 | \$66.76 | \$73.44 |
| Commercial – C3 | \$55.23 | \$60.75 | \$66.83 | \$73.51 | \$80.86 | \$88.95 |
| Commercial Volumetric Charge (HCF) | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Schools – Per Student/Year | \$18.61 | \$20.47 | \$22.52 | \$24.77 | \$27.25 | \$29.97 |

HCF = Hundred Cubic Feet

Table 2 – Proposed Wastewater Rates – Industrial and Septage Haulers

| Sewer Rate Schedule | Current Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------------------|--------------|------------|------------|------------|------------|------------|
| Industrial | | | | | | |
| Volume (MG) | \$2,336.92 | \$2,570.61 | \$2,827.67 | \$3,110.44 | \$3,421.48 | \$3,763.63 |
| Total Suspended Solids (lbs) | \$0.180 | \$0.198 | \$0.218 | \$0.240 | \$0.264 | \$0.290 |
| Biochemical Oxygen Demand (lbs) | \$0.239 | \$0.263 | \$0.290 | \$0.319 | \$0.350 | \$0.385 |
| | | | | | | |

| | | | | | | |
|----------------|----------|----------|----------|----------|----------|----------|
| | | | | | | |
| Septage Hauler | | | | | | |
| \$/Gallon | \$0.312 | \$0.343 | \$0.378 | \$0.415 | \$0.457 | \$0.502 |
| 400 Gallons | \$124.80 | \$137.28 | \$151.01 | \$166.11 | \$182.72 | \$200.99 |
| 1,000 Gallons | \$312.00 | \$343.20 | \$377.52 | \$415.27 | \$456.80 | \$502.48 |
| 1,500 Gallons | \$468.00 | \$514.80 | \$566.28 | \$622.91 | \$685.20 | \$753.72 |

If approved, the Year 1 rates will go into effect 30 days after their adoption by ordinance of the City Council. Rates for subsequent years will go into effect automatically on July 1.

Protest

You may submit a written protest against the proposed wastewater rate increase with the City of Yuba City before the close of the public comment portion of the public hearing on June 7, 2016 at 6:00 pm. If written protests against the proposed wastewater rate increase are filed by the record owners or customers of record with a respect to a majority of the parcels to which the proposed wastewater rate increase applies, the rate increase will not be imposed. Only one protest will be counted per parcel.

A written protest may be submitted by a record owner or a customer of record and must (i) indicate opposition to the proposed rates, (ii) be signed and dated, and (iii) indicate the name of the person submitting the protest and the address or parcel number of the parcel for which the protest is submitted. Protests may be mailed or delivered to:

City of Yuba City
Proposed Utility Rate Increase Protest
City Clerk
1201 Civic Center Boulevard
Yuba City, CA 95993

Protests must be received by the City Clerk at this address prior to the public hearing. Protests may also be submitted to the City Clerk at the public hearing any time prior to the close of public input. Emailed or faxed protests cannot be accepted. Protests will be accepted and tabulated according to procedures adopted by the City Council, which are available for review at www.yubacity.net.



WATER AND WASTEWATER RATE STUDY

Final Report

March 2016

OFFICE LOCATIONS:

San Francisco - Regional Office
870 Market Street, Suite 1223
San Francisco, CA 94102

Davis - Regional Office
140 B Street, Suite 5-292
Davis, CA 95616

Temecula - Corporate Headquarters
32605 Temecula Parkway, Suite 100
Temecula, CA 92592

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18012 Cowan Street, Suite 290
Irvine, CA 92614

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www.nbsgov.com

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SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

A. Purpose

The City of Yuba City (“City”) retained NBS in September 2014 to re-evaluate its water and wastewater rates for a number of reasons, including meeting long-term revenue requirements, encouraging water conservation related to potential future supply constraints, and providing adequate funding for capital improvements. The rates developed in this Study meet basic Proposition 218 (Prop 218) requirements and were developed in a manner that is consistent with industry standards, including recent court rulings. This Study is provided with the intent of meeting the City’s priority of maintaining transparent communications between the City and its residents and businesses.

In developing proposed new water and wastewater rates, NBS and City staff worked cooperatively in developing study results and rate alternatives. Review of study results and recommendations meetings wherein the Council reviewed recommendations and provided NBS and City staff with direction and feedback. According to this input, NBS recommends the water and wastewater rates summarized in this report.

B. Overview of the Study

Key Issues Addressed – In addition to confirming that water and wastewater rates collect sufficient revenue to meet the annual operating and capital improvement plans, several other key issues that were specifically addressed in this study include:

- Financial Planning – The longer-range financial plans of the water and wastewater utilities were closely examined and adjusted to best meet annual operating and broader capital improvement costs. Capital improvement funding alternatives were evaluated, including funding at minimal levels, funding current levels with various contributions to the Capitalization Fund and funding at current levels with all future projects included.
- Timing of Rate Increases – Ultimately, the recommended rates only apply to the last month of Fiscal Year (FY) 2015/16, with implementation of rate increases applying to the full 12 months in FY 2016/17 and thereafter.
- Water Conservation Rates – Conservation rates that could be implemented if the City is required to reduce overall water consumption due to the continuing drought were studied and developed, including four drought scenarios covering 20 percent reductions in consumption (Base Level) up to 60 percent reductions (Scenario 4). The City is currently in Scenario 1: city-wide water conservation at a rate of approximately 30 percent.

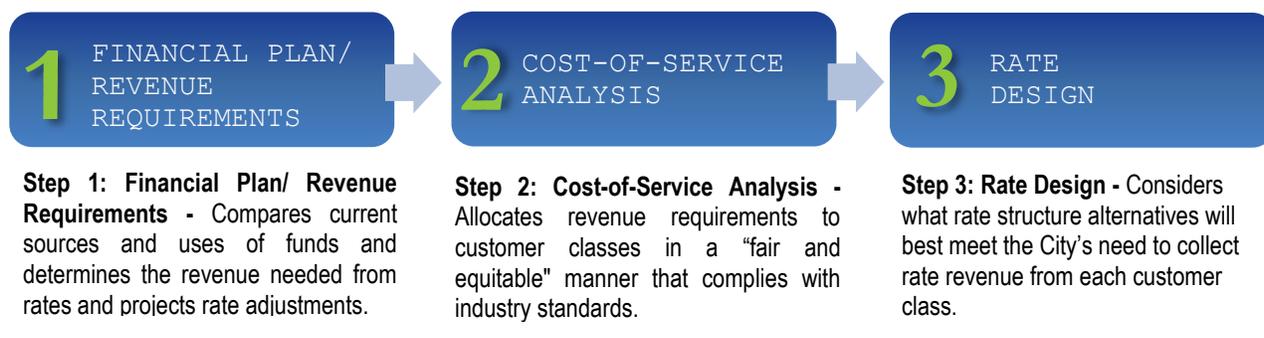
C. Rate Study Methodology

Components of the Rate Study Methodology – Comprehensive rate studies typically include three components: (1) preparation of a financial plan which identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and; (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges¹, also referred to as Manual M1. They also address requirements under Proposition 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, these three steps represent the order they are typically performed.

¹ *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, sixth edition, 2012.*

While NBS completed all three components of the Study, the City has chosen to maintain the existing water and sewer rate structures, and proceed with an across-the-board increase to existing rates based on the percent increases in total revenue needed as determined in the financial plans.

Figure 1. PRIMARY COMPONENTS OF A RATE STUDY



As a part of this rate study, NBS projected revenues, expenditures, and net revenue requirements, performed cost-of-service rate analyses, and recommended new water and wastewater rates. Significant rate increases—or more accurately, increases in the total revenue collected from water and wastewater rates—are recommended. The following sections present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed during this Study.

Rate Design Criteria – Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in a number of rate-setting manuals. For example, the foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,² which outlines pricing policies, theories, and economic concepts along with various rate designs. The other common industry standard is AWWA Manual M1. The following is a simplified list of some of the key attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should promote the efficient allocation of the resource.
- Rates should be equitable and non-discriminating (that is, cost based).
- There should be continuity in the rate making philosophy over time.
- Other utility policies should be considered (for example, encouraging conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

This section covers the basic rate setting design criteria that NBS and City staff considered as a part of their review of the rate structure alternatives.

Rate Structure Issues – The starting point in considering rate structures is the relationship between fixed costs and variable costs. Fixed costs typically do not vary with the amount of water consumed. Debt service and City personnel are examples of a fixed cost. In contrast, variable costs such as the cost of purchased water, chemicals and electricity tend to change with the quantity of water sold. In the City's case, purchased water is treated as a fixed cost, because the price for water is not based on volume purchased and the City pays the same regardless of the quantity used. The vast majority of rate structures contain a fixed or minimum charge in combination with a volumetric charge.

² James C. Bonbright; Albert L. Danielsen and David R. Kamerschen, *Principles of Public Utility Rates*, (Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988), p. 383-384.

Key Financial Assumptions

The following key assumptions were used in the water and wastewater rate analyses:

- **Funding of Capital Projects** – After the City’s extensive review of the planned capital improvement projects (CIP) and funding requirements, the City has decided that the water and wastewater utilities should fund the capital improvements categorized as Priority 1 and Priority 2 projects (all CIP was categorized from Priority 1 through 4). All Priority 3, Priority 4, and other future CIP projects for both utilities are excluded from this analysis.
- **Reserve Targets** – Target reserves for both Water and Wastewater Utilities operations and maintenance (O&M) and capital rehabilitation and replacement (R&R) needs follow industry standards for utility reserve fund management and are set at the following levels:
 - ✓ O&M Reserve target levels – 90 days of O&M expenses.
 - ✓ Capital Rehabilitation and Replacement Reserve levels – approximately 3.0 percent of net assets.
 - ✓ Debt Reserve levels – consistent with bond covenants for outstanding debt obligations.
- **Inflation and Growth Projections:**
 - ✓ Customer growth is based on 50 units per year, for each utility. This translates to 0.27 percent annually for the water utility and 0.34 percent annual growth for the wastewater utility (the difference in growth rate is due to varying number of customers between each system).
 - ✓ General costs (such as professional and contractual services, fuel, vehicle maintenance, and electricity) are inflated at 3 percent annually.
 - ✓ Operating expenses are inflated at a rate of approximately 4 to 6 percent annually, and include chemicals purchased, energy, raw water purchases, and internal transfers.
 - ✓ Labor costs are inflated at 3 percent annually, with the exception of FY 2015/16 (set at 10 percent to overcome recent City-wide furloughs). Health benefits for both utilities are inflated at 10 percent annually, and retirement benefits are inflated between 3 to 16 percent per year.
 - ✓ No inflation is added to other budget items, such as late fee revenue, lease income, and availability fees.

The next two sections discuss the water and wastewater rate studies.

SECTION 2. WATER RATE STUDY

A. Key Water Rate Study Issues

The water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet projected funding requirements.
- Adjusting the baseline hcf per month quantity currently included in the fixed charge (baseline quantities vary by meter size³) to reflect state-wide conservation mandates.

NBS developed a number of water rate alternatives over the course of this study. After reviewing these alternatives, City staff determined that the current water rate structure should be maintained.

B. Water Utility Revenue Requirements

It is important for municipal utilities to maintain reasonable reserves in order to handle minor emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, maintain adequate debt coverage, and maintain sufficient reserve funds. The current state of the City's water utility, with regard to these objectives, follows:

- **Meeting Net Revenue Requirements:** The City's water utility is currently running a structural deficit in FY 2015/16, which would increase significantly in FY 2019/20 if no rate increases are implemented. For FY 2015/16 through 2019/20, the projected net revenue requirement (that is, total annual expenses plus rate-funded capital costs, less non-rate revenues) is approximately \$10.5 million to \$15.1million. Recommended annual rate increases for the next 5 years of 28 percent, 19 percent, 19 percent, 4 percent, and 4 percent are needed to fund all O&M costs, debt service, and priority 1 and priority 2 capital projects. In addition, the City is currently in jeopardy of not meeting its debt coverage requirement of 1.2 for the outstanding State Revolving Fund (SRF) loans and the 2013 Refunding Bonds. Without these rate increases, the utility may not meet this requirement.
- **Building and Maintaining Reserve Funds:** The City should maintain sufficient reserves. NBS recommends that the City adopt and maintain the following reserve fund target balances:
 - ✓ **Operating Reserve** should normally be equal to 90 days of the Utility's budgeted annual operating expenses, which is equal to a 25 percent cash cushion for normal operations. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations might be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (for example, variable charges), and—particularly in periods of economic distress—changes or trends in age of receivables.
 - ✓ **Capital Rehabilitation and Replacement (R&R) Reserve** should typically be equal to a minimum of 3 percent of net depreciable capital assets, which equates to a 33-year replacement cycle for capital assets. This target serves simply as a starting point for addressing long-term capital repair and replacement needs.
 - ✓ **Debt Reserve** is equal to the reserve requirement for the outstanding SRF loans and 2013 Refunding Bonds, which is approximately \$1.53 million⁴.

³ For example, a 1-inch meter has a baseline quantity of 15 hcf while the baseline quantity for an 8-inch meter is 2,100 hcf.

⁴ The State Revolving Fund loan allow reserve requirements to accumulate during the first 10 years of the loan repayment term and maintained at that level thereafter. The Debt Reserve of \$1,528,536 represents the full reserve target, achieved in FY 2021/22.

Figure 2 summarizes the sources and uses of funds, net revenue requirements, and the recommended annual percent increases in total rate revenue for the next 5 years. As this figure shows, the water utility runs at a deficit through FY 2017/18, with surpluses in subsequent years. These surpluses are used to build up reserves, with the intent of meeting target reserve-fund balances at some point in the future.

Figure 2. Summary of Water Revenue Requirements

| Summary of Sources and Uses of Funds and Net Revenue Requirements | Budget | | Projected | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Sources of Water Funds | | | | | | |
| Rate Revenue Under Prevailing Rates ^{1, 2} | \$ 9,381,644 | \$ 8,085,804 | \$ 8,107,680 | \$ 8,129,556 | \$ 8,151,432 | \$ 8,173,308 |
| Other Operating Revenue | 1,516,484 | 367,131 | 367,786 | 368,440 | 369,095 | 369,750 |
| Region 1 Water Customer SRF Surcharge | 151,105 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Region 2/3 Water Customer SRF Surcharge | 502,312 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Interest Earnings ³ | 43,246 | 53,400 | 23,846 | 23,859 | 30,173 | 40,204 |
| Total Sources of Funds | \$ 11,594,791 | \$ 9,156,335 | \$ 9,149,312 | \$ 9,171,855 | \$ 9,200,700 | \$ 9,233,262 |
| Uses of Water Funds | | | | | | |
| Operating Expenses | \$ 7,274,128 | \$ 8,304,536 | \$ 8,605,872 | \$ 8,984,132 | \$ 9,380,812 | \$ 9,772,920 |
| Debt Service | 2,919,853 | 2,920,023 | 2,918,543 | 2,919,578 | 2,918,441 | 2,920,081 |
| Rate-Funded Capital Expenses | - | 370,075 | 1,855,249 | 1,910,906 | 3,392,002 | 3,493,762 |
| Total Use of Funds | \$ 10,193,981 | \$ 11,594,634 | \$ 13,379,664 | \$ 13,814,617 | \$ 15,691,255 | \$ 16,186,763 |
| Surplus (Deficiency) before Rate Increase | \$ 1,400,810 | \$ (2,438,299) | \$ (4,230,352) | \$ (4,642,761) | \$ (6,490,555) | \$ (6,953,500) |
| Additional Revenue from Rate Increases | - | 188,669 | 2,434,466 | 4,449,447 | 6,673,170 | 7,285,654 |
| Surplus (Deficiency) after Rate Increase | \$ 1,400,810 | \$ (2,249,630) | \$ (1,795,886) | \$ (193,315) | \$ 182,615 | \$ 332,154 |
| Projected Annual Rate Increase | 0.00% | 28.00% | 19.00% | 19.00% | 4.00% | 4.00% |
| Net Revenue Requirement ⁴ | \$ 7,980,834 | \$ 10,524,103 | \$ 12,338,032 | \$ 12,772,317 | \$ 14,641,987 | \$ 15,126,808 |

(1) Revenues for FY 2014/15 -2015/16 are from the City's Projected FY 2014/15 and Proposed FY 2015/16 Pro Forma Analysis.

(2) Per the City's direction, growth is based on 50 new water connections, or 0.27% per year (meeting with City staff on 03/19/2015).

(3) Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.

(4) Total Use of Funds less non-rate revenues and in interest earnings. This is the annual amount needed from water rates.

Figure 3 summarizes the projected reserve fund balances and reserve targets, for the next 5 years. A summary of the water utility's proposed 10-year financial plan is included in Appendix A – Water Rate Study Summary Tables. These tables include revenue requirements, reserve funds, revenue source, and proposed rate increases for the 10-year period.

Figure 3. Summary of Water Reserve Funds

| Beginning Reserve Fund Balances and Recommended Reserve Targets | Budget | | Projected | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Operating Reserve | | | | | | |
| Ending Balance | \$ 1,819,000 | \$ 3,111,689 | \$ 1,523,614 | \$ 1,359,715 | \$ 1,558,797 | \$ 1,900,182 |
| <i>Recommended Minimum Target</i> | <i>1,819,000</i> | <i>2,076,000</i> | <i>2,151,000</i> | <i>2,246,000</i> | <i>2,345,000</i> | <i>2,443,000</i> |
| Capital Rehabilitation & Replacement Reserve | | | | | | |
| Ending Balance | \$ 7,187,224 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 |
| <i>Recommended Minimum Target</i> | <i>4,027,500</i> | <i>4,144,100</i> | <i>4,164,800</i> | <i>4,202,100</i> | <i>4,272,800</i> | <i>4,347,400</i> |
| Debt Reserve | | | | | | |
| Ending Balance | \$ 433,452 | \$ 548,548 | \$ 706,291 | \$ 866,588 | \$ 1,025,254 | \$ 1,188,070 |
| <i>Recommended Minimum Target</i> | <i>458,561</i> | <i>611,414</i> | <i>764,268</i> | <i>917,121</i> | <i>1,069,975</i> | <i>1,222,829</i> |
| Total Ending Balance | \$ 9,439,676 | \$ 5,317,795 | \$ 3,887,463 | \$ 3,883,862 | \$ 4,241,609 | \$ 4,745,809 |
| <i>Total Recommended Minimum Target</i> | <i>\$ 6,305,061</i> | <i>\$ 6,831,514</i> | <i>\$ 7,080,068</i> | <i>\$ 7,365,221</i> | <i>\$ 7,687,775</i> | <i>\$ 8,013,229</i> |

C. Current vs. Proposed Water Rates

Currently, the City charges all customer classes a monthly fixed charge based on meter size; each meter size includes a baseline allowance of water (in hundred cubic feet [hcf]). For example, a 1-inch meter is charged \$21.59 per month, which includes 15 hcf of water. In addition to a fixed monthly charge, all customers pay a uniform commodity charge of \$1.43 per hcf for water consumed beyond the baseline quantity (hcf) included for their meter size.

NBS recommends adjusting the "baseline" consumption included in fixed charges downwards to reflect state-mandated conservation requirements of 32 percent. **Figure 4** lists the current and proposed

baseline amounts (in hcf) by meter size. For a number of reasons, which are outlined below, NBS also recommends using a uniform volumetric rate rather than a multi-tiered rate design.

Figure 4. Current and Proposed Baseline Amounts

| Meter Size | Current Baseline (hcf) | New Baseline (hcf) |
|------------|------------------------|--------------------|
| 1" | 15 | 10 |
| 1 1/2" | 30 | 20 |
| 2" | 60 | 40 |
| 3" | 240 | 160 |
| 4" | 480 | 320 |
| 6" | 900 | 600 |
| 8" | 2,100 | 1,400 |

The recommended uniform commodity charge for residential customers was the result of evaluating several potential configurations for tiered volumetric rates along with the City's specific sources of water supply. Because of the significant differences in typical water use of commercial customers (for example, laundromat vs. restaurants vs. office space), uniform commodity charges will continue to be applied to their consumption. This is a common approach for these types of customers, and the primary reason why tiered rates aren't used for commercial customers. **Figure 5** provides a comparison of the current and proposed rates for FY 2015/16 through 2019/20. **Figures 6 and 7** show a comparison of monthly bills for residential and commercial customers under current and proposed rates at varying levels of water consumption.

Figure 5. Current and Proposed Water Rates for FY 2015/16 through 2019/20

| Water Rate Schedule | Current Rate Structure | | Proposed Water Rates | | | | | |
|--|--------------------------|---------------|--------------------------|------------|------------|------------|------------|------------|
| | Baseline HCF's per month | Current Rates | Baseline HCF's per month | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| <i>Projected Increase in Rate Rev. (Financial Plan):</i> | | | | 28.00% | 19.00% | 19.00% | 4.00% | 4.00% |
| Fixed Service Charge | | | | | | | | |
| Monthly Service charge | | | | | | | | |
| 5/8 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 3/4 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 1 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 1.5 inch | 30 | \$43.18 | 20 | \$55.27 | \$65.77 | \$78.27 | \$81.40 | \$84.66 |
| 2 inch | 60 | \$86.37 | 40 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 2 inch Turbo | 60 | \$86.37 | 40 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 3 inch | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 3 inch Compound | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 3 inch Turbo | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 4 inch | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 4 inch Compound | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 4 inch Turbo | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 6 inch | 900 | \$1,295.52 | 600 | \$1,658.27 | \$1,973.34 | \$2,348.27 | \$2,442.20 | \$2,539.89 |
| 8 inch | 2,100 | \$3,022.89 | 1,400 | \$3,869.30 | \$4,604.47 | \$5,479.31 | \$5,698.49 | \$5,926.43 |
| Commodity Charges for All Water Consumed | | | | | | | | |
| Rate Per HCF of Water Consumed ¹ | -- | \$1.43 | -- | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Conservation Level Volumetric (Uniform) Rates² | | | | | | | | |
| Base Level (20% Conservation) | -- | -- | -- | \$1.336 | \$1.590 | \$1.892 | \$1.968 | \$2.047 |
| Scenario 1 (30% Conservation) ³ | -- | -- | -- | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Scenario 2 (40% Conservation) | -- | -- | -- | \$1.544 | \$1.837 | \$2.186 | \$2.274 | \$2.365 |
| Scenario 3 (50% Conservation) | -- | -- | -- | \$1.687 | \$2.007 | \$2.389 | \$2.484 | \$2.583 |
| Scenario 4 (60% Conservation) | -- | -- | -- | \$1.870 | \$2.226 | \$2.649 | \$2.755 | \$2.865 |

1. Consumption above baseline hcf/month, as listed above.

2. These conservation levels reflect consumption compared to base-line (2013) consumption levels.

3. Current level, which includes assumed conservation of approximately 30%.

Figure 6. Comparison of Monthly Water Bills for Single-Family Residential Customers

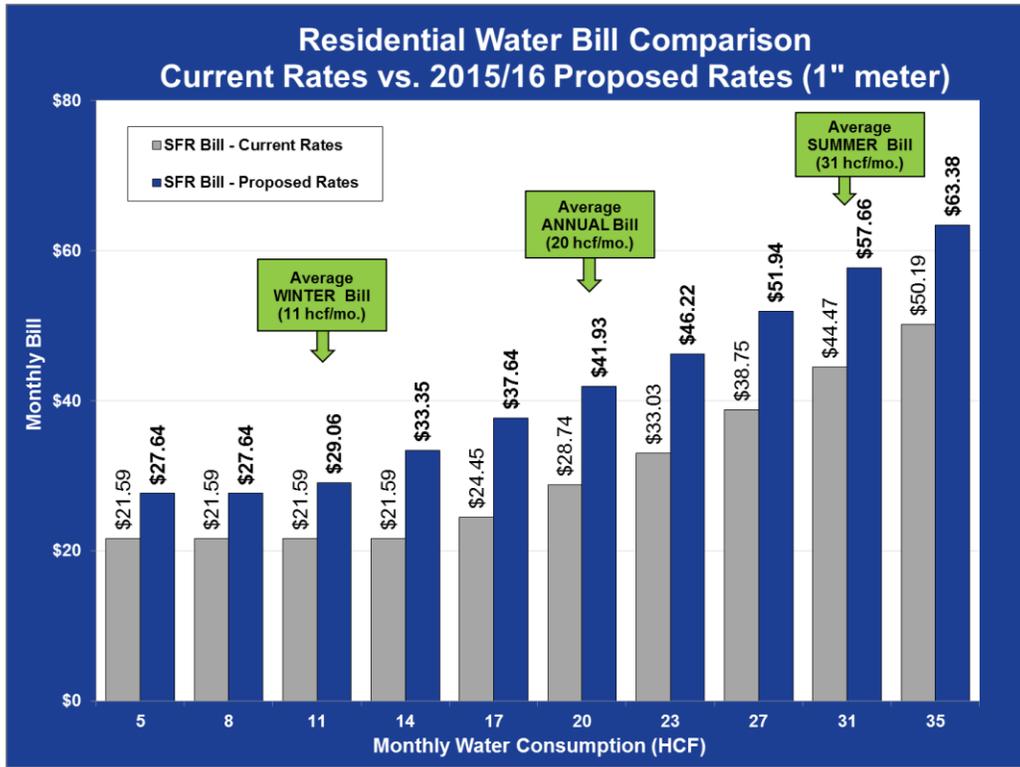
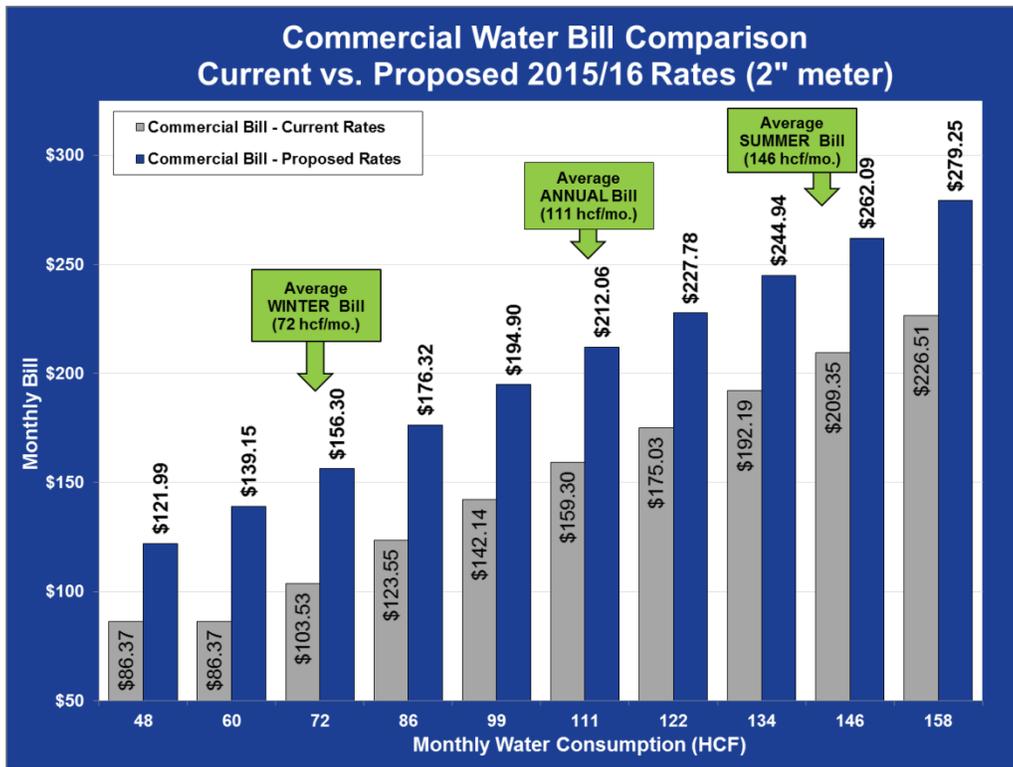


Figure 7. Comparison of Monthly Water Bills for Commercial Customers



D. Conservation Rates

The City recognizes the need to consider adopting conservation rates. The State of California has already implemented drought-related cutbacks⁵ and the City was mandated to reduce water consumption by 32 percent.

Conservation rates can be used to offset potential lost revenue and to encourage customers to reduce consumption levels. While these types of rates can be fixed charges, volumetric rates, or a combination of fixed and volumetric charges, NBS recommends using a strictly volumetric rate, because they do not penalize those who may be conserving (which can be the case with fixed conservation rates). Volumetric conservation rates more appropriately focus on those using the most water.

Assuming consumption reductions are required beyond 2016, the City's water utility would experience a net loss of revenue that, in the long run, would be financially unsustainable. **Figure 8** shows the conservation rates developed to offset these drought-related reductions.

Figure 8. Conservation Rates

| Proposed Uniform Volumetric Rates by Conservation Level | | | | | |
|---|------------|------------|------------|------------|------------|
| Conservation Scenario | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Projected Rate Revenue Increases (per Financial Plan): | 28% | 19% | 19% | 4% | 4% |
| Base Level (20% Conservation) | \$1.336 | \$1.590 | \$1.892 | \$1.968 | \$2.047 |
| Scenario 1 ^a (30% Conservation) | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Scenario 2 (40% Conservation) | \$1.544 | \$1.837 | \$2.186 | \$2.274 | \$2.365 |
| Scenario 3 (50% Conservation) | \$1.687 | \$2.007 | \$2.389 | \$2.484 | \$2.583 |
| Scenario 4 (60% Conservation) | \$1.870 | \$2.226 | \$2.649 | \$2.755 | \$2.865 |

a. Current level, which includes assumed conservation of approximately 30%.

⁵ State Water Resources Control Board, Resolution 2015-0032.

SECTION 3. WASTEWATER RATE STUDY

A. Key Wastewater Rate Issues

The specific objectives addressed in the wastewater rate analysis include:

- Generating additional revenue needed to meet projected funding requirements, particularly capital improvement costs.
- Updating the fixed charges for all customers.
- Updating the volumetric-based charges for all customers.

During the course of this study, NBS developed several wastewater rate alternatives for the City to consider. As with the water rates, rate structure alternatives were developed reflecting industry standards and cost-of-service principles, although City staff determined that the current wastewater rate structure should be maintained.

The proposed rate structure for residential customers keeps single family residential customers in one class and multi-family residential in another class. This is equitable because it best reflects the actual effluent generation for each type of residential customer. The rate structure for commercial customers consist of a fixed monthly charge per account, plus a variable rate based on monthly water consumption. The rate structure for schools is based on average daily attendance for each school and the rate is based on the number of students. Reports are submitted by the school district to the City on an annual basis, and bills for the next fiscal year are calculated based on the prior year's attendance information.

The City is the largest regional processor for septage; rates were developed based on a per-gallon charge. Septage loads anticipate trucks with up to 1,500 gallon tanks. The City also has several large industrial customers; the proposed rates maintain the City's current rate structure with charges per million gallon of effluent and additional loading charges based on the strength of effluent received at the treatment plant.

The updated rates were calculated based on the net revenue requirements, and the percentage increase in total rate revenue needed for the next 5 years. Basic components of this analysis include the following:

- **Customer Classes:** Customer classes are typically determined by grouping customers with similar flow and strength characteristics into different categories, in order to reflect the cost differences in servicing each type of customer. The City's existing customer classes have been maintained in the rates developed and proposed in this Study, and are as follows:
 - ✓ **Residential** – Consists of single-family and duplexes that are charged on a per-unit basis.
 - ✓ **Multi-Family** – Multi-family residential accounts are assessed fixed charges based on the number of household equivalent units (HEUs).
 - ✓ **Commercial** – Includes all commercial users (C1, C2, and C3 classes).
 - ✓ **Industrial** – Includes several large industrial customers.
 - ✓ **Schools** – Rates are based per student, per year and charged on an annual basis.
 - ✓ **Septage Haulers** – These customers discharge directly at the wastewater treatment plant.

B. Wastewater Utility Revenue Requirements

It is important for municipal utilities to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, and maintain and build reserve funds. The current state of the City's wastewater utility is as follows:

- **Meeting Net Revenue Requirements:** The City's wastewater utility is currently running a structural deficit in FY 2015/16, which would increase significantly by FY 2019/20 if no rate increases are implemented. Projected net revenue requirement (that is, total annual expenses plus debt service and

rate-funded capital costs, less non-rate revenues) increases from approximately \$11 million to \$18.6 million in FYs 2015/16 through 2019/20. Recommended annual rate increases of 10 percent annually for the next 5 years are needed to fund all operations and maintenance expenses, debt service payments and priority 1 and priority 2 capital projects. Similar to the water utility, if rate increases aren't implemented, the wastewater utility will not meet its debt coverage requirements for its outstanding debt obligations⁶, and will begin running annual deficits, which will require larger rate adjustments in later years.

- **Building and Maintaining Reserve Funds:** The City should maintain sufficient reserves for the Utility. NBS recommends that the City adopt and maintain the following reserve fund targets:
 - ✓ **Operating Reserve** equal to 90 days of the Utility's budgeted annual operating expenses. This reserve target is equal to a 3-month (or 25 percent) cash cushion for normal operations. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures.
 - ✓ **Capital Rehabilitation and Replacement Reserve** equal to a minimum of 3 percent of net depreciable capital assets (or approximately \$2,738,900 based on a total system asset value of approximately \$84.8 million). This reserve provides for capital repair and replacement needs.
 - ✓ **Debt Reserve** equal to the reserve requirements for the existing and planned debt, which is approximately \$3.4 million by FY2019/20.
 - ✓ **Other Reserves** equal to approximately \$110,000. The wastewater utility has reserves held for the Stonegate system, which will be maintained at a minimal level (around \$110,000). The River Highland reserve funds will be absorbed into the Operating Reserve. The Stonegate system was annexed by Yuba City and separate records were kept for it. Per City staff, this will not continue in the long-run. The River Highland system has already been incorporated into the City's records and a separate fund is no longer needed.

Figure 9 summarizes the sources and uses of funds, including net revenue requirements, and the recommended annual percent increases in total rate revenue for the next 5 years. Any surpluses are used to build up reserves, with the intent of meeting future target reserve-fund balances.

Figure 9. Summary of Wastewater Revenue Requirements

| Summary of Sources and Uses of Funds and Net Revenue Requirements | Budget | | Projected | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Sources of Water Funds | | | | | | |
| Rate Revenue Under Prevailing Rates ^{1,2} | \$ 11,721,439 | \$ 11,081,850 | \$ 11,119,770 | \$ 11,157,690 | \$ 11,195,611 | \$ 11,233,531 |
| Other Operating Revenue | 311,630 | 300,603 | 301,563 | 302,523 | 303,483 | 304,442 |
| Interest Earnings (in Operating & Capital Reserves) ³ | 54,792 | 95,700 | 53,696 | 76,971 | 83,052 | 101,257 |
| Total Sources of Funds | \$ 12,087,861 | \$ 11,478,153 | \$ 11,475,029 | \$ 11,537,184 | \$ 11,582,145 | \$ 11,639,231 |
| Uses of Water Funds | | | | | | |
| Operating Expenses | \$ 7,649,478 | \$ 9,440,956 | \$ 9,809,314 | \$ 10,233,111 | \$ 10,677,649 | \$ 11,110,946 |
| Debt Service | 1,445,998 | 2,043,193 | 2,104,558 | 2,272,319 | 2,531,897 | 3,070,048 |
| Rate-Funded Capital Expenses | 1,035,525 | - | - | 2,995,808 | 1,785,733 | 4,817,777 |
| Total Use of Funds | \$ 10,131,001 | \$ 11,484,149 | \$ 11,913,872 | \$ 15,501,238 | \$ 14,995,279 | \$ 18,998,771 |
| Surplus (Deficiency) before Rate Increase | \$ 1,956,860 | \$ (5,996) | \$ (438,843) | \$ (3,964,054) | \$ (3,413,134) | \$ (7,359,541) |
| Additional Revenue from Rate Increases | - | 92,349 | 1,213,908 | 2,455,622 | 3,829,925 | 5,350,540 |
| Surplus (Deficiency) after Rate Increase | \$ 1,956,860 | \$ 86,353 | \$ 775,066 | \$ (1,508,432) | \$ 416,791 | \$ (2,009,001) |
| Projected Annual Rate Increase | 0.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Net Revenue Requirement ⁴ | \$ 9,764,579 | \$ 11,087,846 | \$ 11,558,613 | \$ 15,121,744 | \$ 14,608,745 | \$ 18,593,072 |

(1) FY 2014/15 Revenues are from the City's Fiscal Year 2014-15 Budget (files: 14-15 WW Rev Bond Bgts.pdf and 14-15 WW Rev Op&Conn Bgts).

(2) Per the City's direction, growth is based on 50 new sewer connections, or 0.34% per year (meeting with City staff on 03/19/2015).

(3) Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.

(4) Total Use of Funds less non-rate revenues and in interest earnings. This is the annual amount needed from wastewater rates.

Figure 10 summarizes the projected reserve fund balances and reserve targets, for the next 5 years. A summary of the wastewater utility's proposed 10-year financial plan is included in Appendix B –

⁶ The wastewater utility currently has five debt obligations: 2011 and 2014 revenue refunding bonds, a wastewater treatment plant SRF loan, a collection system SRF loan, and a small Interfund loan from the City for solar.

Wastewater Rate Study Summary Tables. These tables include revenue requirements, reserve funds, revenue source, and proposed rate increases for the 10-year period.

Figure 10. Summary of Wastewater Reserve Funds

| Beginning Reserve Fund Balances and Recommended Reserve Targets | Budget | Projected | | | | |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Operating Reserve | | | | | | |
| Ending Balance | \$ 4,413,431 | \$ 5,607,734 | \$ 6,951,082 | \$ 4,498,552 | \$ 3,803,570 | \$ 1,811,606 |
| <i>Recommended Minimum Target</i> | <i>1,912,000</i> | <i>2,360,000</i> | <i>2,452,000</i> | <i>2,558,000</i> | <i>2,669,000</i> | <i>2,778,000</i> |
| Stonegate Reserve | | | | | | |
| Ending Balance | \$ 105,776 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 |
| <i>Recommended Minimum Target</i> | <i>110,000</i> | <i>110,000</i> | <i>110,000</i> | <i>110,000</i> | <i>110,000</i> | <i>110,000</i> |
| Capital Rehabilitation & Replacement Reserve | | | | | | |
| Ending Balance | \$ 2,543,600 | \$ 5,131,534 | \$ 3,311,702 | \$ 3,806,625 | \$ 4,297,000 | \$ 4,298,375 |
| <i>Recommended Minimum Target</i> | <i>2,543,600</i> | <i>2,738,900</i> | <i>3,288,400</i> | <i>3,805,800</i> | <i>4,295,900</i> | <i>6,044,400</i> |
| Debt Reserves | | | | | | |
| Ending Balance | \$ 390,430 | \$ 989,329 | \$ 1,308,791 | \$ 1,929,893 | \$ 2,840,501 | \$ 3,396,592 |
| <i>Recommended Minimum Target</i> | <i>1,710,295</i> | <i>2,364,358</i> | <i>2,428,873</i> | <i>2,590,160</i> | <i>2,858,970</i> | <i>3,396,592</i> |
| Total Ending Balance | \$ 7,453,237 | \$ 11,838,597 | \$ 11,681,575 | \$ 10,345,070 | \$ 11,051,071 | \$ 9,616,573 |
| <i>Total Recommended Minimum Target</i> | <i>\$ 6,275,895</i> | <i>\$ 7,573,258</i> | <i>\$ 8,279,273</i> | <i>\$ 9,063,960</i> | <i>\$ 9,933,870</i> | <i>\$ 12,328,992</i> |

C. Current vs. Proposed Wastewater Rates

Per input provided by City staff, the proposed rates maintain the City's current rate structure. Annual rate increases will reflect the percent increases in rate revenue needed to meet annual net revenue requirements, as shown in Figure 9. Single family and duplex residential customers will pay a fixed monthly service charge and multiple family residential customers pay 80 percent of the single family rate, for each housing unit. Commercial users will pay a fixed monthly service charge, in addition to a volumetric rate depending on the class (C1, C2, or C3), according to their monthly water use. Industrial, school, and septage customers have the same rate structure as described in Section 3A of this Study.

Figure 11 shows current and proposed wastewater rates for FY 2015/16 through FY 2019/20. More detailed tables documenting the development of the proposed wastewater rates are included in Appendix B.

Figure 11. Current vs. Proposed Wastewater Rates

Current vs. Proposed Sewer Rates (Monthly)

| Sewer Rate Schedule | Current Rates | Recommended Sewer Rates | | | | |
|---|---------------|-------------------------|------------|------------|------------|------------|
| | | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| <i>Projected Increase in Rate Revenue per Financial Plan:</i> | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Monthly Fixed Service Charge (\$/mo.) | | | | | | |
| Single-Family/Duplex Residential (per unit) | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Multi Family Residential (per unit) | \$32.43 | \$35.67 | \$39.24 | \$43.16 | \$47.48 | \$52.23 |
| Commercial - C1 | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Commercial - C2 | \$45.60 | \$50.16 | \$55.18 | \$60.69 | \$66.76 | \$73.44 |
| Commercial - C3 | \$55.23 | \$60.75 | \$66.83 | \$73.51 | \$80.86 | \$88.95 |
| Commercial Volumetric Charge (\$/HCF) (Applied to Monthly Water Use) | | | | | | |
| Commercial - C1 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Commercial - C2 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Commercial - C3 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Large Industrial User Charges | | | | | | |
| Waste water (\$/million gallons) | \$2,336.92 | \$2,570.61 | \$2,827.67 | \$3,110.44 | \$3,421.48 | \$3,763.63 |
| Total Suspended solids (TSS - in \$/lb.) | \$0.180 | \$0.198 | \$0.218 | \$0.240 | \$0.264 | \$0.290 |
| Biochemical Oxygen Demand (BOD in \$/lb.) | \$0.239 | \$0.263 | \$0.290 | \$0.319 | \$0.350 | \$0.385 |
| Schools (Average Daily Attendance) | | | | | | |
| Schools, per student, per year | \$18.61 | \$20.47 | \$22.52 | \$24.77 | \$27.25 | \$29.97 |
| Septage Hauler Charges¹ | | | | | | |
| <i>Projected Increase in Rate Revenue per Financial Plan:</i> | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Charge per Gallon | \$0.312 | \$0.343 | \$0.378 | \$0.415 | \$0.457 | \$0.502 |
| Minimum Charge: 400 gallons per dump | \$124.80 | \$137.28 | \$151.01 | \$166.11 | \$182.72 | \$200.99 |
| Minimum Charge: 1,000 gallon truck | \$312.00 | \$343.20 | \$377.52 | \$415.27 | \$456.80 | \$502.48 |
| Minimum Charge: 1,500 gallon truck | \$468.00 | \$514.80 | \$566.28 | \$622.91 | \$685.20 | \$753.72 |

(1) Septage Haulers will be charged for a full tank each occurrence.

Figure 12 compares the average monthly wastewater bills for residential customers under current and proposed rates. Figure 13 compares commercial bills under current vs. proposed rates. Figure 14 compares industrial bills under current vs. proposed rates, on an annual basis.

Figure 12. Residential Wastewater Bill Comparison – Current vs. Proposed Rates

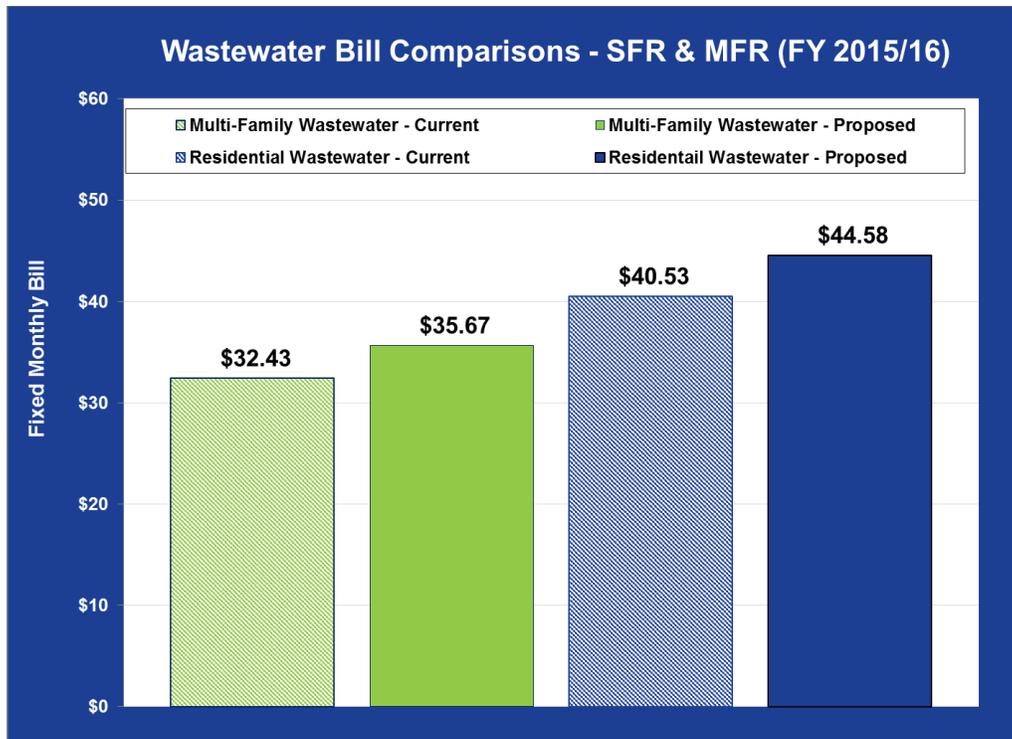


Figure 13. Commercial Wastewater Bill Comparison – Current vs. Proposed Rates

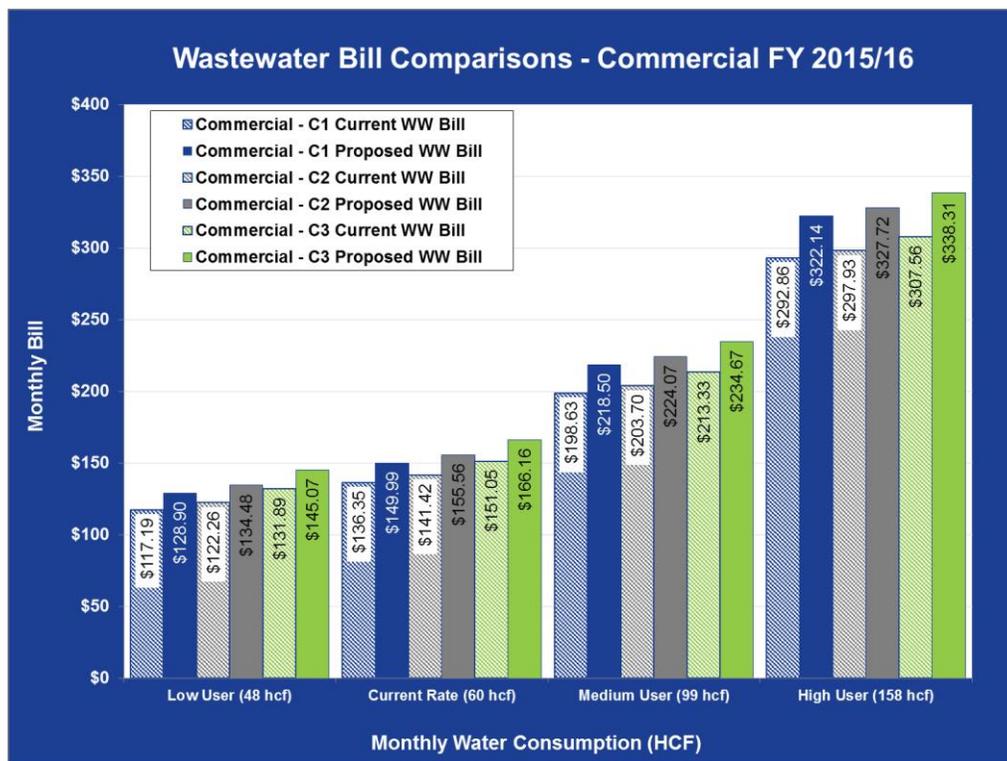
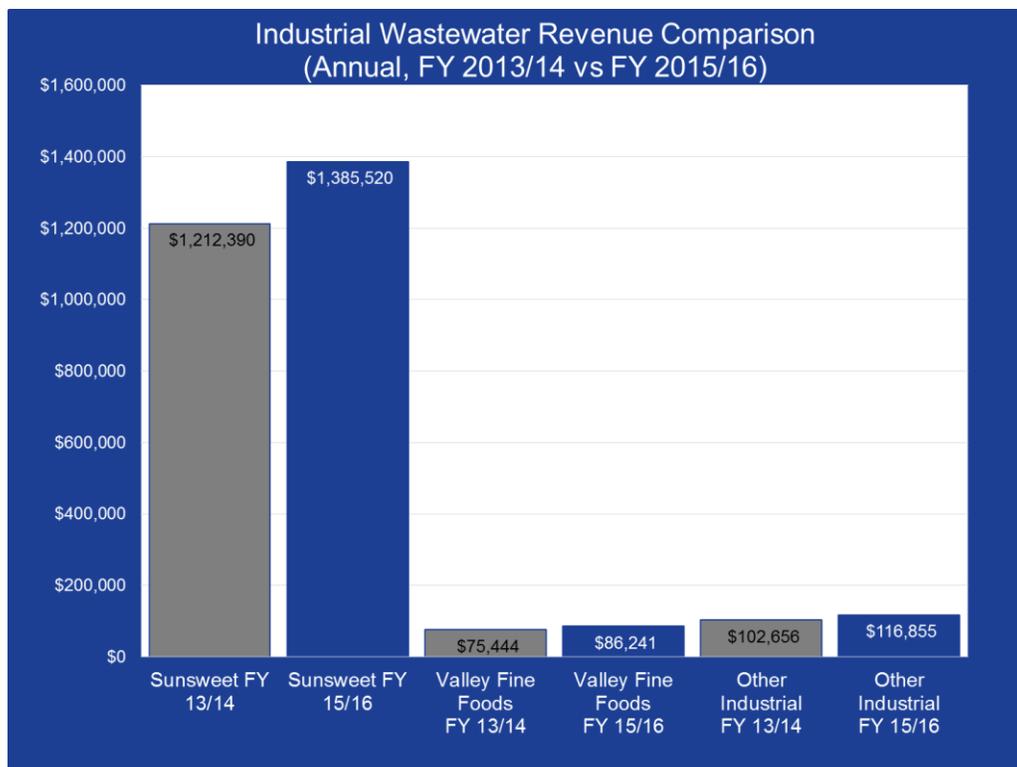


Figure 14. Industrial Wastewater Bill Comparison – Current vs. Proposed Rates



SECTION 4. RECOMMENDATIONS AND NEXT STEPS

A. Consultant Recommendations

NBS recommends the City take the following actions for the water and wastewater rates:

- **Approve and Accept This Study:** NBS recommends the City Council formally approve and adopt this Study and its recommendations. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Complete a Review by a Qualified Attorney:** This rate study outlines proposed new rates. Prior to adoption, these rates should be reviewed by competent legal counsel with respect to compliance with Proposition 218 and related State laws, as well as legal assistance developing acceptable language for new resolutions to implement these rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** According to the analysis presented in this report, the City Council should implement the proposed rates recommended in this report for the next 5 years, as shown in Figures 5, 8, and 11. These rate adjustments are necessary to ensure the following objectives are met:
 - Updated water and wastewater rates promote revenue stability.
 - Maintaining the financial health of the City's water and wastewater utilities.
- **Adopt Reserve Fund Targets:** NBS recommends the City Council adopt the consultant-proposed reserve fund targets described in Sections 2 and 3 of this report for the water and wastewater utilities. The City should periodically evaluate reserve fund levels and make it a long-term goal to achieve these levels for the Operating, Capital, and Debt Reserves.

B. Next Steps

NBS recommends the following:

Annually Review Rates and Revenue – Any time an Agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and drought-related water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements, particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

Note: The attached Technical Appendices provide more detailed information on the analysis of the water and wastewater revenue requirements that have been summarized in this report.

C. Principal Assumptions and Considerations

In preparing this report and the recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, number of customer accounts, conditions and events that may occur in the future. This information and assumptions, including the City's budgets and customer account information from City staff, were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

APPENDIX A – WATER RATE ANALYSIS

Detailed tables in Appendix A include:

- Ten-year Financial Plan Summary
- Graphical representation of 10-year Financial Plans
- Exhibit 1, Operating Expenses
- Exhibit 2, Capital Improvement Plan Expenditures
- Exhibit 3, Existing Debt Obligations
- Current Rates
- Proposed Volumetric Charges Calculations
- Conservation Rate Calculations
- Current and Proposed Rates
- Various Bill Comparison Graphs
- FY 2013-2014 Customer Data
- Water Production Data
- Single Family Residential Distribution Curve for Consumption

TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

| RATE REVENUE REQUIREMENTS SUMMARY | Budget | Projected | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Sources of Water Funds | | | | | | | | | | | |
| Rate Revenue Under Prevailing Rates (1) | \$ 9,381,644 | \$ 8,085,804 | \$ 8,107,680 | \$ 8,129,556 | \$ 8,151,432 | \$ 8,173,308 | \$ 8,195,184 | \$ 8,217,060 | \$ 8,238,936 | \$ 8,260,812 | \$ 8,282,688 |
| Other Operating Revenue | 1,516,484 | 367,131 | 367,786 | 368,440 | 369,095 | 369,750 | 370,405 | 371,059 | 371,714 | 372,369 | 373,024 |
| Region 1 Water Customer SRF Surcharge | 151,105 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Region 2/3 Water Customer SRF Surcharge | 502,312 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Interest Earnings (2) | 43,246 | 53,400 | 23,846 | 23,859 | 30,173 | 40,204 | 53,366 | 75,559 | 105,137 | 131,269 | 160,832 |
| Total Sources of Funds | \$ 11,594,791 | \$ 9,156,335 | \$ 9,149,312 | \$ 9,171,855 | \$ 9,200,700 | \$ 9,233,262 | \$ 9,268,955 | \$ 9,313,678 | \$ 9,365,787 | \$ 9,414,450 | \$ 9,466,543 |
| Uses of Water Funds | | | | | | | | | | | |
| Operating Expenses (3): | | | | | | | | | | | |
| Division 7110 Water Distribution | \$ 1,260,779 | \$ 1,436,412 | \$ 1,497,968 | \$ 1,562,124 | \$ 1,629,598 | \$ 1,693,151 | \$ 1,759,446 | \$ 1,829,281 | \$ 1,902,915 | \$ 1,980,634 | \$ 2,062,748 |
| Division 7120 Water Treatment Plant | 4,811,843 | 5,111,199 | 5,282,807 | 5,526,072 | 5,781,668 | 6,033,731 | 6,309,217 | 6,586,781 | 6,878,709 | 7,185,885 | 7,509,260 |
| Division 7341 - HWS Region 1 | 1,125 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 |
| Division 7342 - HWS Region 2 | 1,125 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 | 1,313 |
| Operational Transfers | 1,716,500 | 1,754,300 | 1,822,472 | 1,893,311 | 1,966,922 | 2,043,413 | 2,122,898 | 2,205,496 | 2,291,328 | 2,380,521 | 2,473,208 |
| Adjustment for FY 14/15 Actuals (517,244) | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal: Operating Expenses | \$ 7,274,128 | \$ 8,304,536 | \$ 8,605,872 | \$ 8,984,132 | \$ 9,380,812 | \$ 9,772,920 | \$ 10,194,186 | \$ 10,624,183 | \$ 11,075,576 | \$ 11,549,665 | \$ 12,047,841 |
| Other Expenditures: | | | | | | | | | | | |
| Existing Debt Service | \$ 2,919,853 | \$ 2,920,023 | \$ 2,918,543 | \$ 2,919,578 | \$ 2,918,441 | \$ 2,920,081 | \$ 2,919,356 | \$ 2,916,191 | \$ 2,915,511 | \$ 2,917,111 | \$ 2,916,211 |
| New Debt Service | - | - | - | - | - | - | - | - | - | - | - |
| Rate-Funded Capital Expenses | - | 370,075 | 1,855,249 | 1,910,906 | 3,392,002 | 3,493,762 | 3,170,676 | 3,278,032 | 3,388,613 | 3,502,514 | 3,619,835 |
| Subtotal: Other Expenditures | \$ 2,919,853 | \$ 3,290,098 | \$ 4,773,792 | \$ 4,830,485 | \$ 6,310,443 | \$ 6,413,843 | \$ 6,090,032 | \$ 6,194,223 | \$ 6,304,124 | \$ 6,419,625 | \$ 6,536,046 |
| Total Uses of Water Funds | \$ 10,193,981 | \$ 11,594,634 | \$ 13,379,664 | \$ 13,814,617 | \$ 15,691,255 | \$ 16,186,763 | \$ 16,284,218 | \$ 16,818,406 | \$ 17,379,700 | \$ 17,969,290 | \$ 18,583,887 |
| plus: Revenue from Rate Increases (4) | - | 188,669 | 2,434,466 | 4,449,447 | 6,673,170 | 7,285,654 | 7,925,168 | 8,592,859 | 9,289,922 | 10,002,423 | 10,578,259 |
| Increase/Decrease to Reserves | \$ 1,400,810 | \$ (2,249,630) | \$ (1,795,886) | \$ (193,315) | \$ 182,615 | \$ 332,154 | \$ 909,905 | \$ 1,088,131 | \$ 1,276,009 | \$ 1,447,583 | \$ 1,460,916 |
| Net Revenue Reqtd. (Total Uses less Non-Rate Revenue) | \$ 7,980,834 | \$ 10,524,103 | \$ 12,338,032 | \$ 12,772,317 | \$ 14,641,987 | \$ 15,126,808 | \$ 15,210,447 | \$ 15,721,788 | \$ 16,252,849 | \$ 16,815,652 | \$ 17,400,031 |
| Total Rate Revenue After Rate Increases | \$ 9,381,644 | \$ 8,274,473 | \$ 10,542,146 | \$ 12,579,003 | \$ 14,824,602 | \$ 15,458,962 | \$ 16,120,352 | \$ 16,809,918 | \$ 17,528,858 | \$ 18,263,235 | \$ 18,860,947 |
| Projected Annual Rate Revenue Increase | 0.00% | 28.00% | 19.00% | 19.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 3.00% | 3.00% |
| Debt Coverage After Rate Increase (5) | 1.48 | 0.36 | 1.02 | 1.59 | 2.22 | 2.31 | 2.40 | 2.50 | 2.60 | 2.70 | 2.74 |
| Debt Coverage After Rate Increase (includes connection fee revenue) (5) | 1.64 | 1.07 | 1.16 | 1.73 | 2.37 | 2.45 | 2.54 | 2.64 | 2.74 | 2.84 | 2.88 |

(1) FY 2014/15 Revenues are proposed revenues for 2014/15, per the City's Adopted Annual Operating Budget. Water Sales were reduced in FY 2015/16 to account for State mandated conservation.

Variable rate revenues (estimated at 46% of total revenues) were reduced by 32%.

(2) Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.

(3) The FY 2014/15 operating expenses are from the City's Proposed Budget. Inflationary factors are applied to these expenses to project costs in 2015/16 and beyond.

(4) Rate increases are anticipated to be effective 04/01/2016; therefore FY 2015/16 represents three (3) months of revenue from new rates.

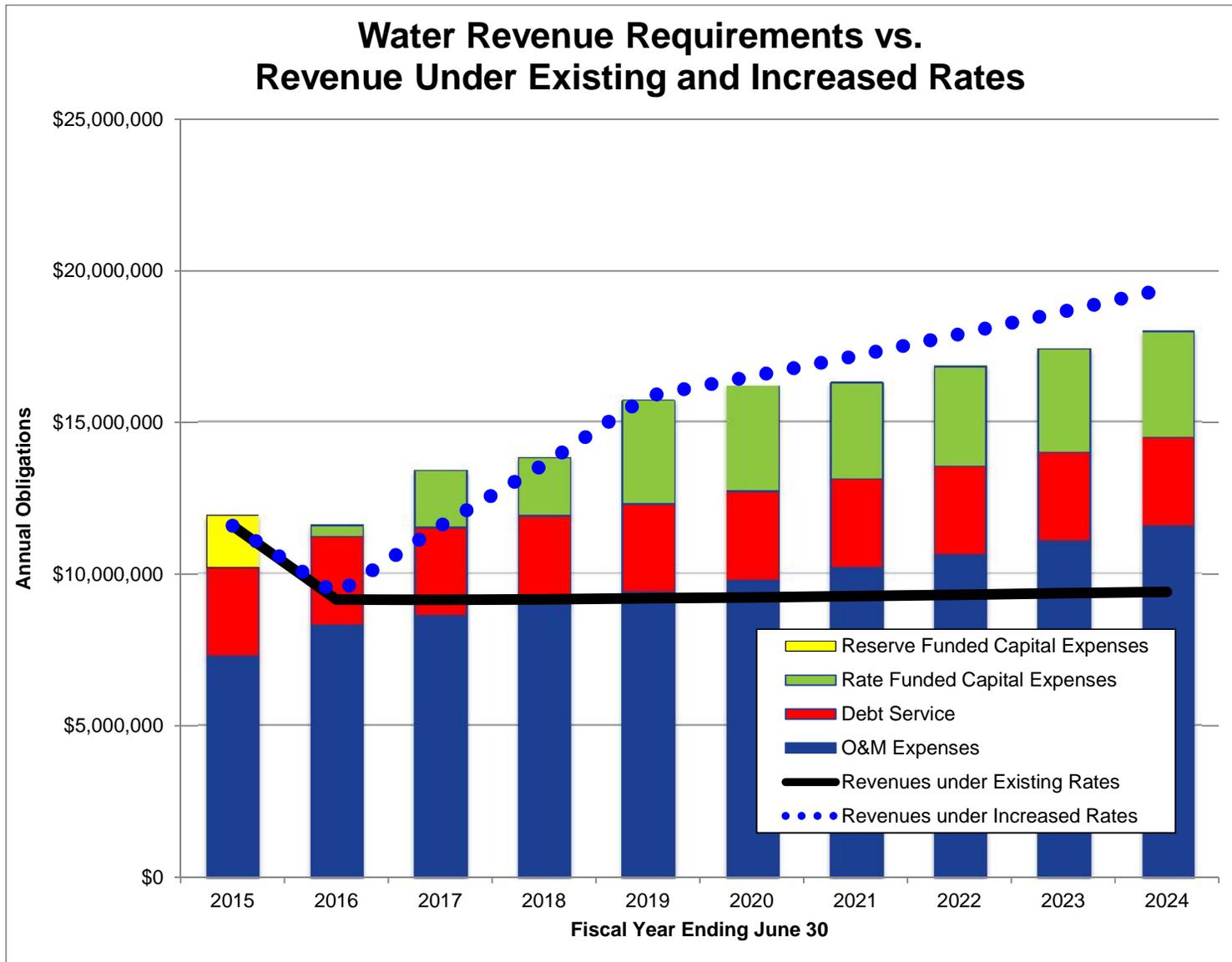
(5) Debt coverage requirement is 1.20 or greater (Water Revenue Refunding Bonds, Official Statement). Per City staff, Debt Coverage is calculated including connection fee revenue.

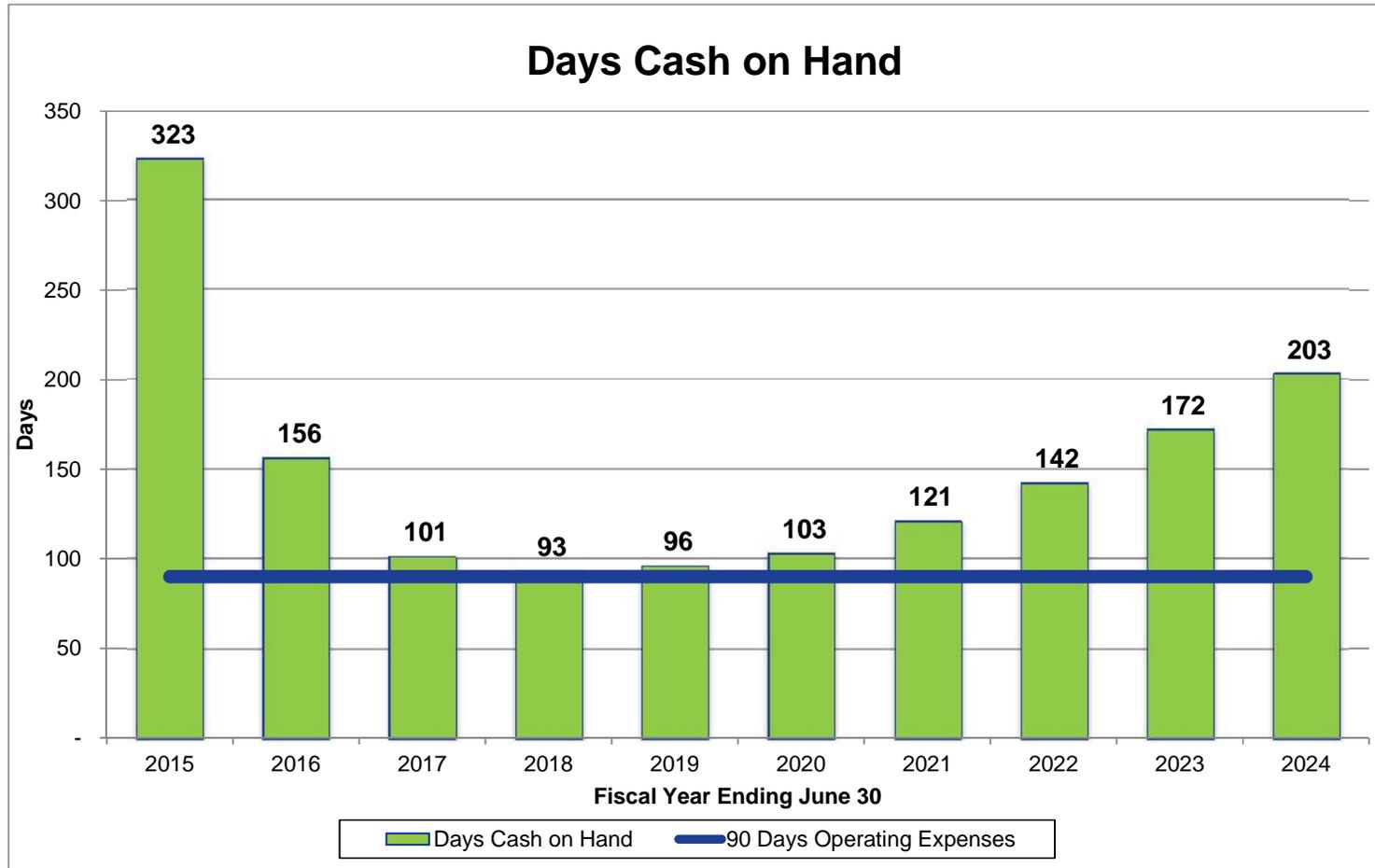
TABLE 2
RESERVE FUND SUMMARY

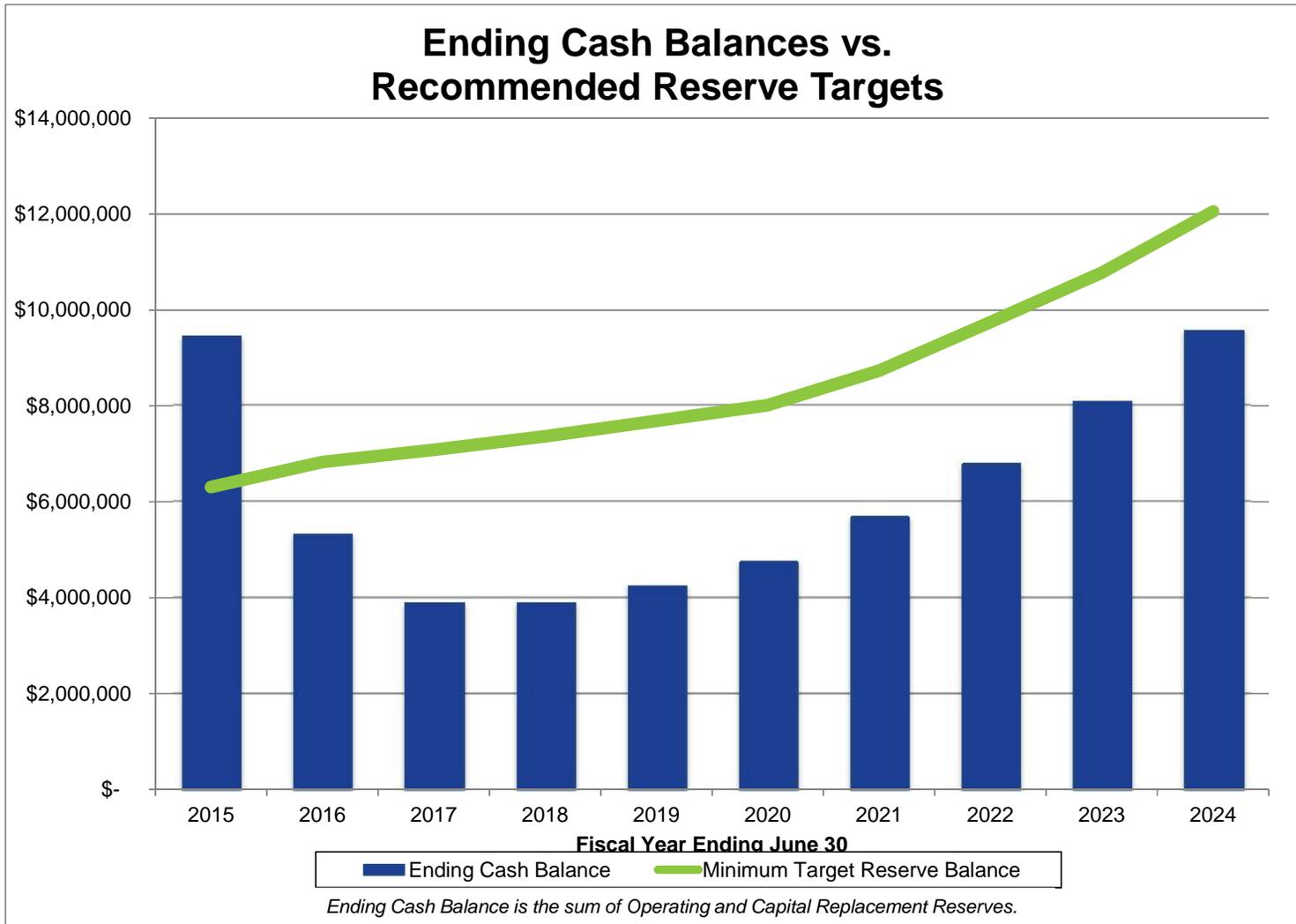
| SUMMARY OF CASH ACTIVITY | Budget | | Projected | | | | | | | | |
|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Total Beginning Cash (1) | \$ 11,177,932 | \$ 6,330,656 | | | | | | | | | |
| Operating Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (2) | \$ 1,582,257 | \$ 4,017,200 | \$ 3,111,689 | \$ 1,523,614 | \$ 1,359,715 | \$ 1,558,797 | \$ 1,900,182 | \$ 2,399,000 | \$ 2,506,000 | \$ 2,769,000 | \$ 2,887,000 |
| Plus: Net Cash Flow (After Rate Increases) | 1,400,810 | (2,249,630) | (1,795,886) | (193,315) | 182,615 | 332,154 | 909,905 | 1,088,131 | 1,276,009 | 1,447,583 | 1,460,916 |
| Plus: Transfer of Debt Reserve Surplus | - | - | - | - | - | - | - | 1,083 | 30,571 | 30,571 | 30,571 |
| Less: Transfer Out to Capital Replacement Reserve | (1,164,067) | - | - | - | - | - | (261,086) | (832,214) | (1,043,580) | (1,360,154) | (1,366,486) |
| Less: Reserve Funding for Existing Debt Obligations (3) | - | (155,000) | (155,000) | (155,000) | (150,000) | (150,000) | (150,000) | (150,000) | - | - | - |
| Plus: Transfer in from Connection Fee Reserve for Debt Service (4) | - | 1,499,119 | 362,812 | 184,416 | 166,466 | 159,231 | - | - | - | - | - |
| Ending Operating Reserve Balance | \$ 1,819,000 | \$ 3,111,689 | \$ 1,523,614 | \$ 1,359,715 | \$ 1,558,797 | \$ 1,900,182 | \$ 2,399,000 | \$ 2,506,000 | \$ 2,769,000 | \$ 2,887,000 | \$ 3,012,000 |
| <i>Target Ending Balance (90-days of O&M)</i> | \$ 1,819,000 | \$ 2,076,000 | \$ 2,151,000 | \$ 2,246,000 | \$ 2,345,000 | \$ 2,443,000 | \$ 2,549,000 | \$ 2,656,000 | \$ 2,769,000 | \$ 2,887,000 | \$ 3,012,000 |
| Capital Rehabilitation & Replacement Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (2) | \$ 7,728,631 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,918,644 | \$ 2,750,858 | \$ 3,794,438 | \$ 5,154,592 |
| Plus: Grant Proceeds | 3,965,000 | 7,100,000 | - | - | - | - | - | - | - | - | - |
| Plus: Transfer of Operating Reserve Surplus | 1,164,067 | - | - | - | - | - | 261,086 | 832,214 | 1,043,580 | 1,360,154 | 1,366,486 |
| Less: Use of Reserves for Capital Projects | (5,670,474) | (7,100,000) | - | - | - | - | - | - | - | - | - |
| Ending Capital Improvement & Depreciation Reserve Balance | \$ 7,187,224 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,657,558 | \$ 1,918,644 | \$ 2,750,858 | \$ 3,794,438 | \$ 5,154,592 | \$ 6,521,078 |
| <i>Target Ending Balance (3% of Assets) (5)</i> | \$ 4,027,500 | \$ 4,144,100 | \$ 4,164,800 | \$ 4,202,100 | \$ 4,272,800 | \$ 4,347,400 | \$ 4,809,500 | \$ 5,561,200 | \$ 6,476,700 | \$ 7,639,900 | \$ 8,558,900 |
| Ending Balance - Excludes Restricted Reserves | \$ 9,006,224 | \$ 4,769,247 | \$ 3,181,172 | \$ 3,017,273 | \$ 3,216,355 | \$ 3,557,740 | \$ 4,317,644 | \$ 5,256,858 | \$ 6,563,438 | \$ 8,041,592 | \$ 9,533,078 |
| Minimum Target Ending Balance - Excludes Restricted Reserves | \$ 5,846,500 | \$ 6,220,100 | \$ 6,315,800 | \$ 6,448,100 | \$ 6,617,800 | \$ 6,790,400 | \$ 7,358,500 | \$ 8,217,200 | \$ 9,245,700 | \$ 10,526,900 | \$ 11,570,900 |
| Ending Surplus/(Deficit) Compared to Reserve Targets | \$ 3,159,724 | \$ (1,450,853) | \$ (3,134,628) | \$ (3,430,827) | \$ (3,401,445) | \$ (3,232,660) | \$ (3,040,856) | \$ (2,960,342) | \$ (2,682,262) | \$ (2,485,308) | \$ (2,037,822) |
| Days Cash on Hand | 323 | 156 | 101 | 93 | 96 | 103 | 121 | 142 | 172 | 203 | 233 |
| Restricted Reserves: | | | | | | | | | | | |
| Debt Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (6) | \$ 432,371 | \$ 392,567 | \$ 548,548 | \$ 706,291 | \$ 866,588 | \$ 1,025,254 | \$ 1,188,070 | \$ 1,355,891 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 |
| Plus: Reserve Funding for Existing Debt Obligations (3) | - | 155,000 | 155,000 | 155,000 | 150,000 | 150,000 | 150,000 | 150,000 | - | - | - |
| Plus: Interest Earnings | 1,081 | 981 | 2,743 | 5,297 | 8,666 | 12,816 | 17,821 | 23,728 | 30,571 | 30,571 | 30,571 |
| Less: Transfer of Surplus to Operating Reserve | - | - | - | - | - | - | - | (1,083) | (30,571) | (30,571) | (30,571) |
| Ending Debt Reserve Balance | \$ 433,452 | \$ 548,548 | \$ 706,291 | \$ 866,588 | \$ 1,025,254 | \$ 1,188,070 | \$ 1,355,891 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 |
| <i>Target Ending Balance</i> | \$ 458,561 | \$ 611,414 | \$ 764,268 | \$ 917,121 | \$ 1,069,975 | \$ 1,222,829 | \$ 1,375,682 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 |
| Bond Project Fund | | | | | | | | | | | |
| Beginning Reserve Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plus: SRF Loan Funding Proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Revenue Bond Proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Less: Use of Bond & Loan Funds for Capital Projects | - | - | - | - | - | - | - | - | - | - | - |
| Ending Bond Project Fund Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <i>Target Ending Balance</i> | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Connection Fee Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (7) | \$ 1,434,673 | \$ 263,331 | \$ 171,045 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plus: Interest Earnings | 3,587 | 658 | 855 | - | - | - | - | - | - | - | - |
| Plus: Connection Fee Revenue | 399,310 | 2,030,900 | 370,940 | 370,940 | 370,940 | 370,940 | 370,940 | 370,940 | 370,940 | 370,940 | 370,940 |
| Plus: Other Connection Fee Fund Revenue | 80,203 | 62,800 | 40,108 | 40,216 | 40,325 | 40,433 | 40,541 | 40,649 | 40,758 | 40,866 | 40,974 |
| Less: Use of Reserves for Capital Projects | (1,917,773) | (687,525) | (220,137) | (226,741) | (244,798) | (252,142) | (411,481) | (411,589) | (411,698) | (411,806) | (411,914) |
| Less: Transfer to Operating Reserve for Debt Service (4) | - | (1,499,119) | (362,812) | (184,416) | (166,466) | (159,231) | - | - | - | - | - |
| Ending Connection Fee Fund Balance | \$ - | \$ 171,045 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <i>Annual Interest Earnings Rate (8)</i> | 0.25% | 0.25% | 0.50% | 0.75% | 1.00% | 1.25% | 1.50% | 1.75% | 2.00% | 2.00% | 2.00% |

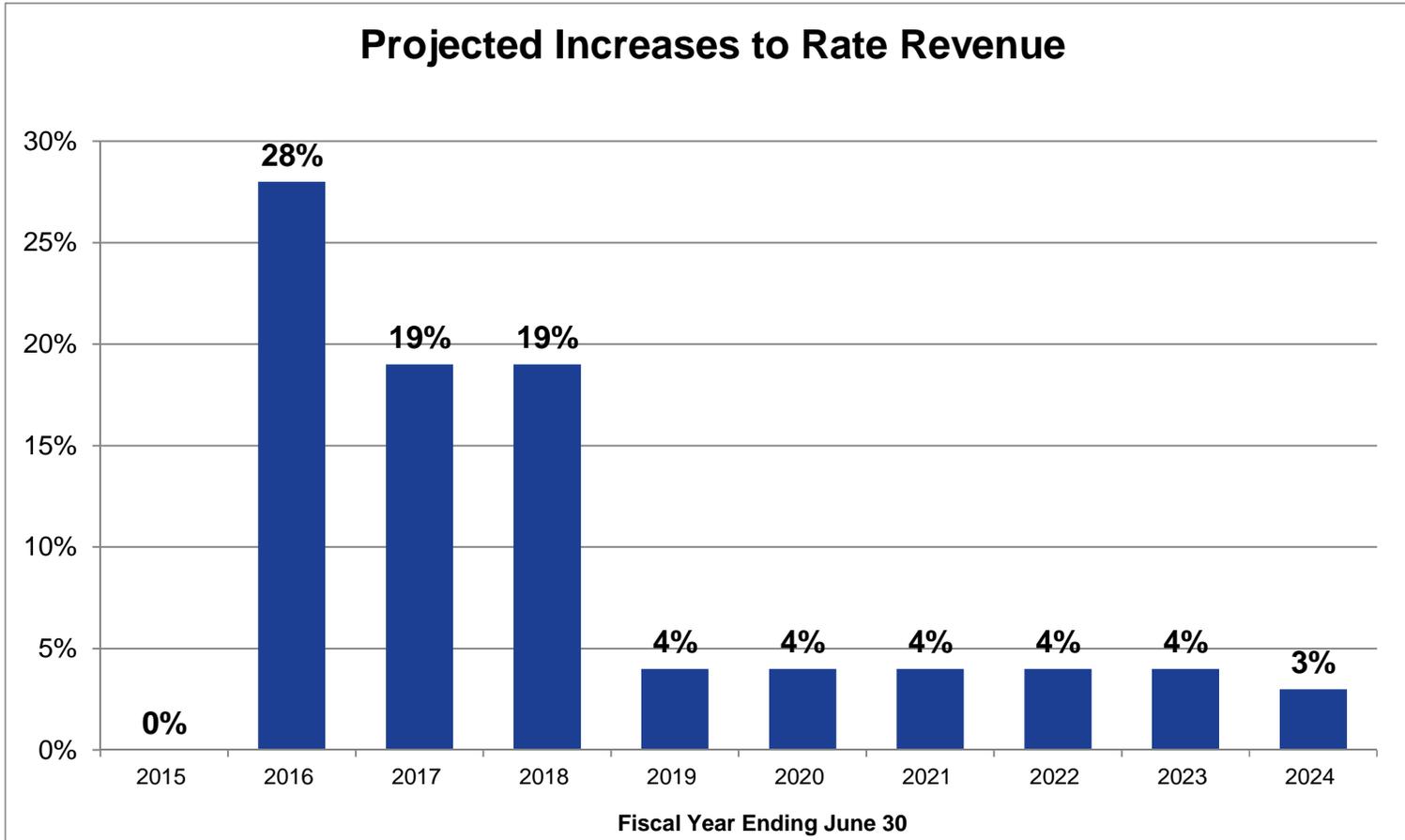
Footnotes to Table 2 - Reserve Fund Summary:

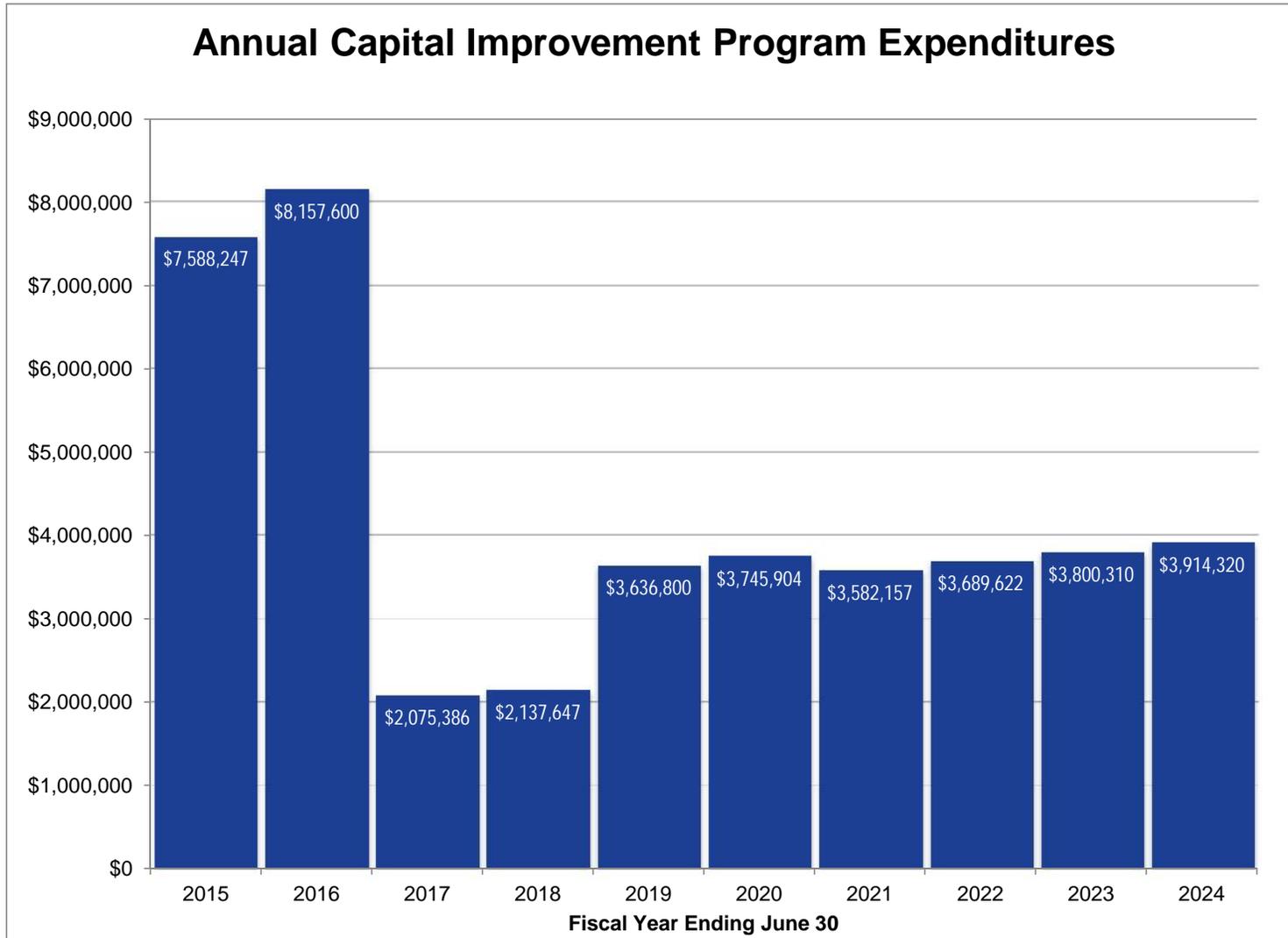
- (1) Beginning cash balance is from both the Consolidated Balance Sheet and the City's proforma analysis for Funds 507, 508, 509, 517, 531, 533, 534 and 537, from FY 2013/14 end; reports provided by City staff 12/19/2014 (file: *14-15 Beg Cash Bal Water.pdf and Water Debt Coverage Ratio Actual 13- 14.xls*). FY 2015/16 Beginning Balances reported in the City's Proposed FY 2015/16 Budget (file: *Proposed Budget - FY 15-16 pn V2.pdf*) and via email from City staff.
- (2) The total beginning cash balance for FY 2014/15 is based on the City's proforma analysis for Funds 517 - Cash CIP and Fund 507 - Water Operating Cash (file: *Water Debt Coverage Ratio Actual 13-14.xls*).
The total beginning cash balance for FY 2015/16 is based on the City's Proposed FY 2015/16 Budget (file: *Proposed Budget - FY 15-16 pn V2.pdf*). Capital R&R Reserve balance for FY 2015/16 was provided by City staff via email 06/02/2015.
- (3) Per the SRF Loan Agreements, the reserve funds for both loans shall be accumulated by FY 2021/22.
- (4) NBS assumes the City will fund the % of debt service allocated to connection fees, with connection fee revenue as long as it is available.
- (5) The Capital Rehabilitation & Replacement reserve target is set to 3% of net assets.
- (6) Beginning cash in the debt reserve for FY 2014/15 is the amount in Fund 533 and Fund 534, (Region 1 and Region 2/3 SRF Loan), per the City's proforma analysis (file: *Water Debt Coverage Ratio Actual 13-14.xls*).
Beginning balance for FY 2015/16 is as reported in the Proposed FY2015/16 Budget (file: *Proposed Budget - FY 15-16 pn V2.pdf*).
- (7) The beginning connection fee reserve balance is per the proforma analysis provided by City Staff (file: *Water Debt Coverage Ratio Actual 13-14.xls*).
- (8) 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 2021 and phase into the historical 10 year average interest earnings rate.











REVENUE FORECAST (1)

| SOURCES OF REVENUE | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 507 Water Fund | | | | | | | | | | | |
| 44560 Fire Sys Flow Test | 10 | \$ 1,169 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 44565 Backflow Prev Fees | 10 | \$ 18,734 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 | \$ 14,000 |
| 44510 Water Sales (2) | 1 | \$ 9,381,644 | \$ 8,085,804 | \$ 8,107,680 | \$ 8,129,556 | \$ 8,151,432 | \$ 8,173,308 | \$ 8,195,184 | \$ 8,217,060 | \$ 8,238,936 | \$ 8,260,812 |
| 44520 Water - Hydrant Fees | 1 | \$ 2,198 | \$ 2,000 | \$ 2,005 | \$ 2,011 | \$ 2,016 | \$ 2,022 | \$ 2,027 | \$ 2,032 | \$ 2,038 | \$ 2,043 |
| 44540 Water - Meter Labor | 1 | \$ 27,989 | \$ 25,000 | \$ 25,068 | \$ 25,135 | \$ 25,203 | \$ 25,271 | \$ 25,338 | \$ 25,406 | \$ 25,473 | \$ 25,541 |
| 44550 Utility Billing Penalties | 1 | \$ 204,914 | \$ 200,000 | \$ 200,541 | \$ 201,082 | \$ 201,623 | \$ 202,164 | \$ 202,705 | \$ 203,247 | \$ 203,788 | \$ 204,329 |
| 44555 Water - Tap Machine | 1 | \$ 17,637 | \$ 15,000 | \$ 15,041 | \$ 15,081 | \$ 15,122 | \$ 15,162 | \$ 15,203 | \$ 15,243 | \$ 15,284 | \$ 15,325 |
| 46110 Interest on Investment (3) | See FP | \$ 38,795 | \$ 47,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 49010 Other Revenue | 10 | \$ 259,025 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 | \$ 111,131 |
| 49510 Lease Proceeds | 10 | \$ 984,818 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 509 Water Connection Fees | | | | | | | | | | | |
| 44515 Water Main Ext Fees | 1 | \$ 26,698 | \$ 30,000 | \$ 30,081 | \$ 30,162 | \$ 30,243 | \$ 30,325 | \$ 30,406 | \$ 30,487 | \$ 30,568 | \$ 30,649 |
| 44525 Water - Connection Fees (4) | 10 | \$ 399,310 | \$ 2,030,900 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 |
| 44535 Water - Meter Materials | 1 | \$ 28,433 | \$ 10,000 | \$ 10,027 | \$ 10,054 | \$ 10,081 | \$ 10,108 | \$ 10,135 | \$ 10,162 | \$ 10,189 | \$ 10,216 |
| 46110 Interest on Investment (3) | See FP | \$ 25,072 | \$ 22,800 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 533 Reg 1 SRF Loan Debt Service | | | | | | | | | | | |
| 44571 Water Customer SRF Surcharge | 10 | \$ 151,105 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 |
| 46110 Interest on Investment (3) | See FP | \$ 433 | \$ 700 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 534 Reg 2/3 SRF Loan Debt Service | | | | | | | | | | | |
| 44571 Water Customer SRF Surcharge | 10 | \$ 502,312 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| 46110 Interest on Investment (3) | See FP | \$ 4,018 | \$ 5,700 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL: REVENUE | | \$12,074,304 | \$11,250,035 | \$ 9,536,514 | \$ 9,559,153 | \$ 9,581,792 | \$ 9,604,431 | \$ 9,627,070 | \$ 9,649,709 | \$ 9,672,348 | \$ 9,694,986 |

| REVENUE SUMMARY | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 507 Water Fund | | | | | | | | | | |
| Water Rate Revenue | \$ 9,381,644 | \$ 8,085,804 | \$ 8,107,680 | \$ 8,129,556 | \$ 8,151,432 | \$ 8,173,308 | \$ 8,195,184 | \$ 8,217,060 | \$ 8,238,936 | \$ 8,260,812 |
| Other Operating Revenue | \$ 1,516,484 | \$ 367,131 | \$ 367,786 | \$ 368,440 | \$ 369,095 | \$ 369,750 | \$ 370,405 | \$ 371,059 | \$ 371,714 | \$ 372,369 |
| Interest Earnings | \$ 38,795 | \$ 47,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 509 Water Connection Fees | | | | | | | | | | |
| Connection Fees | \$ 399,310 | \$ 2,030,900 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 | \$ 370,940 |
| Other Connection Fee Fund Revenue | \$ 80,203 | \$ 62,800 | \$ 40,108 | \$ 40,216 | \$ 40,325 | \$ 40,433 | \$ 40,541 | \$ 40,649 | \$ 40,758 | \$ 40,866 |
| Fund 533 Reg 1 SRF Loan Debt Service | | | | | | | | | | |
| Water Customer SRF Surcharge | \$ 151,105 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ 150,000 |
| Interest Earnings | \$ 433 | \$ 700 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 534 Reg 2/3 SRF Loan Debt Service | | | | | | | | | | |
| Water Customer SRF Surcharge | \$ 502,312 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Interest Earnings | \$ 4,018 | \$ 5,700 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL: REVENUE | \$12,074,304 | \$11,250,035 | \$ 9,536,514 | \$ 9,559,153 | \$ 9,581,792 | \$ 9,604,431 | \$ 9,627,070 | \$ 9,649,709 | \$ 9,672,348 | \$ 9,694,986 |
| <i>Check to total revenue</i> | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

CITY OF YUBA CITY
WATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft - Do Not Cite or Distribute

EXHIBIT 1

OPERATING EXPENSE FORECAST (5):

| Operating Transfers | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Z69990 Operating Transfers Out (Fund 507-7120) | 9 | \$ 1,471,500 | \$ 1,554,300 | \$ 1,616,472 | \$ 1,681,131 | \$ 1,748,376 | \$ 1,818,311 | \$ 1,891,044 | \$ 1,966,685 | \$ 2,045,353 | \$ 2,127,167 |
| Z69993 OPER TRSF - Sewer Lab Svcs (Fund 507-7120) | 3 | \$ 245,000 | \$ 200,000 | \$ 206,000 | \$ 212,180 | \$ 218,545 | \$ 225,102 | \$ 231,855 | \$ 238,810 | \$ 245,975 | \$ 253,354 |
| Total: Water Fund Operations - Operating Transfers | | \$ 1,716,500 | \$ 1,754,300 | \$ 1,822,472 | \$ 1,893,311 | \$ 1,966,922 | \$ 2,043,413 | \$ 2,122,898 | \$ 2,205,496 | \$ 2,291,328 | \$ 2,380,521 |
| Water Fund Operations - 7100 | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Fund 507 Water Fund | | | | | | | | | | | |
| Division 7110 Water Distribution | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | |
| 61210 Salaries - Regular | 3 | \$ 433,559 | \$ 448,057 | \$ 461,499 | \$ 475,344 | \$ 489,604 | \$ 504,292 | \$ 519,421 | \$ 535,003 | \$ 551,054 | \$ 567,585 |
| 61211 Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61215 Salaries - Standby | 3 | \$ 5,600 | \$ 5,600 | \$ 5,768 | \$ 5,941 | \$ 6,119 | \$ 6,303 | \$ 6,492 | \$ 6,687 | \$ 6,887 | \$ 7,094 |
| 61217 Salaries - ADM Payoff | 3 | \$ 609 | \$ 609 | \$ 627 | \$ 646 | \$ 665 | \$ 685 | \$ 706 | \$ 727 | \$ 749 | \$ 771 |
| 61310 Wages - Extra Help | 3 | \$ 17,000 | \$ 17,000 | \$ 17,510 | \$ 18,035 | \$ 18,576 | \$ 19,134 | \$ 19,708 | \$ 20,299 | \$ 20,908 | \$ 21,535 |
| 61430 Overtime - Regular | 3 | \$ 12,000 | \$ 12,000 | \$ 12,360 | \$ 12,731 | \$ 13,113 | \$ 13,506 | \$ 13,911 | \$ 14,329 | \$ 14,758 | \$ 15,201 |
| 61501 Medicare | 4 | \$ 6,797 | \$ 7,094 | \$ 7,803 | \$ 8,584 | \$ 9,442 | \$ 10,386 | \$ 11,425 | \$ 12,567 | \$ 13,824 | \$ 15,207 |
| 61502 Health Plan | 4 | \$ 112,409 | \$ 123,411 | \$ 135,752 | \$ 149,327 | \$ 164,260 | \$ 180,686 | \$ 198,755 | \$ 218,630 | \$ 240,493 | \$ 264,542 |
| 61503 PERS | 5 | \$ 139,407 | \$ 146,308 | \$ 158,573 | \$ 170,902 | \$ 183,828 | \$ 189,917 | \$ 195,614 | \$ 201,483 | \$ 207,527 | \$ 213,753 |
| 61504 Workers Compensation | 3 | \$ 30,441 | \$ 31,543 | \$ 32,489 | \$ 33,464 | \$ 34,468 | \$ 35,502 | \$ 36,567 | \$ 37,664 | \$ 38,794 | \$ 39,958 |
| 61505 Life Insurance | 3 | \$ 230 | \$ 230 | \$ 237 | \$ 244 | \$ 251 | \$ 259 | \$ 267 | \$ 275 | \$ 283 | \$ 291 |
| 61506 Unemployment Insurance | 3 | \$ 5,689 | \$ 48 | \$ 49 | \$ 51 | \$ 52 | \$ 54 | \$ 56 | \$ 57 | \$ 59 | \$ 61 |
| 61507 Dental / Vision | 4 | \$ 14,762 | \$ 14,762 | \$ 16,238 | \$ 17,862 | \$ 19,648 | \$ 21,613 | \$ 23,774 | \$ 26,152 | \$ 28,767 | \$ 31,644 |
| 61508 Premium Incentive - Health | 4 | \$ - | \$ 5,980 | \$ 6,578 | \$ 7,236 | \$ 7,959 | \$ 8,755 | \$ 9,631 | \$ 10,594 | \$ 11,653 | \$ 12,819 |
| Supplies and Services | | | | | | | | | | | |
| 62201 TEL - Service | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 62204 TEL - Long Distance | 2 | \$ 200 | \$ 200 | \$ 206 | \$ 212 | \$ 219 | \$ 225 | \$ 232 | \$ 239 | \$ 246 | \$ 253 |
| 62206 TEL - Voice Mail | 2 | \$ 135 | \$ 135 | \$ 139 | \$ 143 | \$ 148 | \$ 152 | \$ 157 | \$ 161 | \$ 166 | \$ 171 |
| 62210 TEL - Cellular Phone | 2 | \$ 4,750 | \$ 4,750 | \$ 4,893 | \$ 5,039 | \$ 5,190 | \$ 5,346 | \$ 5,507 | \$ 5,672 | \$ 5,842 | \$ 6,017 |
| 62250 TEL - Internet | 2 | \$ 384 | \$ 401 | \$ 413 | \$ 425 | \$ 438 | \$ 451 | \$ 465 | \$ 479 | \$ 493 | \$ 508 |
| 62301 Postage & Freight | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62501 Office Supplies | 2 | \$ 1,800 | \$ 1,800 | \$ 1,854 | \$ 1,910 | \$ 1,967 | \$ 2,026 | \$ 2,087 | \$ 2,149 | \$ 2,214 | \$ 2,280 |
| 62601 Printing & Binding | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62701 Professional Services | 2 | \$ 28,194 | \$ 28,194 | \$ 29,040 | \$ 29,911 | \$ 30,808 | \$ 31,733 | \$ 32,685 | \$ 33,665 | \$ 34,675 | \$ 35,715 |
| 62702 PARS Admin Fee | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 62706 Employee Physical Exams | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| R62701 Professional Services | 2 | \$ 1,310 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 62801 Professional Development | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 63101 Dues & Subscriptn | 2 | \$ 3,400 | \$ 3,400 | \$ 3,502 | \$ 3,607 | \$ 3,715 | \$ 3,827 | \$ 3,942 | \$ 4,060 | \$ 4,182 | \$ 4,307 |
| 63201 Rental - Bldgs/Equip/Land | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 63310 O&M Radio Service | 2 | \$ 900 | \$ 900 | \$ 927 | \$ 955 | \$ 983 | \$ 1,013 | \$ 1,043 | \$ 1,075 | \$ 1,107 | \$ 1,140 |
| 63401 Special Equipment O&M | 2 | \$ 35,200 | \$ 35,200 | \$ 36,256 | \$ 37,344 | \$ 38,464 | \$ 39,618 | \$ 40,806 | \$ 42,031 | \$ 43,292 | \$ 44,590 |
| 63424 Spec O&M Fire Service SU | 2 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 63501 Vehicle MTCE - ISF | 2 | \$ 33,512 | \$ 115,725 | \$ 119,197 | \$ 122,773 | \$ 126,456 | \$ 130,250 | \$ 134,157 | \$ 138,182 | \$ 142,327 | \$ 146,597 |
| 63505 Vehicle Maint Fuel | 2 | \$ 29,757 | \$ 34,954 | \$ 36,003 | \$ 37,083 | \$ 38,195 | \$ 39,341 | \$ 40,521 | \$ 41,737 | \$ 42,989 | \$ 44,279 |
| 63510 Vehicle Parts | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 63599 Vehicle Replacement Fee | 2 | \$ 39,115 | \$ 61,619 | \$ 63,468 | \$ 65,372 | \$ 67,333 | \$ 69,353 | \$ 71,433 | \$ 73,576 | \$ 75,784 | \$ 78,057 |
| 63601 Bldg O&M Mtce | 2 | \$ - | \$ 5,700 | \$ 5,871 | \$ 6,047 | \$ 6,229 | \$ 6,415 | \$ 6,608 | \$ 6,806 | \$ 7,010 | \$ 7,221 |
| 63604 Spec O&M Laundry | 2 | \$ 3,400 | \$ 3,400 | \$ 3,502 | \$ 3,607 | \$ 3,715 | \$ 3,827 | \$ 3,942 | \$ 4,060 | \$ 4,182 | \$ 4,307 |
| 63642 Spec O&M Hydrants | 2 | \$ 20,500 | \$ 20,500 | \$ 21,115 | \$ 21,748 | \$ 22,401 | \$ 23,073 | \$ 23,765 | \$ 24,478 | \$ 25,212 | \$ 25,969 |
| 63670 Bldg O&M Lines Repair | 2 | \$ 60,000 | \$ 60,000 | \$ 61,800 | \$ 63,654 | \$ 65,564 | \$ 67,531 | \$ 69,556 | \$ 71,643 | \$ 73,792 | \$ 76,006 |
| 63671 Bldg O&M Lines New | 2 | \$ 27,000 | \$ 27,000 | \$ 27,810 | \$ 28,644 | \$ 29,504 | \$ 30,389 | \$ 31,300 | \$ 32,239 | \$ 33,207 | \$ 34,203 |
| 63672 Bldg O&M Meters | 2 | \$ 36,500 | \$ 73,000 | \$ 75,190 | \$ 77,446 | \$ 79,769 | \$ 82,162 | \$ 84,627 | \$ 87,166 | \$ 89,781 | \$ 92,474 |
| 63673 Bldg O&M Plumbing | 2 | \$ 24,500 | \$ 24,500 | \$ 25,235 | \$ 25,992 | \$ 26,772 | \$ 27,575 | \$ 28,402 | \$ 29,254 | \$ 30,132 | \$ 31,036 |
| 63801 Tools, Supplies, Equip <5k | 2 | \$ 8,000 | \$ 8,000 | \$ 8,240 | \$ 8,487 | \$ 8,742 | \$ 9,004 | \$ 9,274 | \$ 9,552 | \$ 9,839 | \$ 10,134 |
| 63901 Training Program / Aids | 2 | \$ 6,500 | \$ 6,500 | \$ 6,695 | \$ 6,896 | \$ 7,103 | \$ 7,316 | \$ 7,535 | \$ 7,761 | \$ 7,994 | \$ 8,234 |
| 63909 Safety Equipment | 2 | \$ 17,000 | \$ 17,000 | \$ 17,510 | \$ 18,035 | \$ 18,576 | \$ 19,134 | \$ 19,708 | \$ 20,299 | \$ 20,908 | \$ 21,535 |
| 64101 Raw Water Purchases | 2 | \$ 714 | \$ 642 | \$ 661 | \$ 681 | \$ 702 | \$ 723 | \$ 744 | \$ 767 | \$ 790 | \$ 813 |
| 64151 City Fac SWR Charges | 2 | \$ 241 | \$ 259 | \$ 267 | \$ 275 | \$ 283 | \$ 292 | \$ 300 | \$ 309 | \$ 319 | \$ 328 |
| 64310 Liability Insurance | 2 | \$ 38,303 | \$ 24,345 | \$ 25,075 | \$ 25,828 | \$ 26,602 | \$ 27,401 | \$ 28,223 | \$ 29,069 | \$ 29,941 | \$ 30,840 |
| 64910 Depreciation (5) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 65801 Computer Maint/Rep - ISF | 2 | \$ 14,461 | \$ 19,146 | \$ 19,720 | \$ 20,312 | \$ 20,921 | \$ 21,549 | \$ 22,195 | \$ 22,861 | \$ 23,547 | \$ 24,254 |
| 66001 Other Materials & Supplies | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| Total: Water Fund Operations - Water Distribution | | \$ 1,260,779 | \$ 1,436,412 | \$ 1,497,968 | \$ 1,562,124 | \$ 1,629,598 | \$ 1,693,151 | \$ 1,759,446 | \$ 1,829,281 | \$ 1,902,915 | \$ 1,980,634 |

| Water Fund Operations - 7100, continued | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 507 Water Fund | | | | | | | | | | | |
| Division 7120 Water Treatment Plant | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | |
| 61210 Salaries - Regular | 3 | \$ 928,765 | \$ 1,013,709 | \$ 1,044,120 | \$ 1,075,444 | \$ 1,107,707 | \$ 1,140,938 | \$ 1,175,167 | \$ 1,210,422 | \$ 1,246,734 | \$ 1,284,136 |
| 61211 Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61215 Salaries - Standby | 3 | \$ 6,000 | \$ 6,000 | \$ 6,180 | \$ 6,365 | \$ 6,556 | \$ 6,753 | \$ 6,956 | \$ 7,164 | \$ 7,379 | \$ 7,601 |
| 61216 Salary - Shift Differential | 3 | \$ 7,200 | \$ 7,200 | \$ 7,416 | \$ 7,638 | \$ 7,868 | \$ 8,104 | \$ 8,347 | \$ 8,597 | \$ 8,855 | \$ 9,121 |
| 61217 Salaries - ADM Payoff | 3 | \$ 2,974 | \$ 2,910 | \$ 2,997 | \$ 3,087 | \$ 3,180 | \$ 3,275 | \$ 3,373 | \$ 3,475 | \$ 3,579 | \$ 3,686 |
| 61310 Wages - Extra Help | 3 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 61430 Overtime - Regular | 3 | \$ 44,500 | \$ 44,500 | \$ 45,835 | \$ 47,210 | \$ 48,626 | \$ 50,085 | \$ 51,588 | \$ 53,135 | \$ 54,729 | \$ 56,371 |
| 61431 Overtime - Holiday | 3 | \$ 15,500 | \$ 15,500 | \$ 15,965 | \$ 16,444 | \$ 16,937 | \$ 17,445 | \$ 17,969 | \$ 18,508 | \$ 19,063 | \$ 19,635 |
| 61501 Medicare | 4 | \$ 14,862 | \$ 16,389 | \$ 18,028 | \$ 19,831 | \$ 21,814 | \$ 23,995 | \$ 26,395 | \$ 29,034 | \$ 31,938 | \$ 35,131 |
| 61502 Health Plan | 4 | \$ 183,532 | \$ 175,861 | \$ 193,447 | \$ 212,792 | \$ 234,071 | \$ 257,478 | \$ 283,226 | \$ 311,548 | \$ 342,703 | \$ 376,974 |
| 61503 PERS | 5 | \$ 306,451 | \$ 325,271 | \$ 352,539 | \$ 379,949 | \$ 408,685 | \$ 422,221 | \$ 434,888 | \$ 447,935 | \$ 461,373 | \$ 475,214 |
| 61504 Workers Compensation | 3 | \$ 61,745 | \$ 66,815 | \$ 68,819 | \$ 70,884 | \$ 73,011 | \$ 75,201 | \$ 77,457 | \$ 79,781 | \$ 82,174 | \$ 84,639 |
| 61505 Life Insurance | 4 | \$ 423 | \$ 433 | \$ 476 | \$ 524 | \$ 576 | \$ 634 | \$ 697 | \$ 767 | \$ 844 | \$ 928 |
| 61507 Dental / Vision | 4 | \$ 23,678 | \$ 24,473 | \$ 26,920 | \$ 29,612 | \$ 32,574 | \$ 35,831 | \$ 39,414 | \$ 43,355 | \$ 47,691 | \$ 52,460 |
| 61508 Premium Incentive - Health | 4 | \$ - | \$ 20,436 | \$ 22,480 | \$ 24,728 | \$ 27,200 | \$ 29,920 | \$ 32,912 | \$ 36,204 | \$ 39,824 | \$ 43,806 |
| Supplies and Services | | | | | | | | | | | |
| 62110 Heat/Power - Electric (7) | 7 | \$ 700,000 | \$ 561,000 | \$ 583,440 | \$ 606,778 | \$ 631,049 | \$ 656,291 | \$ 682,542 | \$ 709,844 | \$ 738,238 | \$ 767,767 |
| 62112 Heat/Power - Gas (7) | 7 | \$ 2,500 | \$ 1,700 | \$ 1,768 | \$ 1,839 | \$ 1,912 | \$ 1,989 | \$ 2,068 | \$ 2,151 | \$ 2,237 | \$ 2,327 |
| 62170 Heat/Power - Lift Pumps (7) | 7 | \$ 300,000 | \$ 221,000 | \$ 229,840 | \$ 239,034 | \$ 248,595 | \$ 258,539 | \$ 268,880 | \$ 279,636 | \$ 290,821 | \$ 302,454 |
| 62199 Energy Eff. Contra Expense | 7 | \$ - | \$ (117,389) | \$ (122,085) | \$ (126,968) | \$ (132,047) | \$ (137,329) | \$ (142,822) | \$ (148,535) | \$ (154,476) | \$ (160,655) |
| 62201 TEL - Service | 2 | \$ 3,500 | \$ 3,500 | \$ 3,605 | \$ 3,713 | \$ 3,825 | \$ 3,939 | \$ 4,057 | \$ 4,179 | \$ 4,305 | \$ 4,434 |
| 62202 TEL - Installation | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62210 TEL - Cellular Phone | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62250 TEL - Internet | 2 | \$ 480 | \$ 501 | \$ 516 | \$ 532 | \$ 547 | \$ 564 | \$ 581 | \$ 598 | \$ 616 | \$ 635 |
| 62301 Postage & Freight | 2 | \$ 2,500 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 62401 Advertising | 2 | \$ 6,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62501 Office Supplies | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62505 Supplies - Photo | 2 | \$ - | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62507 Computer Forms & Supplies | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62508 Photocopy Machine | 2 | \$ 250 | \$ 1,600 | \$ 1,648 | \$ 1,697 | \$ 1,748 | \$ 1,801 | \$ 1,855 | \$ 1,910 | \$ 1,968 | \$ 2,027 |
| 62599 Photocopy Charges - ISF | 2 | \$ 100 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62601 Printing & Binding | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62701 Professional Services | 2 | \$ 80,000 | \$ 150,000 | \$ 154,500 | \$ 159,135 | \$ 163,909 | \$ 168,826 | \$ 173,891 | \$ 179,108 | \$ 184,481 | \$ 190,016 |
| 62706 Employee Physical Exams | 2 | \$ 100 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62713 Annual Audit | 2 | \$ 3,605 | \$ 3,605 | \$ 3,713 | \$ 3,825 | \$ 3,939 | \$ 4,057 | \$ 4,179 | \$ 4,305 | \$ 4,434 | \$ 4,567 |
| 62717 Water Contractors | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62724 Levee Assessments | 2 | \$ 12,250 | \$ 12,250 | \$ 12,618 | \$ 12,996 | \$ 13,386 | \$ 13,787 | \$ 14,201 | \$ 14,627 | \$ 15,066 | \$ 15,518 |
| 62733 Willdan Fees | 2 | \$ 2,300 | \$ 2,300 | \$ 2,369 | \$ 2,440 | \$ 2,513 | \$ 2,589 | \$ 2,666 | \$ 2,746 | \$ 2,829 | \$ 2,914 |
| 62742 DR/CR Card Processing Fees | 2 | \$ 14,000 | \$ 14,000 | \$ 14,420 | \$ 14,853 | \$ 15,298 | \$ 15,757 | \$ 16,230 | \$ 16,717 | \$ 17,218 | \$ 17,735 |
| 62761 Water Conservation | 2 | \$ 50,000 | \$ 250,000 | \$ 257,500 | \$ 265,225 | \$ 273,182 | \$ 281,377 | \$ 289,819 | \$ 298,513 | \$ 307,468 | \$ 316,693 |
| R62701 Professional Services | 2 | \$ 33,932 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 62801 Professional Development | 2 | \$ 5,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 63101 Dues & Subscripnts | 2 | \$ 50,000 | \$ 50,000 | \$ 51,500 | \$ 53,045 | \$ 54,636 | \$ 56,275 | \$ 57,964 | \$ 59,703 | \$ 61,494 | \$ 63,339 |
| 63202 Rental - Heavy Equipment | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 63320 O&M Computer System | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sub-Total: Water Fund Operations - Water Treatment Plant | | \$ 2,903,647 | \$ 2,934,764 | \$ 3,063,611 | \$ 3,197,577 | \$ 3,338,173 | \$ 3,469,226 | \$ 3,605,448 | \$ 3,748,503 | \$ 3,898,852 | \$ 4,056,996 |

| Water Fund Operations - 7100, continued | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------------------|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 507 Water Fund | | | | | | | | | | | | |
| Division 7120 Water Treatment Plant, continued | | | | | | | | | | | | |
| Special Equipment O&M | | | | | | | | | | | | |
| 63401 | Special Equipment O&M | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 63405 | SPEC O&M - Reagents & Medi | 2 | \$ 3,000 | \$ 3,000 | \$ 3,090 | \$ 3,183 | \$ 3,278 | \$ 3,377 | \$ 3,478 | \$ 3,582 | \$ 3,690 | \$ 3,800 |
| 63420 | SPEC O&M - Compressor | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 63430 | SPEC O&M - Electric Control | 2 | \$ 5,000 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 | \$ 8,441 | \$ 8,695 | \$ 8,955 | \$ 9,224 | \$ 9,501 |
| 63431 | SPEC O&M - Elec Spare Part | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 63432 | SPEC O&M - Elec Motors | 2 | \$ - | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63433 | SPEC O&M - Instrumentation | 2 | \$ 55,000 | \$ 55,000 | \$ 56,650 | \$ 58,350 | \$ 60,100 | \$ 61,903 | \$ 63,760 | \$ 65,673 | \$ 67,643 | \$ 69,672 |
| 63450 | SPEC O&M - Lubrication | 2 | \$ 2,500 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63451 | SPEC O&M - Major MTCE | 2 | \$ 150,000 | \$ 200,000 | \$ 206,000 | \$ 212,180 | \$ 218,545 | \$ 225,102 | \$ 231,855 | \$ 238,810 | \$ 245,975 | \$ 253,354 |
| 63456 | SPEC O&M - Machine | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 63457 | SPEC O&M - Mech Supplies | 2 | \$ 13,000 | \$ 13,000 | \$ 13,390 | \$ 13,792 | \$ 14,205 | \$ 14,632 | \$ 15,071 | \$ 15,523 | \$ 15,988 | \$ 16,468 |
| 63460 | SPEC O&M - Mech Chem Feed | 2 | \$ 14,000 | \$ 14,000 | \$ 14,420 | \$ 14,853 | \$ 15,298 | \$ 15,757 | \$ 16,230 | \$ 16,717 | \$ 17,218 | \$ 17,735 |
| 63463 | SPEC O&M - Mech Spare Part | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 63470 | SPEC O&M - Lab Supplies | 2 | \$ 2,000 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| R63451 | SPEC O&M - Major MTCE | 2 | \$ 65,846 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 63501 | Vehicle MTCE - ISF | 2 | \$ 11,835 | \$ 15,414 | \$ 15,876 | \$ 16,353 | \$ 16,843 | \$ 17,349 | \$ 17,869 | \$ 18,405 | \$ 18,957 | \$ 19,526 |
| 63505 | Vehicle Maint Fuel | 2 | \$ 579 | \$ 8,810 | \$ 9,074 | \$ 9,347 | \$ 9,627 | \$ 9,916 | \$ 10,213 | \$ 10,520 | \$ 10,835 | \$ 11,160 |
| 63599 | Vehicle Replacement Fee | 2 | \$ 10,580 | \$ 14,387 | \$ 14,819 | \$ 15,263 | \$ 15,721 | \$ 16,193 | \$ 16,678 | \$ 17,179 | \$ 17,694 | \$ 18,225 |
| 63601 | BLDG O&M - MTCE | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 63603 | BLDG O&M - Janitorial | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 63604 | SPEC O&M - Laundry | 2 | \$ 3,200 | \$ 4,200 | \$ 4,326 | \$ 4,456 | \$ 4,589 | \$ 4,727 | \$ 4,869 | \$ 5,015 | \$ 5,165 | \$ 5,320 |
| 63684 | SPEC O&M - Landscape | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| Chemicals | | | | | | | | | | | | |
| 63701 | Chemicals (7) | 6 | \$ 5,000 | \$ 3,400 | \$ 3,570 | \$ 3,749 | \$ 3,936 | \$ 4,133 | \$ 4,339 | \$ 4,556 | \$ 4,784 | \$ 5,023 |
| 63702 | Chlorine (7) | 6 | \$ 45,000 | \$ 30,600 | \$ 32,130 | \$ 33,737 | \$ 35,423 | \$ 37,194 | \$ 39,054 | \$ 41,007 | \$ 43,057 | \$ 45,210 |
| 63703 | Alum (7) | 6 | \$ 160,000 | \$ 98,600 | \$ 103,530 | \$ 108,707 | \$ 114,142 | \$ 119,849 | \$ 125,841 | \$ 132,133 | \$ 138,740 | \$ 145,677 |
| 63704 | Carbon (7) | 6 | \$ 25,000 | \$ 30,600 | \$ 32,130 | \$ 33,737 | \$ 35,423 | \$ 37,194 | \$ 39,054 | \$ 41,007 | \$ 43,057 | \$ 45,210 |
| 63705 | Anthracite (7) | 6 | \$ 5,000 | \$ 3,400 | \$ 3,570 | \$ 3,749 | \$ 3,936 | \$ 4,133 | \$ 4,339 | \$ 4,556 | \$ 4,784 | \$ 5,023 |
| 63706 | Polymer (7) | 6 | \$ 20,000 | \$ 13,600 | \$ 14,280 | \$ 14,994 | \$ 15,744 | \$ 16,531 | \$ 17,357 | \$ 18,225 | \$ 19,137 | \$ 20,093 |
| 63707 | Lime (7) | 6 | \$ 150,000 | \$ 88,400 | \$ 92,820 | \$ 97,461 | \$ 102,334 | \$ 107,451 | \$ 112,823 | \$ 118,464 | \$ 124,388 | \$ 130,607 |
| 63708 | Fluoride (7) | 6 | \$ 65,000 | \$ 37,400 | \$ 39,270 | \$ 41,234 | \$ 43,295 | \$ 45,460 | \$ 47,733 | \$ 50,120 | \$ 52,626 | \$ 55,257 |
| 63714 | Citric Acid (7) | 6 | \$ 20,000 | \$ 13,600 | \$ 14,280 | \$ 14,994 | \$ 15,744 | \$ 16,531 | \$ 17,357 | \$ 18,225 | \$ 19,137 | \$ 20,093 |
| 63720 | Weed Control (7) | 6 | \$ 15,000 | \$ 10,200 | \$ 10,710 | \$ 11,246 | \$ 11,808 | \$ 12,398 | \$ 13,018 | \$ 13,669 | \$ 14,352 | \$ 15,070 |
| R63720 | Lime (7) | 6 | \$ 8,711 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Supplies and Services | | | | | | | | | | | | |
| 63801 | Tools, Supplies & Equip <5k | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 63901 | Training Program / Aids | 2 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 63904 | Manuals / Codes | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63909 | Safety Equipment | 2 | \$ 10,000 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 | \$ 8,441 | \$ 8,695 | \$ 8,955 | \$ 9,224 | \$ 9,501 |
| 64101 | Raw Water Purchases | 8 | \$ 805,000 | \$ 1,100,000 | \$ 1,165,076 | \$ 1,234,001 | \$ 1,307,004 | \$ 1,384,326 | \$ 1,466,222 | \$ 1,552,963 | \$ 1,644,835 | \$ 1,742,143 |
| 64151 | City Fac SWR Charges | 2 | \$ 442 | \$ 513 | \$ 528 | \$ 544 | \$ 561 | \$ 577 | \$ 595 | \$ 613 | \$ 631 | \$ 650 |
| 64310 | Liability Insurance | 2 | \$ 47,038 | \$ 50,894 | \$ 52,421 | \$ 53,993 | \$ 55,613 | \$ 57,282 | \$ 59,000 | \$ 60,770 | \$ 62,593 | \$ 64,471 |
| 64910 | Depreciation (6) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 65201 | Interest (8) | 10 | \$ - | \$ 78,165 | \$ 61,860 | \$ 69,231 | \$ 77,051 | \$ 85,343 | \$ 106,176 | \$ 116,318 | \$ 127,052 | \$ 138,406 |
| 65202 | Principal (8) | 10 | \$ - | \$ 100,355 | \$ 60,812 | \$ 58,945 | \$ 56,860 | \$ 54,544 | \$ 51,853 | \$ 48,675 | \$ 45,198 | \$ 41,404 |
| 65801 | Computer Maint/Rep - ISF | 2 | \$ 14,715 | \$ 14,897 | \$ 15,344 | \$ 15,804 | \$ 16,278 | \$ 16,767 | \$ 17,270 | \$ 17,788 | \$ 18,321 | \$ 18,871 |
| 66001 | Other Material & Supplies | 2 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 69201 | Equipment | 2 | \$ 59,250 | \$ 35,000 | \$ 36,050 | \$ 37,132 | \$ 38,245 | \$ 39,393 | \$ 40,575 | \$ 41,792 | \$ 43,046 | \$ 44,337 |
| Sub-Total: Water Fund Operations - Water Treatment Plant | | | \$ 1,908,196 | \$ 2,176,435 | \$ 2,219,196 | \$ 2,328,494 | \$ 2,443,494 | \$ 2,564,505 | \$ 2,703,769 | \$ 2,838,278 | \$ 2,979,856 | \$ 3,128,889 |
| Total: Water Fund Operations - Water Treatment Plant | | | \$ 4,811,843 | \$ 5,111,199 | \$ 5,282,807 | \$ 5,526,072 | \$ 5,781,668 | \$ 6,033,731 | \$ 6,309,217 | \$ 6,586,781 | \$ 6,878,709 | \$ 7,185,885 |

| Water Fund Operations - 7300 | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Fund 533 Water HWS-Region 1 Fund | | | | | | | | | | | |
| Division 7341 | | | | | | | | | | | |
| 62701 Professional Services | 10 | \$ 1,125 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 |
| 65201 Interest | See Ex. 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 534 Water HWS-Region 2/3 Fund | | | | | | | | | | | |
| Division 7342 | | | | | | | | | | | |
| 62701 Professional Services | 10 | \$ 1,125 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 | \$ 1,313 |
| 65201 Interest | See Ex. 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total: Water Fund Operations - Region 1 & Region 2/3 Funds | | \$ 2,250 | \$ 2,625 | \$ 2,625 | \$ 2,625 | \$ 2,625 |
| Total: Water Fund Operations - Operating Transfers | | \$ 1,716,500 | \$ 1,754,300 | \$ 1,822,472 | \$ 1,893,311 | \$ 1,966,922 | \$ 2,043,413 | \$ 2,122,898 | \$ 2,205,496 | \$ 2,291,328 | \$ 2,380,521 |
| Total: Water Fund Operations - Water Treatment Plant | | \$ 4,811,843 | \$ 5,111,199 | \$ 5,282,807 | \$ 5,526,072 | \$ 5,781,668 | \$ 6,033,731 | \$ 6,309,217 | \$ 6,586,781 | \$ 6,878,709 | \$ 7,185,885 |
| Total: Water Fund Operations - Water Distribution | | \$ 1,260,779 | \$ 1,436,412 | \$ 1,497,968 | \$ 1,562,124 | \$ 1,629,598 | \$ 1,693,151 | \$ 1,759,446 | \$ 1,829,281 | \$ 1,902,915 | \$ 1,980,634 |
| Grand Total: Water Fund Operations | | \$ 7,791,372 | \$ 8,304,536 | \$ 8,605,872 | \$ 8,984,132 | \$ 9,380,812 | \$ 9,772,920 | \$ 10,194,186 | \$ 10,624,183 | \$ 11,075,576 | \$ 11,549,665 |

Non-Cash Items, Show for Reference Purposes:

| Annual Depreciation Expense (6) | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Water Distribution Depreciation | 2 | \$ 2,877,754 | \$ 2,761,259 | \$ 2,844,096 | \$ 2,929,419 | \$ 3,017,302 | \$ 3,107,821 | \$ 3,201,056 | \$ 3,297,087 | \$ 3,396,000 | \$ 3,497,880 |
| Water Treatment Plan Depreciation | 2 | \$ 1,951,400 | \$ 1,930,409 | \$ 1,988,321 | \$ 2,047,971 | \$ 2,109,410 | \$ 2,172,692 | \$ 2,237,873 | \$ 2,305,009 | \$ 2,374,159 | \$ 2,445,384 |
| Total: Annual Depreciation Expense | | \$ 4,829,153 | \$ 4,691,667 | \$ 4,832,418 | \$ 4,977,390 | \$ 5,126,712 | \$ 5,280,513 | \$ 5,438,928 | \$ 5,602,096 | \$ 5,770,159 | \$ 5,943,264 |

| Operating Transfers (6) | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Z69980 Operating Transfers In (Fund 507-7110) | 10 | \$ (475,636) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69990 Operating Transfers Out (Fund 507-7110) | 10 | \$ 711,098 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69970 Debt Service Transfer Out (Fund 507-7120) | 10 | \$ 792,633 | \$ 792,676 | \$ 792,306 | \$ 792,565 | \$ 792,280 | \$ 792,690 | \$ 792,509 | \$ 791,718 | \$ 791,548 | \$ 791,948 |
| Z69970 Debt Service Transfer Out (Fund 509) | 10 | \$ 1,498,992 | \$ 1,499,119 | \$ 1,498,009 | \$ 1,498,786 | \$ 1,497,932 | \$ 1,499,162 | \$ 1,498,619 | \$ 1,496,245 | \$ 1,495,735 | \$ 1,496,935 |
| Z69990 Operating Transfers Out (Fund 509) | 10 | \$ 207,500 | \$ 20,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69980 Operating Transfers In (Fund 533) | 10 | \$ - | \$ (222,944) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69980 Operating Transfers In (Fund 534) | 10 | \$ - | \$ (677,364) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total: Water Fund Operations - Operating Transfers | | \$ 2,734,587 | \$ 1,411,487 | \$ 2,290,315 | \$ 2,291,350 | \$ 2,290,213 | \$ 2,291,853 | \$ 2,291,128 | \$ 2,287,963 | \$ 2,287,283 | \$ 2,288,883 |

FORECASTING ASSUMPTIONS:

| ECONOMIC VARIABLES | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 Customer Growth (9) | -- | 0.27% | 0.27% | 0.27% | 0.27% | 0.27% | 0.27% | 0.27% | 0.27% | 0.27% |
| 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 (10) | -- | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| 4 Health Benefits Cost Inflation (11) | -- | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| 5 Retirement Benefits Cost Inflation (12) | -- | 14.64% | 8.38% | 7.77% | 7.56% | 3.31% | 3.00% | 3.00% | 3.00% | 3.00% |
| 6 Chemicals | -- | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 7 Energy (13) | -- | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| 8 Raw Water (14) | -- | 5.92% | 5.92% | 5.92% | 5.92% | 5.92% | 5.92% | 5.92% | 5.92% | 5.92% |
| 9 Internal Transfers | -- | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| 10 No Escalation | -- | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

- Revenues for FY 2014/15 -2015/16 are from the City's Actual FY 2014/15 and Proposed FY 2015/16 Pro Forma Analysis (files: *Water Debt Coverage Ratio Actual 14-15.xls*).
- Water Sales were reduced in FY 2015/16 to account for State mandated conservation. Variable revenues (estimated at 46% of total revenues) were reduced by 32%.
- Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.
- Connection fee revenue for FY 2014/15-2015/16 are per the City's budget and includes \$1,630,900 in Proposition 84 Water Line Grant funding in FY 2015/16. NBS has conservatively estimated future connection fee revenue based on 50 new 1-inch connections per year, per City staff's direction on 03/19/2015.
- Inflationary factors are applied to these expenses to project costs in 2015/16 and beyond.
- The City's budgeted depreciation expense is excluded from this forecast for purposes of the analysis. Contributions to reserves is handled in the Financial Plan and Reserve Fund summaries in this model, and Capital Improvement Program funding is handled in Exhibit 2 (CIP). Operating Transfers were also excluded from this analysis as they do not represent actual cash expenditures. All Operating Transfer amounts are set to zero for future years as they vary annually, with the exception of Debt Service Operating Transfers, which are equal to Debt Service payments that are to be satisfied with Water Rates or Connection Fees (see Exhibit 3 for detail).
- FY 2015/16 Budgeted expenses have been reduced by 32%, which is equal to the CA State mandated conservation requirement. These expenses are directly related to the amount of water processed or sold.
- Principal and Interest is for the Opterra Bank of America debt service and the portion thereof that Fund 507 is responsible for. The Opterra debt is charged to divisions instead of using a debt service fund.
Data provided by City staff, June 2015, file: *Opterra - Bank of America Debt Service.xlsx*.
- Per the City's direction, growth is based on 50 new 1-inch water connections per year (meeting with City staff on 03/19/2015).
- Labor Cost inflation factor increases noticeably for FY 2016/17 as the City eliminates all furloughs. Inflation is expected to be 3% thereafter (meeting with City staff on 03/19/2015).
- Health Benefit Cost inflation factor was determined by City staff, (meeting with City staff on 03/19/2015).
- Retirement Benefit Cost inflation factor was determined by City staff; inflation factor calculated based on retirement benefits costing an average of 30% of the wastewater utilities payroll annually (meeting with City staff on 03/19/2015).
- Energy Cost inflation factor was determined by City staff (meeting with City staff on 03/19/2015).
- Raw Water inflation factor was determined by City Staff for SWP water and with the All Urban Consumers San Francisco CPI for NYWD water.

CAPITAL FUNDING SUMMARY

| CAPITAL FUNDING FORECAST | Budget | | Projected | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 | |
| Funding Sources: | | | | | | | | | | | | |
| Grants | \$ 3,965,000 | \$ 7,100,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of Connection Fee Reserves | \$ 1,917,773 | \$ 687,525 | \$ 220,137 | \$ 226,741 | \$ 244,798 | \$ 252,142 | \$ 411,481 | \$ 411,589 | \$ 411,698 | \$ 411,806 | \$ 411,914 | \$ - |
| SRF Loan Funding | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of New Revenue Bond Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of Capital Rehabilitation and Replacement Reserve | \$ 1,705,474 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Rate Revenue | \$ - | \$ 370,075 | \$ 1,855,249 | \$ 1,910,906 | \$ 3,392,002 | \$ 3,493,762 | \$ 3,170,676 | \$ 3,278,032 | \$ 3,388,613 | \$ 3,502,514 | \$ 3,619,835 | \$ - |
| Total Sources of Capital Funds | \$ 7,588,247 | \$ 8,157,600 | \$ 2,075,386 | \$ 2,137,647 | \$ 3,636,800 | \$ 3,745,904 | \$ 3,582,157 | \$ 3,689,622 | \$ 3,800,310 | \$ 3,914,320 | \$ 4,031,749 | \$ - |
| Uses of Capital Funds: | | | | | | | | | | | | |
| Total Project Costs (Inflated to Future Year Dollars) | \$ 7,588,247 | \$ 8,157,600 | \$ 2,075,386 | \$ 2,137,647 | \$ 3,636,800 | \$ 3,745,904 | \$ 3,582,157 | \$ 3,689,622 | \$ 3,800,310 | \$ 3,914,320 | \$ 4,031,749 | \$ - |
| Capital Funding Surplus (Deficiency) | \$ - | \$ - |
| SRF Loan Funding | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| New Revenue Bond Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Set Capital Spending here: - \$ 1,956,250 \$ 1,956,250 \$ 3,231,250 \$ 3,231,250 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000

| Option #2 Total Project Expenditures: | FY 2015/16 - FY 2019/20 |
|---|----------------------------|
| Electrical & Instrumentation Improvements | \$ 1,000,000 |
| Aquifer Storage Recovery / Second Well | \$ 4,600,000 |
| Fluoride System Replacement | \$ 200,000 |
| Security Improvements | \$ 75,000 |
| Carbon Feed System Replacement | \$ 500,000 |
| Total: | \$ 6,375,000 |

| Annual % Of Project Expenditures: | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|-----------------------------------|------|------|------|------|------|-------|
| | 0% | 15% | 15% | 35% | 35% | 100% |

FORECASTING ASSUMPTIONS:

| Economic Variables | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annual Construction Cost Inflation, Per Engineering News Record (1) | 0.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Cumulative Construction Cost Multiplier from 2015 | 1.00 | 1.03 | 1.06 | 1.09 | 1.13 | 1.16 | 1.19 | 1.23 | 1.27 | 1.30 | 1.34 |

(1) For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2004-2014. Source: Engineering News Record website (<http://enr.construction.com>).

| EXISTING DEBT OBLIGATIONS | Budget | | Projected | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 | |
| Annual Repayment Schedules: | | | | | | | | | | | | |
| Water Revenue Refunding Bonds - 2013 - \$21,710,000(1) | | | | | | | | | | | | |
| Principal Payment | \$ 805,000 | \$ 810,000 | \$ 815,000 | \$ 825,000 | \$ 835,000 | \$ 850,000 | \$ 865,000 | \$ 880,000 | \$ 900,000 | \$ 925,000 | \$ 950,000 | |
| Interest Payment | \$ 586,318 | \$ 581,488 | \$ 575,008 | \$ 566,043 | \$ 554,905 | \$ 541,545 | \$ 525,820 | \$ 507,655 | \$ 486,975 | \$ 463,575 | \$ 437,675 | |
| Subtotal: Annual Debt Service | \$ 1,391,318 | \$ 1,391,488 | \$ 1,390,008 | \$ 1,391,043 | \$ 1,389,905 | \$ 1,391,545 | \$ 1,390,820 | \$ 1,387,655 | \$ 1,386,975 | \$ 1,388,575 | \$ 1,387,675 | |
| Coverage Requirement (\$-Amnt above annual payment) (2) | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | |
| Reserve Requirement (total fund balance) (3) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Water SRF Loan - Region 1 - \$5,927,874 (4) | | | | | | | | | | | | |
| Principal Payment | \$ 243,464 | \$ 249,593 | \$ 255,876 | \$ 262,317 | \$ 268,921 | \$ 275,691 | \$ 282,631 | \$ 289,745 | \$ 297,039 | \$ 304,517 | \$ 312,183 | |
| Interest Payment | \$ 135,048 | \$ 128,919 | \$ 122,636 | \$ 116,195 | \$ 109,591 | \$ 102,822 | \$ 95,881 | \$ 88,767 | \$ 81,473 | \$ 73,995 | \$ 66,330 | |
| Subtotal: Annual Debt Service | \$ 378,512 | |
| Reserve Requirement (total fund balance) (5) | \$ 113,554 | \$ 151,405 | \$ 189,256 | \$ 227,107 | \$ 264,959 | \$ 302,810 | \$ 340,661 | \$ 378,512 | \$ 378,512 | \$ 378,512 | \$ 378,512 | |
| Water SRF Loan - Region 2/3 - \$18,381,507 (6) | | | | | | | | | | | | |
| Principal Payment | \$ 768,555 | \$ 786,205 | \$ 804,262 | \$ 822,733 | \$ 841,628 | \$ 860,957 | \$ 880,730 | \$ 900,957 | \$ 921,649 | \$ 942,816 | \$ 964,469 | |
| Interest Payment | \$ 381,469 | \$ 363,818 | \$ 345,762 | \$ 327,291 | \$ 308,396 | \$ 289,067 | \$ 269,294 | \$ 249,066 | \$ 228,375 | \$ 207,208 | \$ 185,555 | |
| Subtotal: Annual Debt Service | \$ 1,150,024 | |
| Reserve Requirement (total fund balance) (7) | \$ 345,007 | \$ 460,009 | \$ 575,012 | \$ 690,014 | \$ 805,017 | \$ 920,019 | \$ 1,035,021 | \$ 1,150,024 | \$ 1,150,024 | \$ 1,150,024 | \$ 1,150,024 | |
| Grand Total: Existing Annual Debt Service | \$ 2,919,853 | \$ 2,920,023 | \$ 2,918,543 | \$ 2,919,578 | \$ 2,918,441 | \$ 2,920,081 | \$ 2,919,356 | \$ 2,916,191 | \$ 2,915,511 | \$ 2,917,111 | \$ 2,916,211 | |
| Grand Total: Existing Annual Coverage Requirement | \$ 1,669,854 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | |
| Grand Total: Existing Debt Reserve Target | \$ 458,561 | \$ 611,414 | \$ 764,268 | \$ 917,121 | \$ 1,069,975 | \$ 1,222,829 | \$ 1,375,682 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 | |

Existing Annual Debt Obligations to be Satisfied by Water Customer SRF Surcharge (8) :

| | | | | | | | | | | | |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Existing Annual Debt Service | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 |
| Existing Annual Coverage Requirement | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Existing Debt Reserve Target | \$ 188,468 | \$ 251,291 | \$ 314,114 | \$ 376,937 | \$ 439,760 | \$ 502,583 | \$ 565,405 | \$ 628,228 | \$ 628,228 | \$ 628,228 | \$ 628,228 |

Existing Annual Debt Obligations to be Satisfied by Water Rates (9) :

| | | | | | | | | | | | |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Existing Annual Debt Service | \$ 792,633 | \$ 792,676 | \$ 792,306 | \$ 792,565 | \$ 792,280 | \$ 792,690 | \$ 792,509 | \$ 791,718 | \$ 791,548 | \$ 791,948 | \$ 791,723 |
| Existing Annual Coverage Requirement | \$ 417,464 | \$ 417,464 | \$ 417,464 | \$ 417,464 | \$ 417,464 | \$ 417,464 | \$ 417,276 | \$ 417,276 | \$ 417,276 | \$ 417,276 | \$ 417,276 |
| Existing Debt Reserve Target | \$ 133,441 | \$ 177,922 | \$ 222,402 | \$ 266,882 | \$ 311,363 | \$ 355,843 | \$ 400,324 | \$ 444,804 | \$ 444,804 | \$ 444,804 | \$ 444,804 |

Existing Annual Debt Obligations to be Satisfied by Connection Fees (10) :

| | | | | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Existing Annual Debt Service | \$ 1,498,992 | \$ 1,499,119 | \$ 1,498,009 | \$ 1,498,786 | \$ 1,497,932 | \$ 1,499,162 | \$ 1,498,619 | \$ 1,496,245 | \$ 1,495,735 | \$ 1,496,935 | \$ 1,496,260 |
| Existing Annual Coverage Requirement | \$ 1,252,391 | \$ 1,252,391 | \$ 1,252,391 | \$ 1,252,391 | \$ 1,252,391 | \$ 1,252,391 | \$ 1,251,828 | \$ 1,251,828 | \$ 1,251,828 | \$ 1,251,828 | \$ 1,251,828 |
| Existing Debt Reserve Target | \$ 136,651 | \$ 182,201 | \$ 227,752 | \$ 273,302 | \$ 318,853 | \$ 364,403 | \$ 409,953 | \$ 455,504 | \$ 455,504 | \$ 455,504 | \$ 455,504 |

(1) Per City staff notes on the Debt Service schedule, it is indicated that the Water Revenue Refunding Bonds are allocated to Fund 507 (Operating) at 25% and Fund 509 (Connection) at 75%.

(2) The City is must have net revenues that are at least equal to 120% of the maximum annual debt service payment (Official Statement, Parity Obligation, section (b), page 10, file A_007.pdf).

(3) There is no reserve fund requirement for this debt issue (Official Statement, page 10, file: A_007.pdf); confirmed with City staff via email 03/23/2015.

(4) Per City staff notes on the Debt Service schedule, it is indicated that the Water SRF Loan Region 1 is allocated to Fund 533 (Debt Service) at 41.1%, Fund 507 (Operating) at 29.1%, and Fund 509 (Connection) at 29.8%.

(5) The Reserve Requirement is equal to two semiannual payments which shall be accumulated during the first ten years of the Loan Repayment Term and thereafter maintained at that level (file:SRF Funding Agreement--Region 1.pdf, Article B-4, pg. 25).

(6) Per City staff notes on the Debt Service schedule, it is indicated that the Water SRF Loan Region 2/3 is allocated to Fund 534 (Debt Service) at 41.1%, Fund 507 (Operating) at 29.1%, and Fund 509 (Connection) at 29.8%.

(7) The Reserve Requirement is equal to two semiannual payments which shall be accumulated during the first ten years of the Loan Repayment Term and thereafter maintained at that level (file:Region 2-3 SRF Funding Agreement.pdf, Article B-4, pg. 25).

(8) Existing Debt Obligations are allocated as follows: Water SRF Loan- Region 1 and Region 2/3 at 41.1%.

(9) Existing Debt Obligations are allocated as follows: Water Revenue Refunding Bonds - 2013 at 25% and Water SRF Loan- Region 1 and Region 2/3 at 29.1%.

(10) Existing Debt Obligations are allocated as follows: Water Revenue Refunding Bonds - 2013 at 75% and Water SRF Loan- Region 1 and Region 2/3 at 29.8%.

NEW DEBT FINANCING ASSUMPTIONS:

| Long-Term Debt Terms | State Revolving Fund Loan | Revenue Bonds |
|---|---------------------------|---------------|
| Issuance Cost | 0.00% | 2.00% |
| Annual Interest Cost (%) | 3.00% | 5.50% |
| Term | 30 | 30 |
| Debt Reserve Funded? | Yes | Yes |
| Coverage Requirement (% above annual pmt) | 20% | 25% |

NEW DEBT OBLIGATIONS:

| Annual Repayment Schedules | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|------|------|------|------|------|------|------|------|------|------|------|
| SRF Loan Funding | | | | | | | | | | | |
| 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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Annual Debt Service | \$ 2,919,853 | \$ 2,920,023 | \$ 2,918,543 | \$ 2,919,578 | \$ 2,918,441 | \$ 2,920,081 | \$ 2,919,356 | \$ 2,916,191 | \$ 2,915,511 | \$ 2,917,111 | \$ 2,916,211 |
| Annual Coverage Requirement | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,854 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 | \$ 1,669,104 |
| Total Debt Reserve Target | \$ 458,561 | \$ 611,414 | \$ 764,268 | \$ 917,121 | \$ 1,069,975 | \$ 1,222,829 | \$ 1,375,682 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 | \$ 1,528,536 |

**CITY OF YUBA CITY
 WATER RATE STUDY
 Projected Water Rates Under Existing Rate Schedule
 Preliminary Draft - Do Not Cite or Distribute**

EXHIBIT 4

| PROJECTED WATER RATES - EXISTING RATE STRUCTURE (NO CHANGES) (1) | Baseline HCF's (2) | Current Rates | |
|---|-----------------------|---------------------|---------------------|
| | | 09/01/14 - 08/31/15 | 09/01/15 - 08/31/16 |
| <u>Monthly Water Rates (up to baseline hcf)</u> | | | |
| 1" | 15 | \$20.98 | \$21.59 |
| 1 1/2" | 30 | \$41.96 | \$43.18 |
| 2" | 60 | \$83.93 | \$86.37 |
| 3" | 240 | \$335.71 | \$345.47 |
| 4" | 480 | \$671.42 | \$690.95 |
| 6" | 900 | \$1,258.92 | \$1,295.52 |
| 8" | 2,100 | \$2,937.48 | \$3,022.89 |
| <u>Monthly Variable Water Rates (after baseline hcf)</u> | | | |
| Water Flow Rates per Excess HCF | | \$1.39 | \$1.43 |
| <u>Fire Hydrant Use</u> | | | |
| Minimum Monthly Usage - Metered (50 HCF at current rate) | | \$69.50 | \$71.50 |
| Minimum Monthly Usage - Flat | | \$64.00 | \$65.00 |

1. Rates are effective rates as of September 1st, Sections 6-6.18, Water Ordinance.
2. Baseline HCF's per meter size are listed in Water Ordinance 6-6.18.(j)(2), Summary of Charges.

| Meter Size | Factor | New Baseline hcf |
|------------|--------|------------------|
| 1" | 1 | 10 |
| 1 1/2" | 2 | 20 |
| 2" | 4 | 40 |
| 3" | 16 | 160 |
| 4" | 32 | 320 |
| 6" | 60 | 600 |
| 8" | 140 | 1,400 |

CITY OF YUBA CITY
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design
Preliminary Draft - Do Not Cite or Distribute

CURRENT VS. PROPOSED WATER RATES:

| Rate Alternative #1 - Net Revenue Requirements | | | | (60% Fixed / 40% Variable) | | | | |
|--|--------------------------|---------------|--------------------------|----------------------------|------------|------------|------------|------------|
| Water Rate Schedule | Current Rate Structure | | Proposed Water Rates | | | | | |
| | Baseline HCF's per month | Current Rates | Baseline HCF's per month | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| <i>Projected Increase in Rate Rev. (Financial Plan):</i> | | | | 28.00% | 19.00% | 19.00% | 4.00% | 4.00% |
| Fixed Service Charge | | | | | | | | |
| Monthly Service charge | | | | | | | | |
| 5/8 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 3/4 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 1 inch | 15 | \$21.59 | 10 | \$27.64 | \$32.89 | \$39.13 | \$40.70 | \$42.33 |
| 1.5 inch | 30 | \$43.18 | 20 | \$55.27 | \$65.77 | \$78.27 | \$81.40 | \$84.66 |
| 2 inch | 60 | \$86.37 | 40 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 2 inch Turbo | 60 | \$86.37 | 40 | \$110.55 | \$131.56 | \$156.55 | \$162.82 | \$169.33 |
| 3 inch | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 3 inch Compound | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 3 inch Turbo | 240 | \$345.47 | 160 | \$442.20 | \$526.22 | \$626.20 | \$651.25 | \$677.30 |
| 4 inch | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 4 inch Compound | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 4 inch Turbo | 480 | \$690.95 | 320 | \$884.42 | \$1,052.46 | \$1,252.42 | \$1,302.52 | \$1,354.62 |
| 6 inch | 900 | \$1,295.52 | 600 | \$1,658.27 | \$1,973.34 | \$2,348.27 | \$2,442.20 | \$2,539.89 |
| 8 inch | 2,100 | \$3,022.89 | 1,400 | \$3,869.30 | \$4,604.47 | \$5,479.31 | \$5,698.49 | \$5,926.43 |
| Commodity Charges for All Water Consumed | | | | | | | | |
| Rate Per HCF of Water Consumed ¹ | -- | \$1.43 | -- | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Conservation Level Volumetric (Uniform) Rates² | | | | | | | | |
| Base Level (20% Conservation) | -- | -- | -- | \$1.336 | \$1.590 | \$1.892 | \$1.968 | \$2.047 |
| Scenario 1 (30% Conservation) ³ | -- | -- | -- | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Scenario 2 (40% Conservation) | -- | -- | -- | \$1.544 | \$1.837 | \$2.186 | \$2.274 | \$2.365 |
| Scenario 3 (50% Conservation) | -- | -- | -- | \$1.687 | \$2.007 | \$2.389 | \$2.484 | \$2.583 |
| Scenario 4 (60% Conservation) | -- | -- | -- | \$1.870 | \$2.226 | \$2.649 | \$2.755 | \$2.865 |

1. Consumption above baseline hcf/month, as listed above.

2. These conservation levels reflect consumption compared to base-line (2013) consumption levels.

3. Current level, which includes assumed conservation of approximately 30%.

CITY OF YUBA CITY
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design
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PROPOSED VOLUMETRIC CHARGES FOR FY 2015/16:

Adjusted Net Revenue Requirements (60% Fixed / 40% Variable)

| Customer Classes | Number of Meters¹ | Adjusted Water Consumption | Target Rev. Req't from Vol. Charges | Uniform Commodity Rates (\$/hcf) | Proposed Rate Structure |
|----------------------------------|-------------------------------------|-----------------------------------|--|---|--------------------------------|
| Single Family Residential | 15,542 | 1,367,935 | \$ 1,955,645 | \$1.430 | <i>Uniform</i> |
| Multi Family Residential | 1,167 | 446,978 | \$ 639,014 | \$1.430 | <i>Uniform</i> |
| Commercial | 1,218 | 451,079 | \$ 644,878 | \$1.430 | <i>Uniform</i> |
| Metered Water | 12 | 23,968 | \$ 34,265 | \$1.430 | <i>Uniform</i> |
| Industrial | 6 | 739,253 | \$ 1,056,860 | \$1.430 | <i>Uniform</i> |
| Irrigation | 325 | 259,938 | \$ 371,615 | \$1.430 | <i>Uniform</i> |
| Construction | 36 | 2,042 | \$ 2,919 | \$1.430 | <i>Uniform</i> |
| Outside City Limits - SFR | 45 | 6,292 | \$ 8,995 | \$1.430 | <i>Uniform</i> |
| Outside City Limits - Commercial | 30 | 7,802 | \$ 11,154 | \$1.430 | <i>Uniform</i> |
| Total | 18,381 | 3,305,286 | \$ 4,725,344 | | |

1. Number of meters is for June 2014, as provided by the City staff in files YubaCityConsumption.zip on November 6, 2014.

2. Water consumption is roughly 30% less than FY 2013/14 consumption by customer class (above baseline hcf per month allotment) to account for mandated conservation.

CITY OF YUBA CITY
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design
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CONSERVATION RATES

These conservation surcharges assume that city customers will reduce water use by the reduction levels in each Conservation Scenario.

Adjusted Net Revenue Requirements (60% Fixed / 40% Variable)

| Estimated Volumetric Rates Needed to Offset Net Revenue Losses Due to Conservation | Conservation Scenario | | | | |
|--|-----------------------|-------------------------|--------------------|--------------------|--------------------|
| | Base Level | Scenario 1 ^a | Scenario 2 | Scenario 3 | Scenario 4 |
| <i>Conservation Level (vs. 2013 Level)</i> | 20% | 30% | 40% | 50% | 60% |
| <i>Additional Conservation (vs. Current Level)</i> | -10% | 0% | 10% | 20% | 30% |
| Annual Water Sales & Reductions | | | | | |
| Current Water Sales (hcf/yr.) ¹ | 3,305,286 | 3,305,286 | 3,305,286 | 3,305,286 | 3,305,286 |
| Change in Water Sales vs. Current per Stage (hcf) ² | <u>330,529</u> | <u>0</u> | <u>(330,529)</u> | <u>(661,057)</u> | <u>(991,586)</u> |
| Adjusted Water Sales (hcf/yr.) | 3,635,815 | 3,305,286 | 2,974,758 | 2,644,229 | 2,313,700 |
| Revenue Reqts. & Conservation Rate Calculation | | | | | |
| Current Volumetric Rate Revenue Requirements ³ | \$4,725,344 | \$4,725,344 | \$4,725,344 | \$4,725,344 | \$4,725,344 |
| Adjustment to Volumetric Costs ⁴ : | | | | | |
| Purchased Water | \$33,000 | \$0 | (\$33,000) | (\$66,000) | (\$99,000) |
| Chemicals | \$32,980 | \$0 | (\$32,980) | (\$65,960) | (\$98,940) |
| Energy | <u>\$66,631</u> | <u>\$0</u> | <u>(\$66,631)</u> | <u>(\$133,262)</u> | <u>(\$199,893)</u> |
| Total: Adjustment to Volumetric Costs | \$132,611 | \$0 | (\$132,611) | (\$265,222) | (\$397,833) |
| Adjusted Volumetric Rate Revenue Reqts. | \$4,857,955 | \$4,725,344 | \$4,592,733 | \$4,460,122 | \$4,327,511 |
| Adjusted Uniform Volumetric Rate (\$/hcf)⁵ | \$1.336 | \$1.430 | \$1.544 | \$1.687 | \$1.870 |

a. Current level, which includes assumed conservation of approximately 30%.

1. From Water Rate Model. Water sales are based on reduction to FY 2013/14 consumption levels; considered "the new normal."

2. Conservation Scenario % reduction multiplied by Current Water Sales.

3. From proposed new rates (60% fixed/40% variable).

4. FY 2015/16 Budget expense times Conservation Scenario percentage.

Purchased Water is adjusted for NYWD water contract only; Chemicals & Energy represent 68% of FY 2015/16 budgeted expenses.

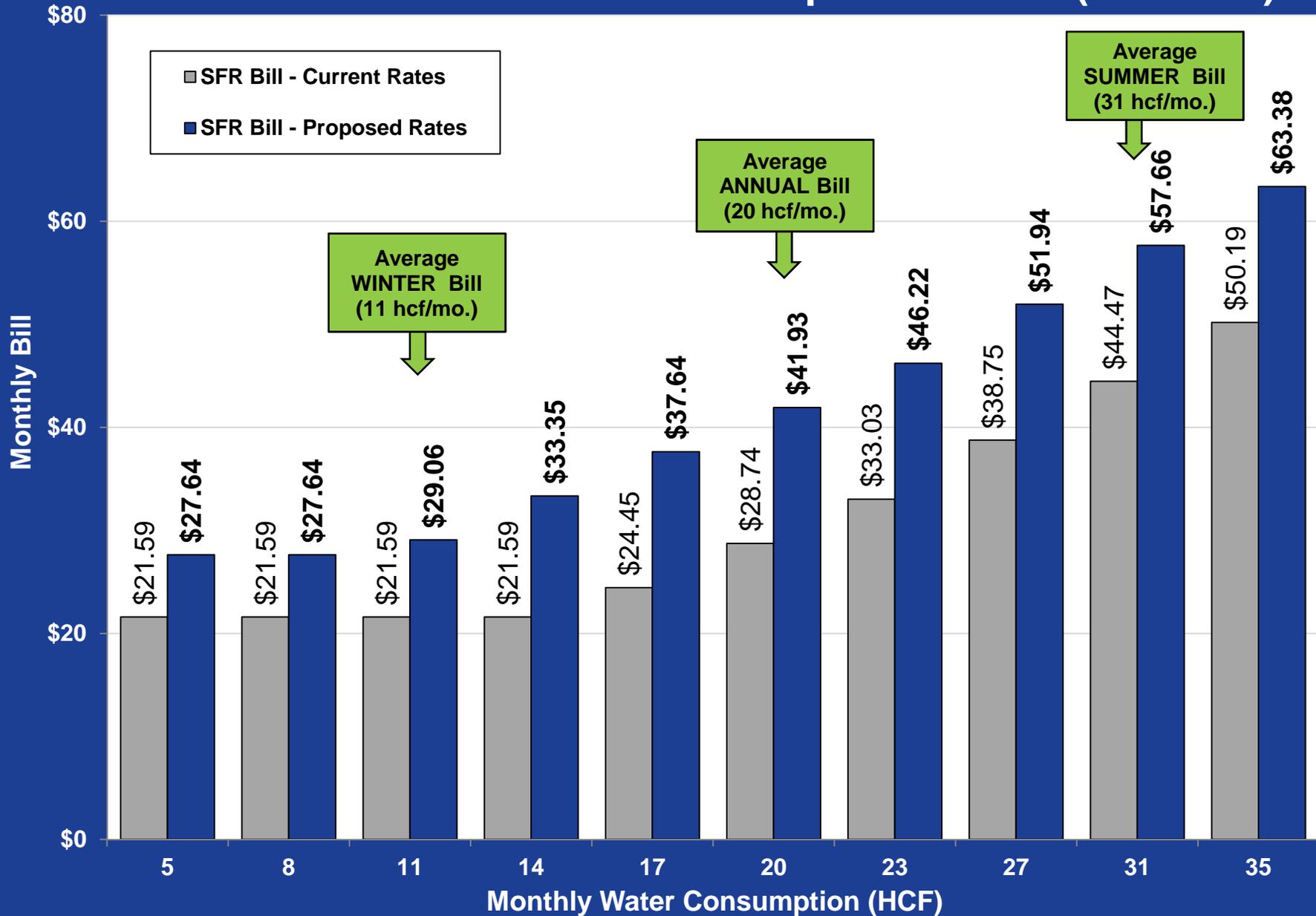
5. Volumetric Rate is calculated by dividing Adjusted Volumetric Rate Revenue Requirements by Adjusted Water Sales.

| Proposed Uniform Volumetric Rates by Conservation Level | | | | | |
|---|------------|------------|------------|------------|------------|
| Conservation Scenario | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| Projected Rate Revenue Increases (per Financial Plan) : | 28% | 19% | 19% | 4% | 4% |
| Base Level (20% Conservation) | \$1.336 | \$1.590 | \$1.892 | \$1.968 | \$2.047 |
| Scenario 1 ^a (30% Conservation) | \$1.430 | \$1.701 | \$2.025 | \$2.105 | \$2.190 |
| Scenario 2 (40% Conservation) | \$1.544 | \$1.837 | \$2.186 | \$2.274 | \$2.365 |
| Scenario 3 (50% Conservation) | \$1.687 | \$2.007 | \$2.389 | \$2.484 | \$2.583 |
| Scenario 4 (60% Conservation) | \$1.870 | \$2.226 | \$2.649 | \$2.755 | \$2.865 |

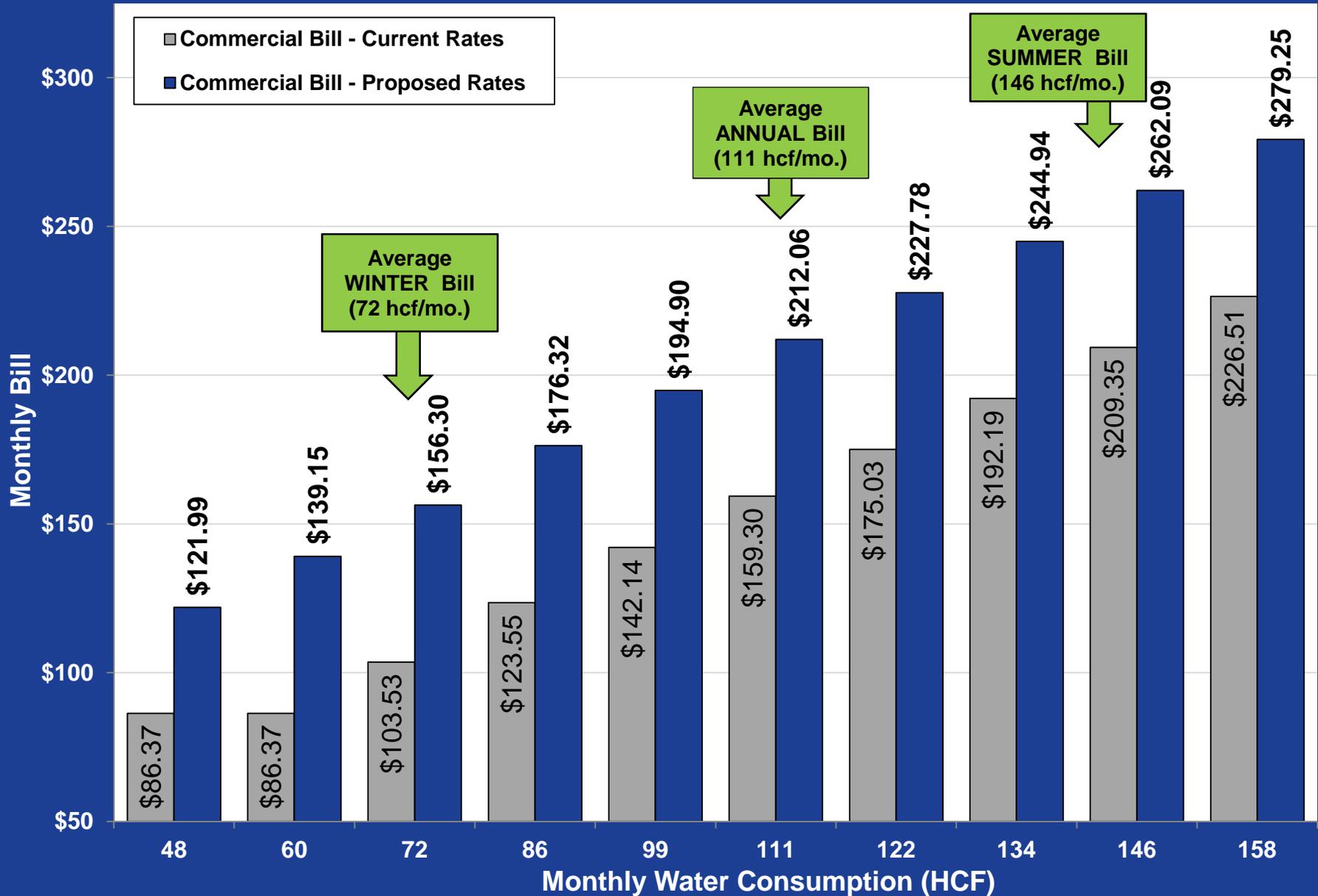
a. Current level, which includes assumed conservation of approximately 30%.

Residential Water Bill Comparison

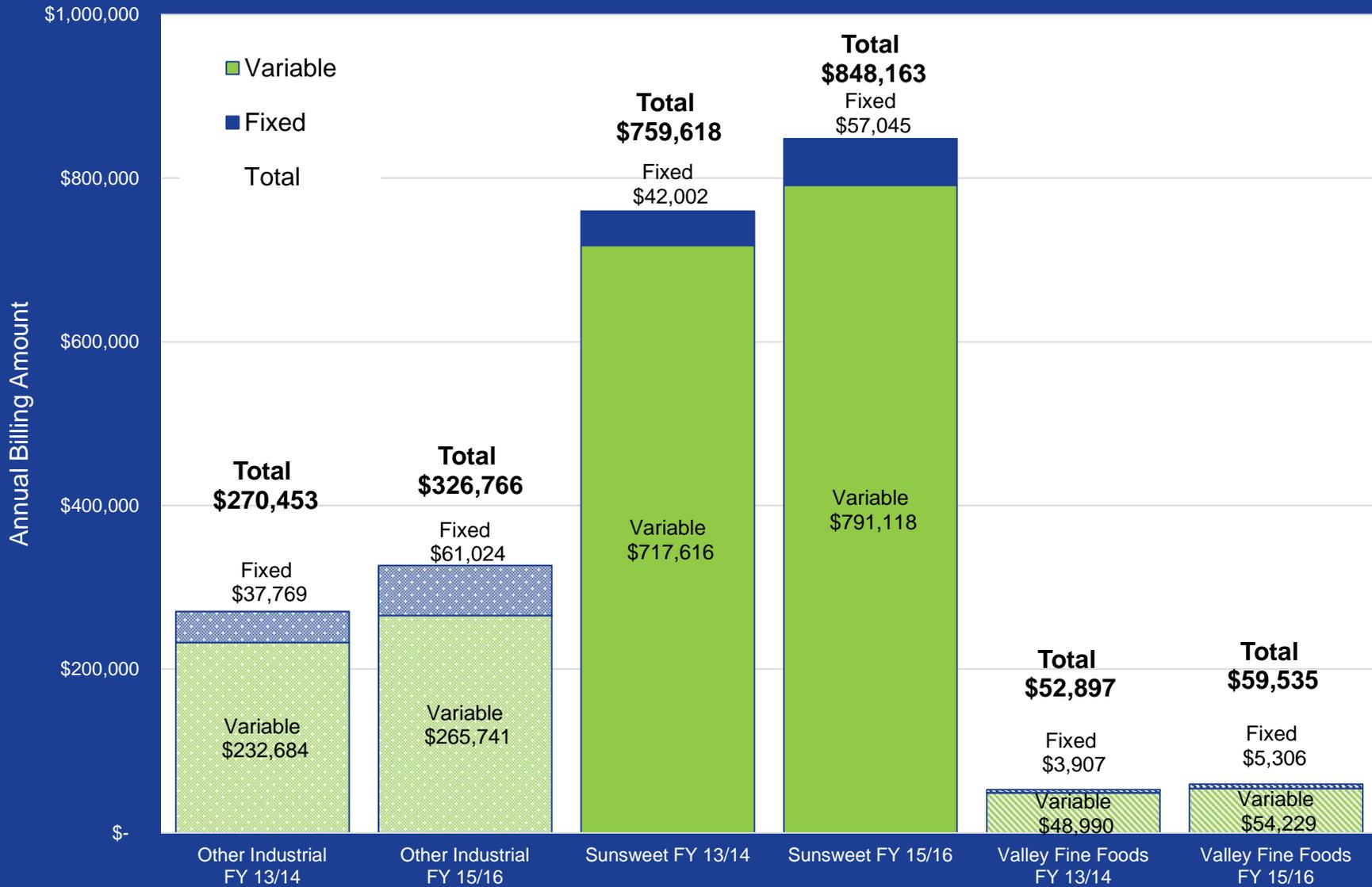
Current Rates vs. 2015/16 Proposed Rates (1" meter)



Commercial Water Bill Comparison Current vs. Proposed 2015/16 Rates (2" meter)



Water Bill Comparison - Industrial Customers (Annual)



**CITY OF YUBA CITY
WATER RATE STUDY
Customer Data
Preliminary Draft - Do Not Cite or Distribute**

| Consumption Summary by Class | FY 2013/14 | | | | | | | | | | | | Total |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | Jul 2013 | Aug 2013 | Sep 2013 | Oct 2013 | Nov 2013 | Dec 2013 | Jan 2014 | Feb 2014 | Mar 2014 | Apr 2014 | May 2014 | Jun 2014 | |
| Single Family Residential | 461,012 | 518,509 | 473,206 | 390,480 | 318,925 | 233,431 | 184,101 | 182,773 | 137,510 | 170,061 | 236,591 | 364,287 | 3,670,885 |
| Multi Family Residential | 82,692 | 91,563 | 86,974 | 76,061 | 67,470 | 56,639 | 52,443 | 52,261 | 44,619 | 50,219 | 56,356 | 69,956 | 787,253 |
| Commercial* | 74,069 | 85,025 | 80,381 | 70,967 | 63,791 | 52,975 | 47,821 | 48,533 | 41,605 | 47,899 | 53,028 | 66,077 | 732,169 |
| Metered Water | 7,166 | 7,109 | 7,098 | 4,724 | 3,499 | 2,200 | 922 | 1,245 | 553 | 783 | 2,124 | 3,504 | 40,927 |
| Industrial | 69,159 | 83,340 | 77,542 | 70,837 | 68,384 | 47,466 | 44,127 | 63,482 | 58,100 | 60,335 | 64,021 | 66,700 | 773,493 |
| Irrigation | 74,312 | 80,327 | 73,720 | 66,237 | 51,697 | 34,564 | 15,153 | 18,914 | 10,355 | 13,156 | 25,269 | 44,344 | 508,049 |
| Construction | 366 | 447 | 350 | 434 | 327 | 112 | 195 | 204 | 223 | 160 | 330 | 815 | 3,963 |
| Outside City Limits - SFR | 1,652 | 1,792 | 1,629 | 1,275 | 1,068 | 756 | 687 | 674 | 507 | 569 | 802 | 1,374 | 12,783 |
| Outside City Limits - Commercial | 1,660 | 1,551 | 1,829 | 1,764 | 1,629 | 1,008 | 457 | 509 | 367 | 576 | 777 | 1,136 | 13,263 |
| Total | 772,088 | 869,663 | 802,729 | 682,779 | 576,789 | 429,151 | 345,905 | 368,595 | 293,838 | 343,758 | 439,297 | 618,192 | 6,542,784 |

* Includes Commercial (special) class.

| Revenue Summary by Class | FY 2011/12* | FY 2012/13* | FY 2013/14 | Total |
|----------------------------------|---------------------|---------------------|---------------------|----------------------|
| Single Family Residential | \$ 4,856,528 | \$ 5,558,574 | \$ 5,673,075 | \$ 16,088,177 |
| Multi Family Residential | \$ 663,967 | \$ 968,921 | \$ 1,130,976 | \$ 2,763,864 |
| Commercial** | \$ 1,522,278 | \$ 1,482,344 | \$ 1,274,466 | \$ 4,279,089 |
| Metered Water | -- | -- | \$ 57,742 | \$ 57,742 |
| Industrial | \$ 982,469 | \$ 1,035,067 | \$ 1,030,071 | \$ 3,047,608 |
| Irrigation | \$ 575,206 | \$ 800,867 | \$ 712,890 | \$ 2,088,963 |
| Construction | -- | -- | \$ 9,080 | \$ 9,080 |
| Outside City Limits - SFR | -- | -- | \$ 19,527 | \$ 19,527 |
| Outside City Limits - Commercial | -- | -- | \$ 20,951 | \$ 20,951 |
| Total | \$ 8,600,448 | \$ 9,845,773 | \$ 9,928,779 | \$ 28,375,000 |

* FY 2011/2012 and FY 2012/2013 Revenue totals are as reported in file: Utility Billing Summaries by Month and FY-Final 2-15.xls .

FY 2013/14 revenue data was further analyzed and categorized for this study.

** Includes Commercial (special) class.

| Number of Meters by Class and Size (1) | FY 2013/14 | | | | | | | | | | | | | | Total |
|--|------------|--------------|---------------|------------|------------|--------------|-----------|-----------------|--------------|-----------|-----------------|--------------|----------|----------|---------------|
| | 5/8 inch | 3/4 inch | 1 inch | 1.5 inch | 2 inch | 2 inch Turbo | 3 inch | 3 inch Compound | 3 inch Turbo | 4 inch | 4 inch Compound | 4 inch Turbo | 6 inch | 8 inch | |
| Single Family Residential | - | 5,434 | 10,094 | 10 | 4 | - | - | - | - | - | - | - | - | - | 15,542 |
| Multi Family Residential | 1 | 313 | 532 | 171 | 124 | - | 8 | 5 | - | 6 | 1 | 1 | 4 | 1 | 1,167 |
| Commercial (2) | - | 150 | 571 | 283 | 159 | 1 | 25 | 3 | 1 | 16 | 5 | - | 2 | 2 | 1,218 |
| Metered Water | - | 1 | - | 7 | 3 | - | - | - | - | 1 | - | - | - | - | 12 |
| Industrial | - | - | - | - | - | - | - | - | - | 3 | - | - | 2 | 1 | 6 |
| Irrigation | - | 9 | 145 | 84 | 75 | 1 | 5 | - | 1 | 2 | 1 | 1 | 1 | - | 325 |
| Construction | - | 1 | 31 | 1 | 2 | - | 1 | - | - | - | - | - | - | - | 36 |
| Outside City Limits - SFR | - | 10 | 35 | - | - | - | - | - | - | - | - | - | - | - | 45 |
| Outside City Limits - Commercial | - | 2 | 25 | 2 | 1 | - | - | - | - | - | - | - | - | - | 30 |
| Total | 1 | 5,920 | 11,433 | 558 | 368 | 2 | 39 | 8 | 2 | 28 | 7 | 2 | 9 | 4 | 18,381 |

(1) Meter count is for June 2014, as provided by the City of Yuba City in files YubaCityConsumption.zip on November 6, 2014. The City bills customers monthly.

(2) Includes Commercial (special) class.

**CITY OF YUBA CITY
 WATER RATE STUDY
 Water Production Data
 Preliminary Draft - Do Not Cite or Distribute**

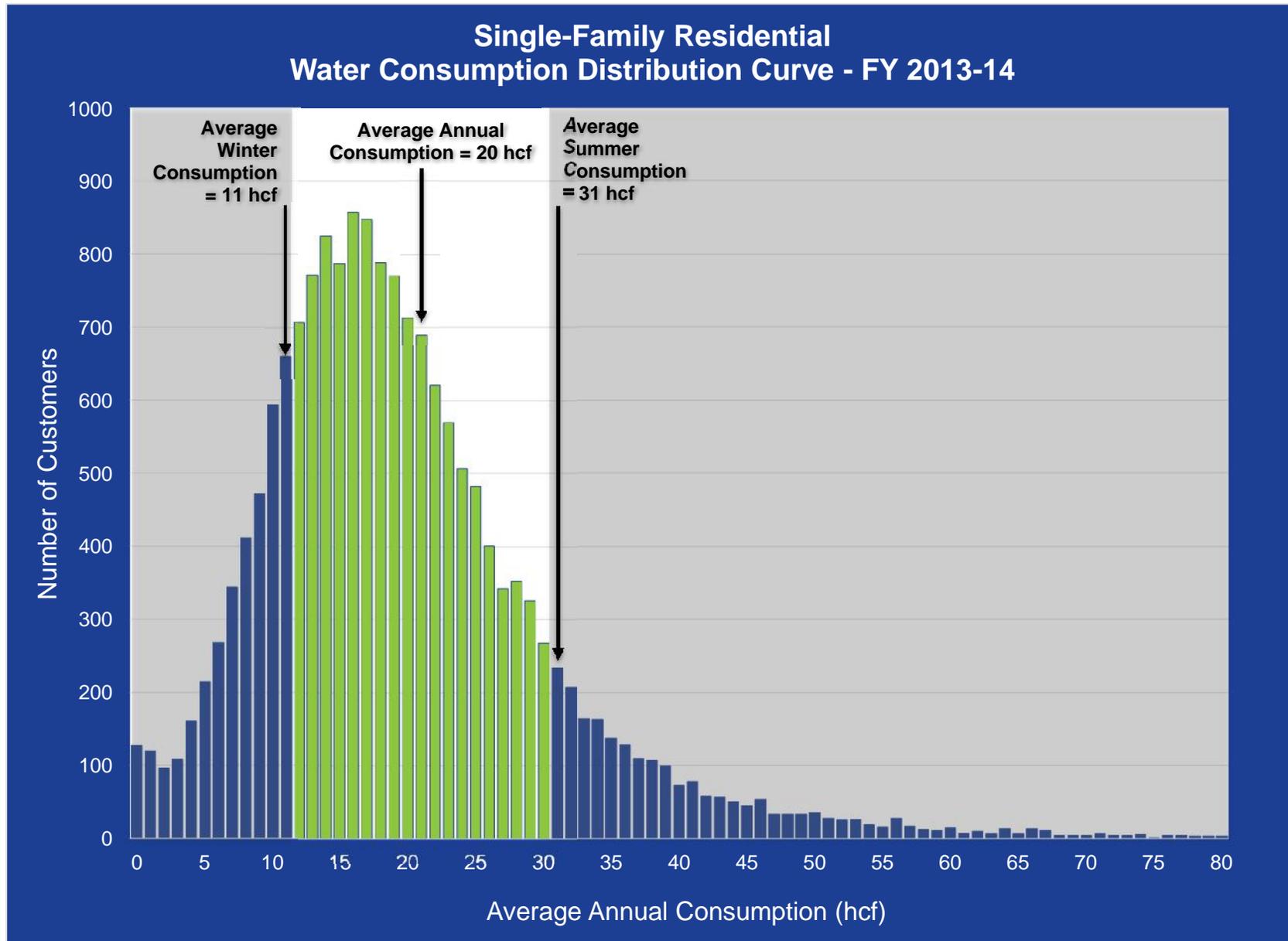
Data Source: Item 11 - Monthly Water System Production.pdf

| Month-Year | Water Production (MG) |
|--------------|-----------------------|
| Jun-12 | 626 |
| Jul-12 | 717 |
| Aug-12 | 701 |
| Sep-12 | 600 |
| Oct-12 | 482 |
| Nov-12 | 296 |
| Dec-12 | 251 |
| Jan-13 | 265 |
| Feb-13 | 263 |
| Mar-13 | 369 |
| Apr-13 | 429 |
| May-13 | 532 |
| Jun-13 | 639 |
| Jul-13 | 705 |
| Aug-13 | 665 |
| Sep-13 | 553 |
| Oct-13 | 472 |
| Nov-13 | 359 |
| Dec-13 | 294 |
| Jan-14 | 305 |
| Feb-14 | 249 |
| Mar-14 | 288 |
| Apr-14 | 349 |
| May-14 | 511 |
| Jun-14 | 580 |
| Jul-14 | 615 |
| Aug-14 | 546 |
| Sep-14 | 456 |
| Oct-14 | 402 |
| Total | 13,517 |

2012 Peak Monthly Production: Jul-12 717 MG
 2013 Peak Monthly Production: Jul-13 705 MG
 2014 Peak Monthly Production: Jul-14 615 MG

2012 Estimated Loss 6.2%
 2013 Estimated Loss 5.9%
 2014 Estimated Loss 6.0%

FY 2013/14 Production (MG) 5,330
 FY 2013/14 Production (hcf) 7,120,760



APPENDIX B – WASTEWATER RATE ANALYSIS

Detailed tables in Appendix B include:

- Ten-year Financial Plan Summary
- Graphical representation of 10-year Financial Plans
- Exhibit 1, Operating Expenses
- Exhibit 2, Capital Improvement Plan Expenditures
- Exhibit 3, Existing Debt Obligations
- Current Rates
- Current and Proposed Rates
- Various Bill Comparison Graphs
- FY 2013-2014 Customer Data
- Wastewater Treatment Plant Loading Data

TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

| RATE REVENUE REQUIREMENTS SUMMARY | Budget | Projected | | | | | | | | | |
|--|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Sources of Wastewater Funds | | | | | | | | | | | |
| Rate Revenue Under Prevailing Rates (1,2) | \$ 11,721,439 | \$ 11,081,850 | \$ 11,119,770 | \$ 11,157,690 | \$ 11,195,611 | \$ 11,233,531 | \$ 11,271,452 | \$ 11,309,372 | \$ 11,347,292 | \$ 11,385,213 | \$ 11,423,133 |
| Other Operating Revenue | 311,630 | 300,603 | 301,563 | 302,523 | 303,483 | 304,442 | 305,402 | 306,362 | 307,322 | 308,281 | 309,241 |
| Interest Earnings (in Operating & Capital Reserves) (3) | 54,792 | 95,700 | 53,696 | 76,971 | 83,052 | 101,257 | 91,650 | 123,095 | 159,604 | 180,024 | 201,086 |
| Total Sources of Funds | \$ 12,087,861 | \$ 11,478,153 | \$ 11,475,029 | \$ 11,537,184 | \$ 11,582,145 | \$ 11,639,231 | \$ 11,668,503 | \$ 11,738,829 | \$ 11,814,218 | \$ 11,873,518 | \$ 11,933,460 |
| Uses of Wastewater Funds | | | | | | | | | | | |
| Operating Expenses (4): | | | | | | | | | | | |
| Division 8110 Sewer Collection | \$ 807,334 | \$ 822,511 | \$ 859,273 | \$ 897,599 | \$ 937,965 | \$ 975,394 | \$ 1,001,875 | \$ 1,042,697 | \$ 1,085,819 | \$ 1,131,420 | \$ 1,179,691 |
| Division 8120 Sewer Treatment Plant | 5,853,790 | 6,118,650 | 6,376,894 | 6,654,775 | 6,946,475 | 7,230,564 | 7,473,998 | 7,784,006 | 8,109,982 | 8,452,980 | 8,814,143 |
| Division 8130 Wastewater Pretreatment | 148,290 | 147,634 | 154,165 | 160,945 | 168,068 | 174,478 | 178,482 | 185,392 | 192,664 | 200,326 | 208,405 |
| Division 8140 Treatment Plant Lab | 953,402 | 1,138,638 | 1,050,485 | 1,094,050 | 1,139,789 | 1,183,084 | 1,216,500 | 1,263,565 | 1,313,100 | 1,365,284 | 1,420,312 |
| Division 8200 Stonegate Facility | 27,417 | 82,816 | 85,292 | 87,842 | 90,469 | 93,175 | 95,962 | 98,832 | 101,788 | 104,833 | 107,970 |
| Operational Transfers | 1,419,900 | 1,730,707 | 1,798,204 | 1,868,349 | 1,941,247 | 2,017,005 | 2,095,737 | 2,177,560 | 2,262,595 | 2,350,970 | 2,442,816 |
| <i>Adjustment for FY 14/15 Actuals</i> | <i>(1,560,655)</i> | <i>(600,000)</i> | <i>(515,000)</i> | <i>(530,450)</i> | <i>(546,364)</i> | <i>(562,754)</i> | <i>(579,637)</i> | <i>(597,026)</i> | <i>(614,937)</i> | <i>(633,385)</i> | <i>(652,387)</i> |
| Subtotal: Operating Expenses | \$ 7,649,478 | \$ 9,440,956 | \$ 9,809,314 | \$ 10,233,111 | \$ 10,677,649 | \$ 11,110,946 | \$ 11,482,916 | \$ 11,955,025 | \$ 12,451,011 | \$ 12,972,427 | \$ 13,520,950 |
| Other Expenditures: | | | | | | | | | | | |
| Existing Debt Service | \$ 1,445,998 | \$ 2,043,193 | \$ 2,040,043 | \$ 2,046,518 | \$ 2,037,285 | \$ 2,037,814 | \$ 2,037,783 | \$ 2,086,459 | \$ 2,080,679 | \$ 2,084,729 | \$ 1,318,985 |
| New Debt Service | - | - | 64,515 | 225,801 | 494,612 | 1,032,234 | 1,032,234 | 1,032,234 | 1,032,234 | 1,032,234 | 1,032,234 |
| Rate-Funded Capital Expenses | 1,035,525 | - | - | 2,995,808 | 1,785,733 | 4,817,777 | 3,582,157 | 3,278,082 | 3,388,514 | 3,914,320 | 4,031,749 |
| Subtotal: Other Expenditures | \$ 2,481,523 | \$ 2,043,193 | \$ 2,104,558 | \$ 5,268,127 | \$ 4,317,630 | \$ 7,887,825 | \$ 6,652,174 | \$ 6,396,775 | \$ 6,501,427 | \$ 7,031,282 | \$ 6,382,968 |
| Total Uses of Wastewater Funds | \$ 10,131,001 | \$ 11,484,149 | \$ 11,913,872 | \$ 15,501,238 | \$ 14,995,279 | \$ 18,998,771 | \$ 18,135,089 | \$ 18,351,800 | \$ 18,952,438 | \$ 20,003,710 | \$ 19,903,918 |
| <i>plus: Revenue from Rate Increases (5)</i> | <i>-</i> | <i>92,349</i> | <i>1,213,908</i> | <i>2,455,622</i> | <i>3,829,925</i> | <i>5,350,540</i> | <i>6,926,716</i> | <i>7,497,801</i> | <i>8,089,048</i> | <i>8,701,119</i> | <i>9,334,696</i> |
| Increase/(Decrease) to Reserves | \$ 1,956,860 | \$ 86,353 | \$ 775,066 | \$ (1,508,432) | \$ 416,791 | \$ (2,009,001) | \$ 460,130 | \$ 884,830 | \$ 950,828 | \$ 570,927 | \$ 1,364,239 |
| Net Revenue Req't. (Total Uses less Non-Rate Revenue) | \$ 9,764,579 | \$ 11,087,846 | \$ 11,558,613 | \$ 15,121,744 | \$ 14,608,745 | \$ 18,593,072 | \$ 17,738,037 | \$ 17,922,343 | \$ 18,485,512 | \$ 19,515,405 | \$ 19,393,591 |
| Total Rate Revenue After Rate Increases | \$ 11,721,439 | \$ 11,174,198 | \$ 12,333,678 | \$ 13,613,312 | \$ 15,025,536 | \$ 16,584,071 | \$ 18,198,167 | \$ 18,807,173 | \$ 19,436,340 | \$ 20,086,332 | \$ 20,757,829 |
| Projected Annual Rate Revenue Increase | 0.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| <i>Debt Coverage After Rate Increase</i> | <i>3.07</i> | <i>1.04</i> | <i>1.37</i> | <i>1.65</i> | <i>1.87</i> | <i>1.91</i> | <i>2.32</i> | <i>2.33</i> | <i>2.39</i> | <i>2.44</i> | <i>3.29</i> |
| <i>Debt Coverage After Rate Increase (includes connection fee revenue)</i> | <i>3.39</i> | <i>1.24</i> | <i>1.56</i> | <i>1.84</i> | <i>2.03</i> | <i>2.05</i> | <i>2.45</i> | <i>2.47</i> | <i>2.53</i> | <i>2.57</i> | <i>3.47</i> |

(1) FY 2014/15 Revenues are from the City's Fiscal Year 2014-15 Budget (files: 14-15 WW Rev Bond Bgts.pdf and 14-15 WW Rev Op&Conn Bgts).
 (2) Per the City's Wastewater System Master Plan 2006 Update, average annual customer growth is estimated to be 3.4% through 2030 (Wastewater System Master Plan Update, March 2006, Table 2-1, Page 2-2). For the purposes of this analysis, NBS has assumed 0.50% growth as a conservative estimate.
 (3) Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.
 (4) The FY 2014/15 operating expenses are from the City's Proposed Budget. Inflationary factors are applied to these expenses to project costs in 2015/16 and beyond.
 (5) Rate increases are anticipated to be effective 01/01/2016; FY 2015/16 represents three (3) months of revenue with increased rates.

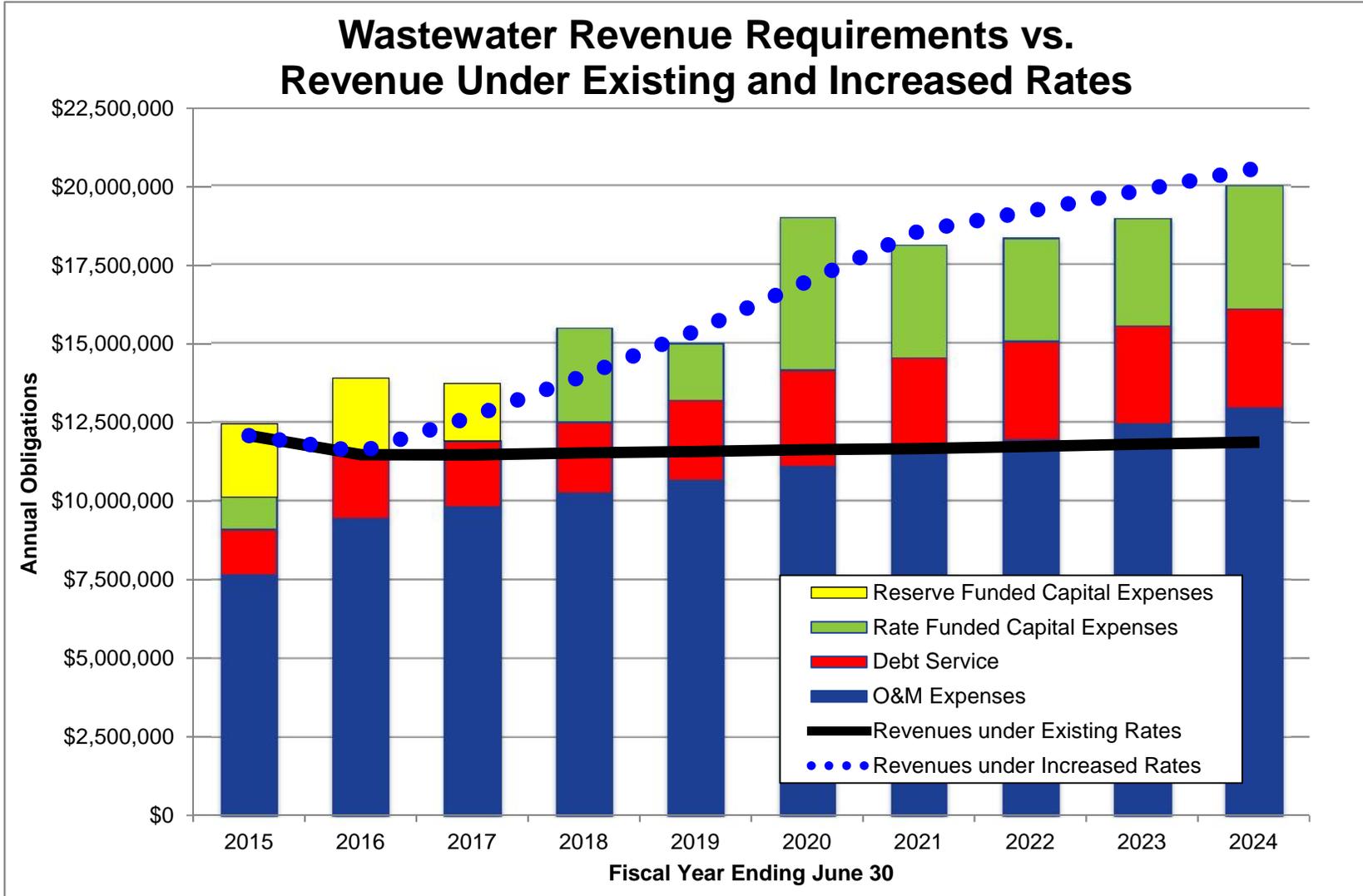
TABLE 2
RESERVE FUND SUMMARY

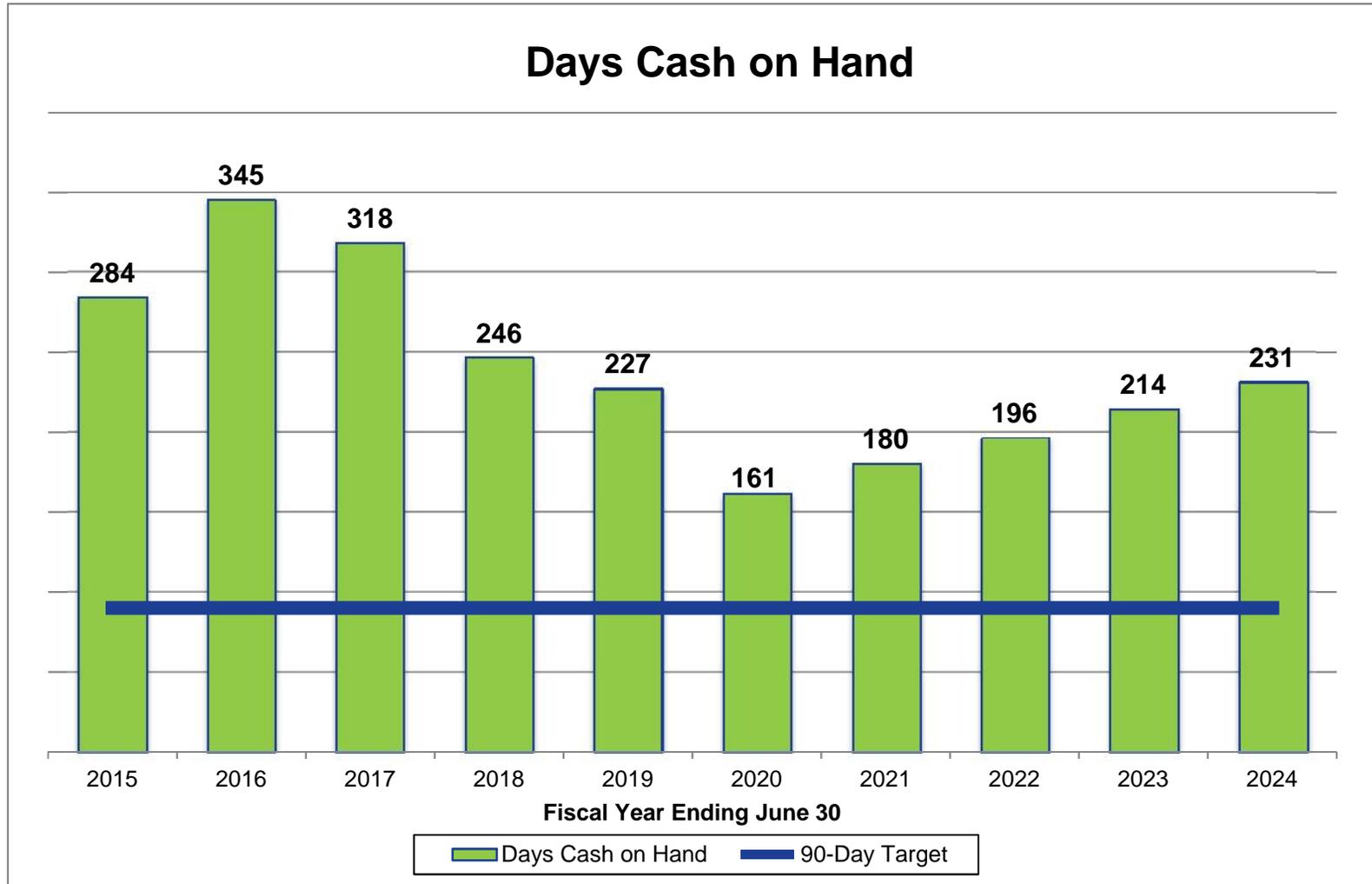
| SUMMARY OF CASH ACTIVITY | Budget | | Projected | | | | | | | | |
|--|--------------|---------------|---------------|--------------|--------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Total Beginning Cash (1) | \$ 9,853,656 | \$ 15,569,564 | | | | | | | | | |
| Operating Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (2) | \$ 1,585,213 | \$ 5,301,192 | \$ 5,607,734 | \$ 6,951,082 | \$ 4,498,552 | \$ 3,803,570 | \$ 1,811,606 | \$ 2,733,969 | \$ 2,989,000 | \$ 3,113,000 | \$ 3,655,053 |
| Plus: Net Cash Flow (After Rate Increases) | 1,956,860 | 86,353 | 775,066 | (1,508,432) | 416,791 | (2,009,001) | 460,130 | 884,830 | 950,828 | 570,927 | 1,364,239 |
| Plus: Transfer of Bond Debt Reserve Surplus | - | - | - | - | - | 2,679 | 25,654 | 29,930 | 34,206 | 34,206 | 793,380 |
| Plus: Transfer of SRF Loan Debt Reserve Surplus | - | - | - | - | 2,501 | 14,358 | 25,295 | 29,544 | 33,725 | 33,725 | 33,725 |
| Plus: Transfer of River Highland Reserve Surplus | 101,259 | - | - | - | - | - | - | - | - | - | - |
| Less: Transfer Out to Capital Replacement Reserve | - | - | - | (494,098) | (489,275) | - | - | (689,273) | (894,759) | (508,858) | (1,168,860) |
| Less: Reserve Funding to Meet SRF Loan Reserve Requirements | - | (250,000) | - | - | - | - | - | - | - | - | - |
| Less: Reserve Funding to Meet Bond Reserve Requirements (3) | - | (350,000) | (250,000) | (450,000) | (625,000) | - | - | - | - | - | - |
| Plus: Transfer in from Connection Fee Reserve for Debt Service (4) | 770,099 | 820,189 | 818,283 | - | - | - | 411,283 | - | - | 412,053 | 352,316 |
| Ending Operating Reserve Balance | \$ 4,413,431 | \$ 5,607,734 | \$ 6,951,082 | \$ 4,498,552 | \$ 3,803,570 | \$ 1,811,606 | \$ 2,733,969 | \$ 2,989,000 | \$ 3,113,000 | \$ 3,655,053 | \$ 5,029,853 |
| <i>Target Ending Balance (90-days of O&M)</i> | \$ 1,912,000 | \$ 2,360,000 | \$ 2,452,000 | \$ 2,558,000 | \$ 2,669,000 | \$ 2,778,000 | \$ 2,871,000 | \$ 2,989,000 | \$ 3,113,000 | \$ 3,243,000 | \$ 3,380,000 |
| Stonagate Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (5) | \$ 105,512 | \$ 131,503 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 |
| Plus: Annual Contributions | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Interest Earnings | 264 | 329 | 550 | 825 | 1,100 | 1,375 | 1,650 | 1,925 | 2,200 | 2,200 | 2,200 |
| Less: Transfer Out to Capital Replacement Reserve | - | (21,832) | (550) | (825) | (1,100) | (1,375) | (1,650) | (1,925) | (2,200) | (2,200) | (2,200) |
| Ending Operating Reserve Balance | \$ 105,776 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 |
| <i>Target Ending Balance</i> | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 | \$ 110,000 |
| River Highland Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (6) | \$ 101,007 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plus: Annual Contributions | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Interest Earnings | 253 | - | - | - | - | - | - | - | - | - | - |
| Less: Transfer Out to Operating Reserve | (101,259) | - | - | - | - | - | - | - | - | - | - |
| Ending Operating Reserve Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <i>Target Ending Balance</i> | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital Rehabilitation & Replacement Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (7) | \$ 4,873,075 | \$ 7,528,658 | \$ 5,131,534 | \$ 3,311,702 | \$ 3,806,625 | \$ 4,297,000 | \$ 4,298,375 | \$ 4,300,025 | \$ 4,991,223 | \$ 5,888,182 | \$ 6,399,240 |
| Plus: Grant Proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Transfer of Operating & Stonagate Reserve Surpluses | - | 21,832 | 550 | 494,923 | 490,375 | 1,375 | 1,650 | 691,198 | 896,959 | 511,058 | 1,171,060 |
| Less: Use of Reserves for Capital Projects | (2,329,475) | (2,418,955) | (1,820,382) | - | - | - | - | - | - | - | - |
| Ending Capital Improvement & Depreciation Reserve Balance | \$ 2,543,600 | \$ 5,131,534 | \$ 3,311,702 | \$ 3,806,625 | \$ 4,297,000 | \$ 4,298,375 | \$ 4,300,025 | \$ 4,991,223 | \$ 5,888,182 | \$ 6,399,240 | \$ 7,570,300 |
| <i>Target Ending Balance (3% of Assets) (8)</i> | \$ 2,543,600 | \$ 2,738,900 | \$ 3,288,400 | \$ 3,805,800 | \$ 4,295,900 | \$ 6,044,400 | \$ 6,007,200 | \$ 7,067,100 | \$ 7,708,500 | \$ 7,634,800 | \$ 7,568,100 |
| Ending Balance - Excludes Restricted Reserves | \$ 7,062,806 | \$ 10,849,268 | \$ 10,372,784 | \$ 8,415,177 | \$ 8,210,570 | \$ 6,219,981 | \$ 7,143,994 | \$ 8,090,223 | \$ 9,111,182 | \$ 10,164,293 | \$ 12,710,153 |
| Minimum Target Ending Balance - Excludes Restricted Reserves: | \$ 4,565,600 | \$ 5,208,900 | \$ 5,850,400 | \$ 6,473,800 | \$ 7,074,900 | \$ 8,932,400 | \$ 8,988,200 | \$ 10,166,100 | \$ 10,931,500 | \$ 10,987,800 | \$ 11,058,100 |
| Ending Surplus/(Deficit) Compared to Reserve Targets | \$ 2,497,206 | \$ 5,640,368 | \$ 4,522,384 | \$ 1,941,377 | \$ 1,135,670 | \$ (2,712,419) | \$ (1,844,206) | \$ (2,075,877) | \$ (1,820,318) | \$ (823,507) | \$ 1,652,053 |
| Days Cash on Hand | 284 | 345 | 318 | 246 | 227 | 161 | 180 | 196 | 214 | 231 | 293 |

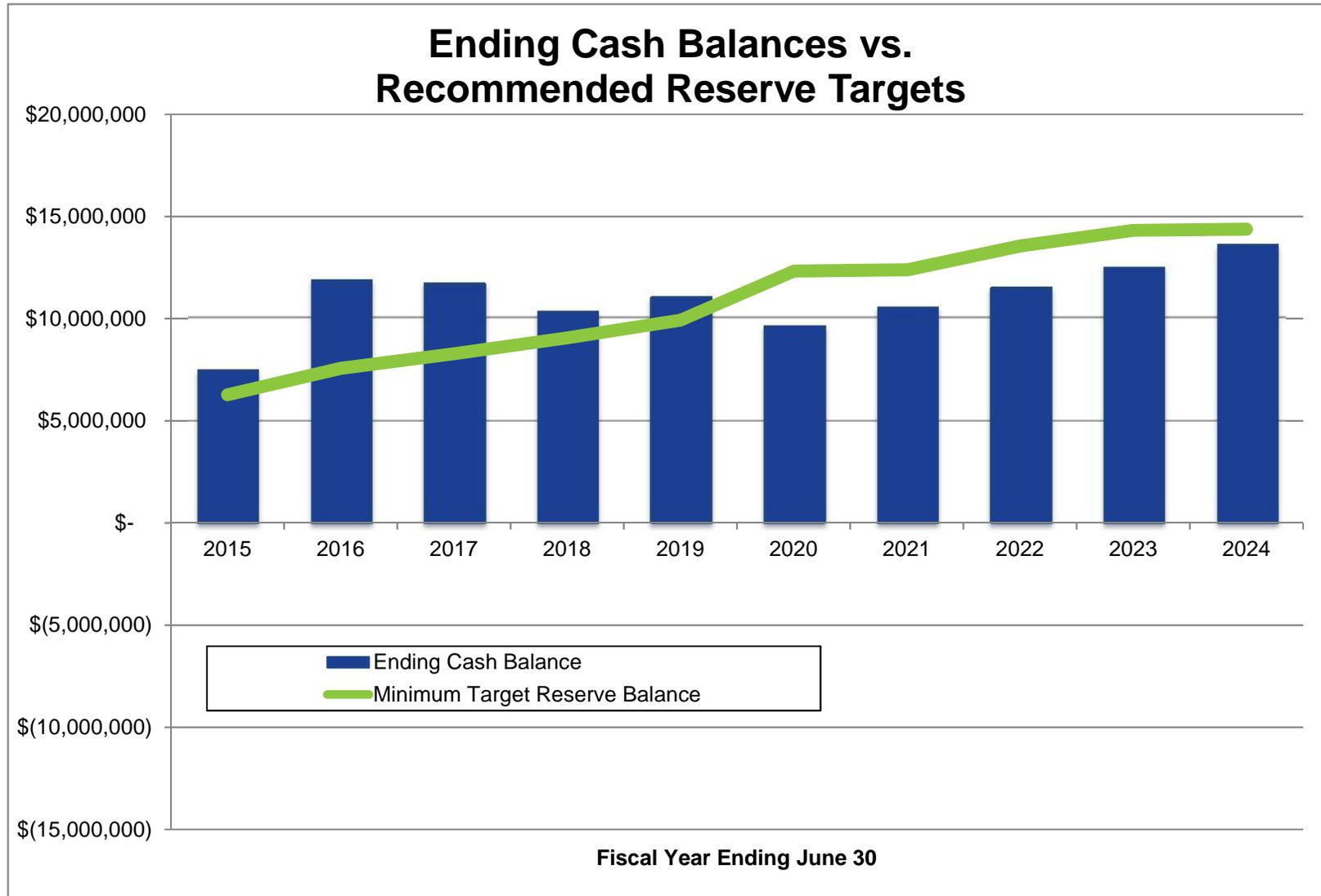
TABLE 3
RESERVE FUND SUMMARY, continued

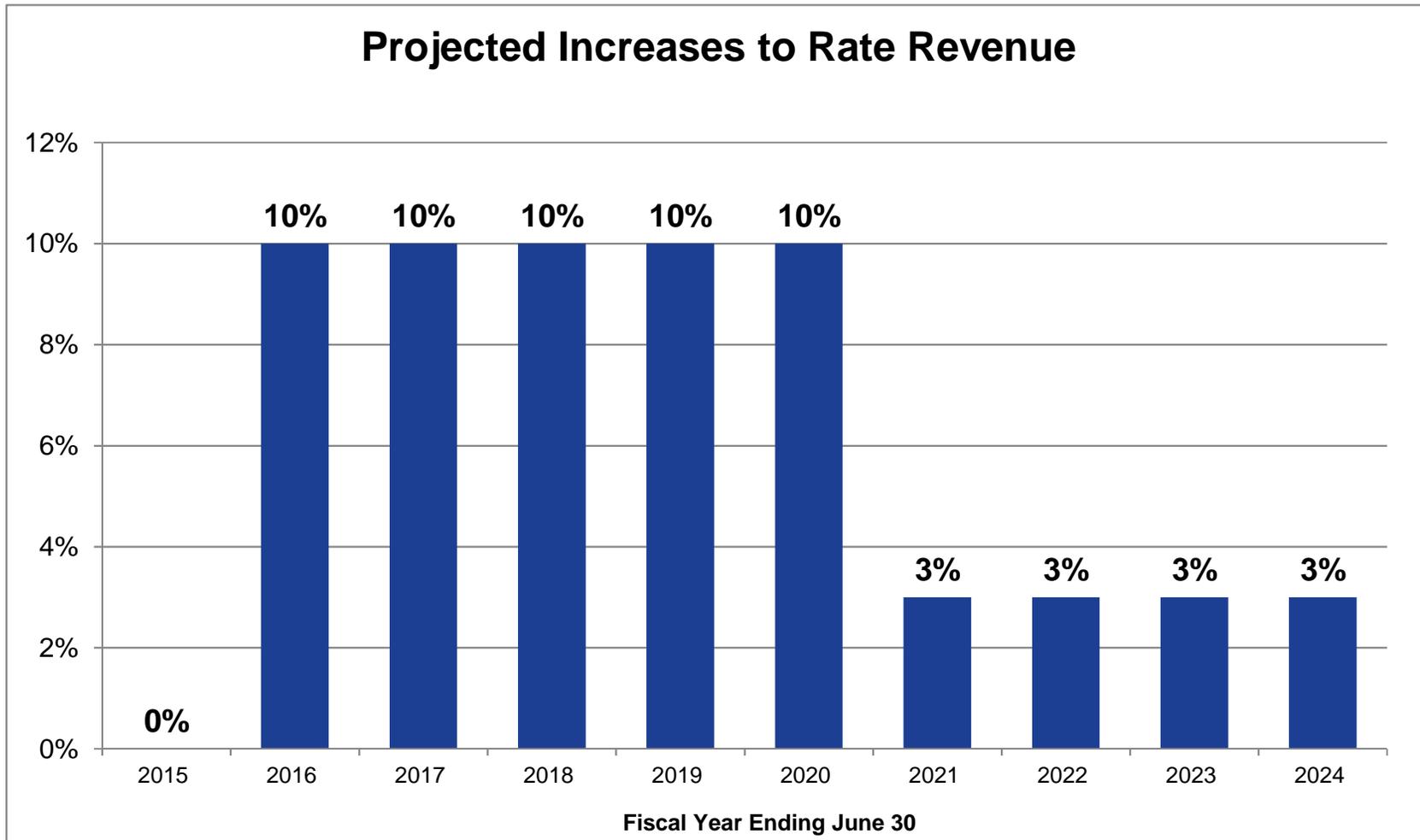
| RESTRICTED RESERVES: | Budget | Projected | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Bond Project Fund | | | | | | | | | | | |
| Beginning Reserve Balance | \$ - | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 |
| Plus: New SRF Loan Proceeds (9) | - | - | 1,200,000 | 3,000,000 | 5,000,000 | 10,000,000 | - | - | - | - | - |
| Plus: New Bond Proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Less: Use of Bond & Loan Funds for Capital Projects | - | - | (1,200,000) | (3,000,000) | (5,000,000) | (10,000,000) | - | - | - | - | - |
| Ending Bond Project Fund Balance | \$ - | \$ 3 |
| <i>Target Ending Balance</i> | <i>\$ -</i> |
| Bond Debt Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (10) | \$ 1,098 | \$ - | \$ 350,000 | \$ 601,750 | \$ 1,056,263 | \$ 1,691,826 | \$ 1,710,295 | \$ 1,710,295 | \$ 1,710,295 | \$ 1,710,295 | \$ 1,710,295 |
| Plus: Reserve Funding from New Debt Obligations | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Reserve Funding to Meet Bond Reserve Requirement (3) | - | 350,000 | 250,000 | 450,000 | 625,000 | - | - | - | - | - | - |
| Plus: Interest Earnings | 3 | - | 1,750 | 4,513 | 10,563 | 21,148 | 25,654 | 29,930 | 34,206 | 34,206 | 34,206 |
| Less: Transfer of Surplus to Operating Reserve | - | - | - | - | - | (2,679) | (25,654) | (29,930) | (34,206) | (34,206) | (793,380) |
| Ending Debt Reserve Balance | \$ 1,101 | \$ 350,000 | \$ 601,750 | \$ 1,056,263 | \$ 1,691,826 | \$ 1,710,295 | \$ 951,121 |
| <i>Target Ending Balance</i> | <i>\$ 1,710,295</i> | <i>\$ 951,121</i> |
| SRF Reserve Fund | | | | | | | | | | | |
| Beginning Reserve Balance (11) | \$ 388,358 | \$ 388,358 | \$ 639,329 | \$ 707,041 | \$ 873,630 | \$ 1,148,676 | \$ 1,686,297 | \$ 1,686,296 | \$ 1,686,263 | \$ 1,686,263 | \$ 1,686,263 |
| Plus: Reserve Funding from New Debt Obligations | - | - | 64,515 | 161,286 | 268,811 | 537,622 | - | - | - | - | - |
| Plus: Reserve Funding to Meet SRF Loan Reserve Requirement (3) | - | 250,000 | - | - | - | - | - | - | - | - | - |
| Plus: Interest Earnings | 971 | 971 | 3,197 | 5,303 | 8,736 | 14,358 | 25,294 | 29,510 | 33,725 | 33,725 | 33,725 |
| Less: Transfer of Surplus to Operating Reserve | - | - | - | - | (2,501) | (14,358) | (25,295) | (29,544) | (33,725) | (33,725) | (33,725) |
| Ending SRF Reserve Balance | \$ 389,329 | \$ 639,329 | \$ 707,041 | \$ 873,630 | \$ 1,148,676 | \$ 1,686,297 | \$ 1,686,296 | \$ 1,686,263 | \$ 1,686,263 | \$ 1,686,263 | \$ 1,686,263 |
| <i>Target Ending Balance</i> | <i>\$ -</i> | <i>\$ 654,064</i> | <i>\$ 718,578</i> | <i>\$ 879,865</i> | <i>\$ 1,148,676</i> | <i>\$ 1,686,297</i> | <i>\$ 1,686,296</i> | <i>\$ 1,686,263</i> | <i>\$ 1,686,263</i> | <i>\$ 1,686,263</i> | <i>\$ 1,686,263</i> |
| Connection Fee Reserve | | | | | | | | | | | |
| Beginning Reserve Balance (12) | \$ 2,799,394 | \$ 2,219,850 | \$ 1,876,661 | \$ 576,253 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plus: Interest Earnings | 40,875 | 67,000 | 9,383 | 4,322 | - | - | - | - | - | - | - |
| Plus: Connection Fee Revenue | 416,111 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 | 335,000 |
| Plus: Other Connection Fee Fund Revenue | 54,646 | 75,000 | 75,257 | 75,513 | 75,770 | 76,027 | 76,283 | 76,540 | 76,796 | 77,053 | 77,310 |
| Less: Use of Reserves for Capital Projects | (150,000) | - | (901,765) | (991,088) | (410,770) | (411,027) | - | (411,540) | (411,796) | - | - |
| Less: Transfer to Operating Reserve for Debt Service (4) | (770,099) | (820,189) | (818,283) | - | - | - | (411,283) | - | - | (412,053) | (352,316) |
| Ending Connection Fee Fund Balance | \$ 2,390,926 | \$ 1,876,661 | \$ 576,253 | \$ - | \$ 59,994 |
| <i>Annual Interest Earnings Rate (13)</i> | <i>0.25%</i> | <i>0.25%</i> | <i>0.50%</i> | <i>0.75%</i> | <i>1.00%</i> | <i>1.25%</i> | <i>1.50%</i> | <i>1.75%</i> | <i>2.00%</i> | <i>2.00%</i> | <i>2.00%</i> |

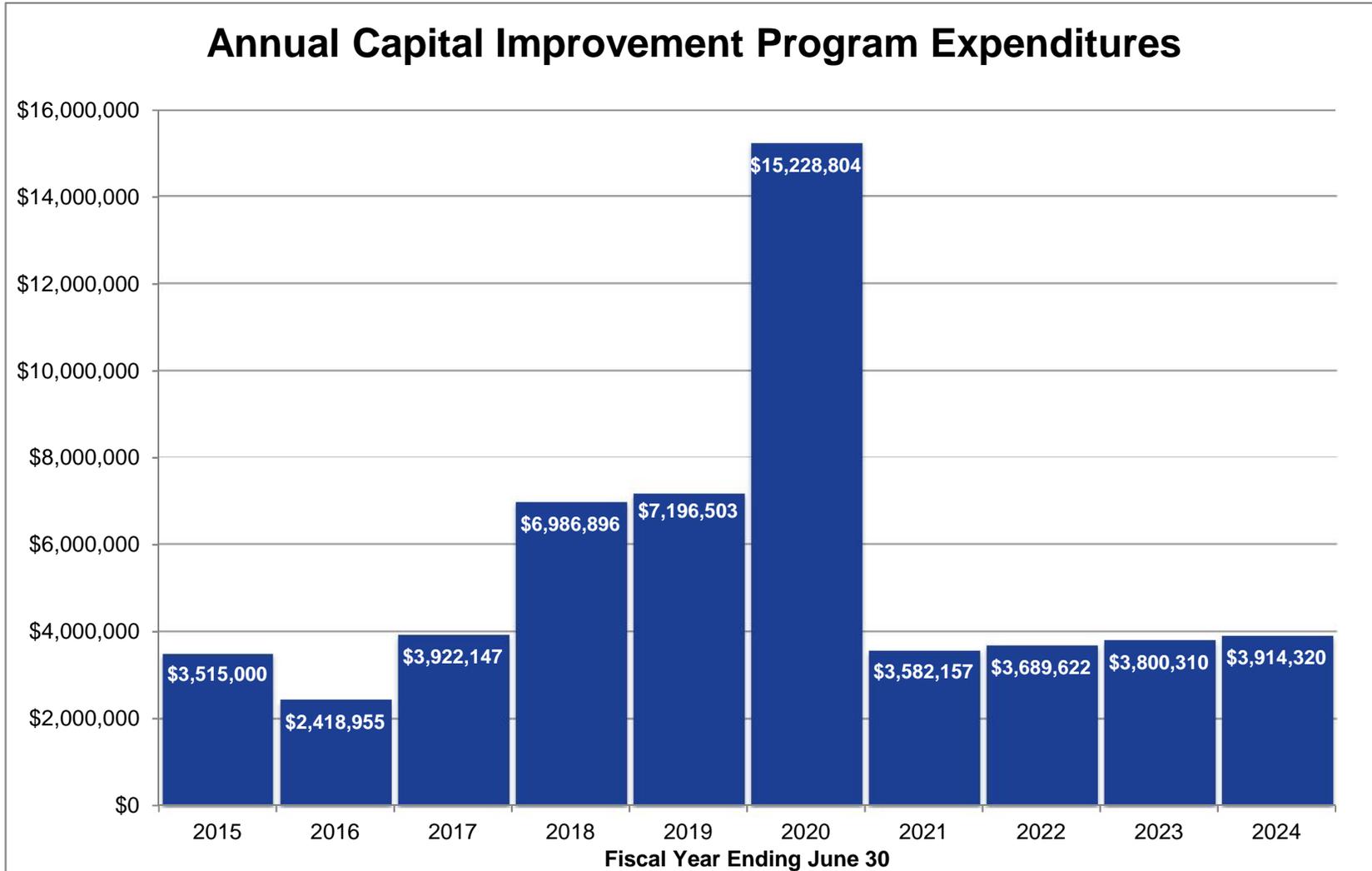
- Beginning cash balance is from the City's Proforma report (file: Wastewater Debt Coverage Ratio Actual FY 13-14.xlsx) and is very close to the values reported in the Consolidated Balance Sheet, Funds 516, 518, 519, 527, 528, 532, 535, 538, and 539 from FY 2013/14 end; report provided by City staff 12/19/2014 (file: 14-15 Beg Cash Bal Wastewater.pdf). FY 2015/16 Beginning Balances reported in the City's Proforma report (file: Wastewater Debt Coverage Ratio Actual FY 14-15.xlsx) and via email from City staff.
- The total beginning cash balance in the Operating reserve is the sum of the balances in Funds 518-Operating, 519-Stonegate and 516-River Highlands.
- Adjustments are made in cash balances to account for fully funding required debt reserve funds for outstanding bonds and SRF Loans.
- NBS assumes the City will fund the % of debt service allocated to connection fees, with connection fee revenue as long as it is available.
- The total beginning cash balance in the Stonegate reserve is the balance in Fund 519-Stonegate.
- The total beginning cash balance in the River Highland reserve is the balance in Fund 516-River Highlands. Per discussion with City Staff, the reserve fund balance will be transferred to Fund 518-Operating.
- The total beginning cash balance in the Capital Rehab & Replacement reserve is the sum of the balances in Funds 528-CIP and 539-WW 14 COP Project Cash.
- The Capital Rehabilitation & Replacement reserve target is set to 3% of net assets.
- NBS assumes that the City has already secured SRF Loans to cover the \$8.38 million in project costs planned for FY 2014/15, per the funding sources listed in the City's CIP document, and that the payments are included in the debt issues shown in Exhibit 3 (Debt) of this model, therefore new debt service payments are not calculated for this issue.
- Beginning cash in the Bond Debt Reserve is the balance in Fund 532-WW 2007 COP-Reserve.
- Beginning cash in the SRF Reserve Fund is the balance in Fund 518-SRF Reserve Cash.
- Beginning cash in the Connection Fee Reserve is the sum of the two balances shown for Fund 527-Connection Fee Cash and Connection Fee-Reserved Cash.
- 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 2022 and phased into the historical 10 year average interest earnings rate.











CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

REVENUE FORECAST (1)

| SOURCES OF REVENUE | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------------------------------|--------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Fund 518 - Sewer Fund | | | | | | | | | | | | |
| 44410 | Sewer - Service Charges (2) | 1 | \$ 10,219,836 | \$ 9,611,850 | \$ 9,644,740 | \$ 9,677,630 | \$ 9,710,520 | \$ 9,743,411 | \$ 9,776,301 | \$ 9,809,191 | \$ 9,842,081 | \$ 9,874,972 |
| 44419 | Sewer - Septage Charges | 1 | \$ 281,252 | \$ 250,000 | \$ 250,855 | \$ 251,711 | \$ 252,566 | \$ 253,422 | \$ 254,277 | \$ 255,133 | \$ 255,988 | \$ 256,844 |
| 44440 | Sewer - Lab Testing | 1 | \$ 226,005 | \$ 200,000 | \$ 200,684 | \$ 201,369 | \$ 202,053 | \$ 202,737 | \$ 203,422 | \$ 204,106 | \$ 204,791 | \$ 205,475 |
| 46315 | Lease Payments | 1 | \$ 30,000 | \$ 30,000 | \$ 30,103 | \$ 30,205 | \$ 30,308 | \$ 30,411 | \$ 30,513 | \$ 30,616 | \$ 30,719 | \$ 30,821 |
| 44450 | Discharge Permit Fee | 1 | \$ 3,208 | \$ 7,500 | \$ 7,526 | \$ 7,551 | \$ 7,577 | \$ 7,603 | \$ 7,628 | \$ 7,654 | \$ 7,680 | \$ 7,705 |
| 44415 | Sewer - Sunsweet O&M | 1 | \$ 1,174,715 | \$ 1,175,000 | \$ 1,179,021 | \$ 1,183,041 | \$ 1,187,062 | \$ 1,191,083 | \$ 1,195,103 | \$ 1,199,124 | \$ 1,203,145 | \$ 1,207,165 |
| 44416 | Sewer - Sunsweet Capital | 1 | \$ 35,304 | \$ 35,300 | \$ 35,421 | \$ 35,542 | \$ 35,662 | \$ 35,783 | \$ 35,904 | \$ 36,025 | \$ 36,146 | \$ 36,266 |
| 44417 | Sewer - Sunsweet Debt Charge | 1 | \$ 7,680 | \$ 7,680 | \$ 7,706 | \$ 7,733 | \$ 7,759 | \$ 7,785 | \$ 7,811 | \$ 7,838 | \$ 7,864 | \$ 7,890 |
| 46110 | Interest on Investment (3) | See FP | \$ 53,884 | \$ 94,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 49010 | Other Revenue | 9 | \$ 9,434 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 12,000 |
| 49210 | Sale - Real/Personal Property | 9 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 49510 | Lease Proceeds | 9 | \$ - | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 | \$ 8,123 |
| Fund 519 - Stonegate | | | | | | | | | | | | |
| 44480 | Stonegate Revenues | 1 | \$ 45,636 | \$ 45,000 | \$ 45,154 | \$ 45,308 | \$ 45,462 | \$ 45,616 | \$ 45,770 | \$ 45,924 | \$ 46,078 | \$ 46,232 |
| 46110 | Interest on Investment (3) | See FP | \$ 908 | \$ 1,200 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 527 - Sewer Connection Fees | | | | | | | | | | | | |
| 44420 | Sewer - Main Extension | 1 | \$ 36,997 | \$ 50,000 | \$ 50,171 | \$ 50,342 | \$ 50,513 | \$ 50,684 | \$ 50,855 | \$ 51,027 | \$ 51,198 | \$ 51,369 |
| 44430 | Sewer - Connection Fee | 9 | \$ 416,111 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 |
| 44431 | Sewer - Spec Connection Fee | 1 | \$ 17,649 | \$ 25,000 | \$ 25,086 | \$ 25,171 | \$ 25,257 | \$ 25,342 | \$ 25,428 | \$ 25,513 | \$ 25,599 | \$ 25,684 |
| 46110 | Interest on Investment (3) | See FP | \$ 40,875 | \$ 67,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL: REVENUE | | | \$ 12,599,492 | \$ 11,955,153 | \$ 11,831,590 | \$ 11,870,726 | \$ 11,909,863 | \$ 11,949,000 | \$ 11,988,137 | \$ 12,027,273 | \$ 12,066,410 | \$ 12,105,547 |

| REVENUE SUMMARY | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Fund 518 - Sewer Fund | | | | | | | | | | | |
| Wastewater Rate Revenue | | \$ 11,675,803 | \$ 11,036,850 | \$ 11,074,616 | \$ 11,112,382 | \$ 11,150,149 | \$ 11,187,915 | \$ 11,225,682 | \$ 11,263,448 | \$ 11,301,214 | \$ 11,338,981 |
| Sunsweet Non-Rate Revenue | | \$ 42,984 | \$ 42,980 | \$ 43,127 | \$ 43,274 | \$ 43,421 | \$ 43,568 | \$ 43,715 | \$ 43,862 | \$ 44,009 | \$ 44,157 |
| Other Operating Revenue | | \$ 268,646 | \$ 257,623 | \$ 258,436 | \$ 259,249 | \$ 260,061 | \$ 260,874 | \$ 261,687 | \$ 262,499 | \$ 263,312 | \$ 264,125 |
| Interest Earnings | | \$ 53,884 | \$ 94,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 519 - Stonegate | | | | | | | | | | | |
| Stonegate Revenues | | \$ 45,636 | \$ 45,000 | \$ 45,154 | \$ 45,308 | \$ 45,462 | \$ 45,616 | \$ 45,770 | \$ 45,924 | \$ 46,078 | \$ 46,232 |
| Interest Earnings | | \$ 908 | \$ 1,200 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund 527 - Sewer Connection Fees | | | | | | | | | | | |
| Connection Fees | | \$ 416,111 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 | \$ 335,000 |
| Other Connection Fee Fund Revenue | | \$ 54,646 | \$ 75,000 | \$ 75,257 | \$ 75,513 | \$ 75,770 | \$ 76,027 | \$ 76,283 | \$ 76,540 | \$ 76,796 | \$ 77,053 |
| Interest Earnings | | \$ 40,875 | \$ 67,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL: REVENUE | | \$ 12,599,492 | \$ 11,955,153 | \$ 11,831,590 | \$ 11,870,726 | \$ 11,909,863 | \$ 11,949,000 | \$ 11,988,137 | \$ 12,027,273 | \$ 12,066,410 | \$ 12,105,547 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute
OPERATING EXPENSE FORECAST (4):

EXHIBIT 1

| Sewer Fund Operations | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | |
|--|----------------------------|------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 518 Sewer Fund | | | | | | | | | | | | |
| Division 8110 Sewer Collection | | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | | |
| 61210 | Salaries - Regular | 3 | \$ 312,532 | \$ 327,775 | \$ 337,608 | \$ 347,736 | \$ 358,169 | \$ 368,914 | \$ 379,981 | \$ 391,380 | \$ 403,122 | \$ 415,216 |
| 61211 | Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 | Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61215 | Salaries - Standby | 3 | \$ 3,100 | \$ 3,100 | \$ 3,193 | \$ 3,289 | \$ 3,387 | \$ 3,489 | \$ 3,594 | \$ 3,702 | \$ 3,813 | \$ 3,927 |
| 61217 | Salaries - ADM Payoff | 3 | \$ 609 | \$ 609 | \$ 627 | \$ 646 | \$ 665 | \$ 685 | \$ 706 | \$ 727 | \$ 749 | \$ 771 |
| 61310 | Wages - Extra Help | 3 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 61430 | Overtime - Regular | 3 | \$ 7,000 | \$ 7,000 | \$ 7,210 | \$ 7,426 | \$ 7,649 | \$ 7,879 | \$ 8,115 | \$ 8,358 | \$ 8,609 | \$ 8,867 |
| 61501 | Medicare | 4 | \$ 4,701 | \$ 5,183 | \$ 5,701 | \$ 6,271 | \$ 6,899 | \$ 7,588 | \$ 8,347 | \$ 9,182 | \$ 10,100 | \$ 11,110 |
| 61502 | Health Plan | 4 | \$ 88,209 | \$ 60,594 | \$ 66,653 | \$ 73,319 | \$ 80,651 | \$ 88,716 | \$ 97,587 | \$ 107,346 | \$ 118,081 | \$ 129,889 |
| 61503 | PERS | 5 | \$ 95,937 | \$ 100,368 | \$ 108,782 | \$ 117,240 | \$ 126,107 | \$ 130,284 | \$ 121,624 | \$ 125,273 | \$ 129,031 | \$ 132,902 |
| 61504 | Workers Compensation | 3 | \$ 19,575 | \$ 20,653 | \$ 21,273 | \$ 21,911 | \$ 22,568 | \$ 23,245 | \$ 23,942 | \$ 24,661 | \$ 25,401 | \$ 26,163 |
| 61505 | Life Insurance | 4 | \$ 190 | \$ 190 | \$ 209 | \$ 230 | \$ 253 | \$ 278 | \$ 306 | \$ 337 | \$ 370 | \$ 407 |
| 61507 | Dental / Vision | 4 | \$ 11,584 | \$ 11,584 | \$ 12,742 | \$ 14,017 | \$ 15,418 | \$ 16,960 | \$ 18,656 | \$ 20,522 | \$ 22,574 | \$ 24,831 |
| 61508 | Premium Incentive - Health | 4 | \$ - | \$ 17,941 | \$ 19,735 | \$ 21,709 | \$ 23,879 | \$ 26,267 | \$ 28,894 | \$ 31,784 | \$ 34,962 | \$ 38,458 |
| Supplies and Services | | | | | | | | | | | | |
| 62210 | TEL - Cellular Phone | 2 | \$ 1,080 | \$ 1,080 | \$ 1,112 | \$ 1,146 | \$ 1,180 | \$ 1,216 | \$ 1,252 | \$ 1,290 | \$ 1,328 | \$ 1,368 |
| 62250 | TEL - Internet | 2 | \$ 96 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62501 | Office Supplies | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 62701 | Professional Services | 2 | \$ 13,500 | \$ 13,500 | \$ 13,905 | \$ 14,322 | \$ 14,752 | \$ 15,194 | \$ 15,650 | \$ 16,120 | \$ 16,603 | \$ 17,101 |
| 62706 | Employee Physical Exams | 2 | \$ 120 | \$ 120 | \$ 124 | \$ 127 | \$ 131 | \$ 135 | \$ 139 | \$ 143 | \$ 148 | \$ 152 |
| 62801 | Professional Development | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 63101 | Dues & Subscrptn | 2 | \$ 800 | \$ 800 | \$ 824 | \$ 849 | \$ 874 | \$ 900 | \$ 927 | \$ 955 | \$ 984 | \$ 1,013 |
| 63201 | Rental - Bldgs/Equip/Land | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 63310 | O&M Radio Service | 2 | \$ 300 | \$ 300 | \$ 309 | \$ 318 | \$ 328 | \$ 338 | \$ 348 | \$ 358 | \$ 369 | \$ 380 |
| 63401 | Special Equipment O&M | 2 | \$ 28,019 | \$ 28,019 | \$ 28,859 | \$ 29,725 | \$ 30,617 | \$ 31,535 | \$ 32,481 | \$ 33,456 | \$ 34,459 | \$ 35,493 |
| 63501 | Vehicle MTCE - ISF | 2 | \$ 45,577 | \$ 29,753 | \$ 30,646 | \$ 31,565 | \$ 32,512 | \$ 33,487 | \$ 34,492 | \$ 35,527 | \$ 36,592 | \$ 37,690 |
| 63505 | Vehicle Maint Fuel | 2 | \$ 34,929 | \$ 35,715 | \$ 36,786 | \$ 37,890 | \$ 39,027 | \$ 40,198 | \$ 41,403 | \$ 42,646 | \$ 43,925 | \$ 45,243 |
| 63599 | Vehicle Replacement Fee | 2 | \$ 25,289 | \$ 83,177 | \$ 85,672 | \$ 88,242 | \$ 90,890 | \$ 93,616 | \$ 96,425 | \$ 99,318 | \$ 102,297 | \$ 105,366 |
| 63601 | Bldg. O&M MTCE | 2 | \$ - | \$ 5,600 | \$ 5,768 | \$ 5,941 | \$ 6,119 | \$ 6,303 | \$ 6,492 | \$ 6,687 | \$ 6,887 | \$ 7,094 |
| 63604 | Spec O&M Laundry | 2 | \$ 2,400 | \$ 2,400 | \$ 2,472 | \$ 2,546 | \$ 2,623 | \$ 2,701 | \$ 2,782 | \$ 2,866 | \$ 2,952 | \$ 3,040 |
| 63670 | Bldg. O&M Lines Repair | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 63701 | Chemicals | 2 | \$ 5,100 | \$ 5,100 | \$ 5,253 | \$ 5,411 | \$ 5,573 | \$ 5,740 | \$ 5,912 | \$ 6,090 | \$ 6,272 | \$ 6,461 |
| 63801 | Tools, Supplies, Equip <5k | 2 | \$ 4,000 | \$ 4,000 | \$ 4,120 | \$ 4,244 | \$ 4,371 | \$ 4,502 | \$ 4,637 | \$ 4,776 | \$ 4,919 | \$ 5,067 |
| 63901 | Training Program / Aids | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 63909 | Safety Equipment | 2 | \$ 6,000 | \$ 6,000 | \$ 6,180 | \$ 6,365 | \$ 6,556 | \$ 6,753 | \$ 6,956 | \$ 7,164 | \$ 7,379 | \$ 7,601 |
| 64101 | Raw Water Purchases | 2 | \$ 388 | \$ 347 | \$ 357 | \$ 368 | \$ 379 | \$ 391 | \$ 402 | \$ 414 | \$ 427 | \$ 440 |
| 64151 | City Fac SWR Charges | 2 | \$ 131 | \$ 140 | \$ 144 | \$ 149 | \$ 153 | \$ 158 | \$ 162 | \$ 167 | \$ 172 | \$ 177 |
| 64310 | Liability Insurance | 2 | \$ 34,168 | \$ 19,363 | \$ 19,944 | \$ 20,542 | \$ 21,158 | \$ 21,793 | \$ 22,447 | \$ 23,120 | \$ 23,814 | \$ 24,528 |
| 64910 | Depreciation (5) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 69201 | Equipment | 2 | \$ 30,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total: Sewer Fund Operations - Sewer Collection | | | \$ 807,334 | \$ 822,511 | \$ 859,273 | \$ 897,599 | \$ 937,965 | \$ 975,394 | \$ 1,001,875 | \$ 1,042,697 | \$ 1,085,819 | \$ 1,131,420 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

| Sewer Fund Operations, continued | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------------------|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 518 Sewer Fund | | | | | | | | | | | | |
| Division 8120 Sewer Treatment Plant | | | | | | | | | | | | |
| Other Supplies and Services | | | | | | | | | | | | |
| 66101 | Outreach Materials | 2 | \$ 8,500 | \$ 8,500 | \$ 8,755 | \$ 9,018 | \$ 9,288 | \$ 9,567 | \$ 9,854 | \$ 10,149 | \$ 10,454 | \$ 10,768 |
| Salaries and Benefits | | | | | | | | | | | | |
| 61210 | Salaries - Regular | 3 | \$ 1,208,996 | \$ 1,356,347 | \$ 1,397,037 | \$ 1,438,949 | \$ 1,482,117 | \$ 1,526,580 | \$ 1,572,378 | \$ 1,619,549 | \$ 1,668,136 | \$ 1,718,180 |
| 61211 | Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 | Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61215 | Salaries - Standby | 3 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 61216 | Salary - Shift Differential | 3 | \$ 7,000 | \$ 7,000 | \$ 7,210 | \$ 7,426 | \$ 7,649 | \$ 7,879 | \$ 8,115 | \$ 8,358 | \$ 8,609 | \$ 8,867 |
| 61217 | Salaries - ADM Payoff | 3 | \$ 2,974 | \$ 2,910 | \$ 2,997 | \$ 3,087 | \$ 3,180 | \$ 3,275 | \$ 3,373 | \$ 3,475 | \$ 3,579 | \$ 3,686 |
| 61310 | Wages - Extra Help | 3 | \$ 40,000 | \$ 40,000 | \$ 41,200 | \$ 42,436 | \$ 43,709 | \$ 45,020 | \$ 46,371 | \$ 47,762 | \$ 49,195 | \$ 50,671 |
| 61430 | Overtime - Regular | 3 | \$ 40,000 | \$ 40,000 | \$ 41,200 | \$ 42,436 | \$ 43,709 | \$ 45,020 | \$ 46,371 | \$ 47,762 | \$ 49,195 | \$ 50,671 |
| 61431 | Overtime - Holiday | 3 | \$ 16,000 | \$ 16,000 | \$ 16,480 | \$ 16,974 | \$ 17,484 | \$ 18,008 | \$ 18,548 | \$ 19,105 | \$ 19,678 | \$ 20,268 |
| 61501 | Medicare | 4 | \$ 19,140 | \$ 21,521 | \$ 23,673 | \$ 26,040 | \$ 28,644 | \$ 31,509 | \$ 34,660 | \$ 38,126 | \$ 41,938 | \$ 46,132 |
| 61502 | Health Plan | 4 | \$ 256,132 | \$ 265,184 | \$ 291,702 | \$ 320,873 | \$ 352,960 | \$ 388,256 | \$ 427,081 | \$ 469,790 | \$ 516,769 | \$ 568,445 |
| 61503 | PERS | 5 | \$ 387,275 | \$ 436,857 | \$ 473,480 | \$ 510,292 | \$ 548,887 | \$ 587,067 | \$ 625,377 | \$ 663,258 | \$ 700,616 | \$ 738,464 |
| 61504 | Workers Compensation | 4 | \$ 91,343 | \$ 102,362 | \$ 112,598 | \$ 123,858 | \$ 136,244 | \$ 149,868 | \$ 164,855 | \$ 181,341 | \$ 199,475 | \$ 219,422 |
| 61505 | Life Insurance | 4 | \$ 493 | \$ 553 | \$ 608 | \$ 669 | \$ 736 | \$ 810 | \$ 891 | \$ 980 | \$ 1,078 | \$ 1,185 |
| 61506 | Unemployment Insurance | 4 | \$ 6,300 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61507 | Dental / Vision | 4 | \$ 33,213 | \$ 34,008 | \$ 37,409 | \$ 41,150 | \$ 45,265 | \$ 49,791 | \$ 54,770 | \$ 60,247 | \$ 66,272 | \$ 72,899 |
| 61508 | Premium Incentive - Health | 4 | \$ - | \$ 16,946 | \$ 18,641 | \$ 20,505 | \$ 22,555 | \$ 24,811 | \$ 27,292 | \$ 30,021 | \$ 33,023 | \$ 36,325 |
| Supplies and Services | | | | | | | | | | | | |
| 62110 | Heat/Power - Electric | 7 | \$ 900,000 | \$ 750,000 | \$ 780,000 | \$ 811,200 | \$ 843,648 | \$ 877,394 | \$ 912,490 | \$ 948,989 | \$ 986,949 | \$ 1,026,427 |
| 62112 | Heat/Power - Gas | 7 | \$ 50,000 | \$ 60,000 | \$ 62,400 | \$ 64,896 | \$ 67,492 | \$ 70,192 | \$ 72,999 | \$ 75,919 | \$ 78,956 | \$ 82,114 |
| 62170 | Heat/Power - Lift Pumps | 7 | \$ 100,000 | \$ 120,000 | \$ 124,800 | \$ 129,792 | \$ 134,984 | \$ 140,383 | \$ 145,998 | \$ 151,838 | \$ 157,912 | \$ 164,228 |
| R62110 | Heat/Power - Electric | 7 | \$ 17,445 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 62199 | Energy EFF Contra Expense | 7 | \$ - | \$ (15,599) | \$ (16,223) | \$ (16,872) | \$ (17,547) | \$ (18,249) | \$ (18,979) | \$ (19,738) | \$ (20,527) | \$ (21,348) |
| 62201 | TEL - Service | 2 | \$ 8,000 | \$ 6,000 | \$ 6,180 | \$ 6,365 | \$ 6,556 | \$ 6,753 | \$ 6,956 | \$ 7,164 | \$ 7,379 | \$ 7,601 |
| 62210 | TEL - Cellular Phone | 2 | \$ 7,500 | \$ 6,500 | \$ 6,695 | \$ 6,896 | \$ 7,103 | \$ 7,316 | \$ 7,535 | \$ 7,761 | \$ 7,994 | \$ 8,234 |
| 62245 | TEL - Lease Lines | 2 | \$ 4,500 | \$ 4,500 | \$ 4,635 | \$ 4,774 | \$ 4,917 | \$ 5,065 | \$ 5,217 | \$ 5,373 | \$ 5,534 | \$ 5,700 |
| 62250 | TEL - Internet | 2 | \$ 3,552 | \$ 3,707 | \$ 3,818 | \$ 3,933 | \$ 4,051 | \$ 4,172 | \$ 4,297 | \$ 4,426 | \$ 4,559 | \$ 4,696 |
| 62301 | Postage & Freight | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62401 | Advertising | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62501 | Office Supplies | 2 | \$ 7,000 | \$ 7,000 | \$ 7,210 | \$ 7,426 | \$ 7,649 | \$ 7,879 | \$ 8,115 | \$ 8,358 | \$ 8,609 | \$ 8,867 |
| 62507 | Computer Forms & Supplies | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| 62508 | Photocopy Machine | 2 | \$ 1,600 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 62599 | Photocopy Charges - ISF | 2 | \$ 100 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62601 | Printing & Binding | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62701 | Professional Services | 2 | \$ 225,000 | \$ 250,000 | \$ 257,500 | \$ 265,225 | \$ 273,182 | \$ 281,377 | \$ 289,819 | \$ 298,513 | \$ 307,468 | \$ 316,693 |
| 62702 | PARS Admin Fee | 2 | \$ 100 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62706 | Employee Physical Exams | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 62721 | Oxygen System | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| 62724 | Levee Assessments | 2 | \$ 12,000 | \$ 12,000 | \$ 12,360 | \$ 12,731 | \$ 13,113 | \$ 13,506 | \$ 13,911 | \$ 14,329 | \$ 14,758 | \$ 15,201 |
| 62733 | Willdan Fees | 2 | \$ 3,500 | \$ 3,500 | \$ 3,605 | \$ 3,713 | \$ 3,825 | \$ 3,939 | \$ 4,057 | \$ 4,179 | \$ 4,305 | \$ 4,434 |
| 62742 | DR/CR Card Processing Fees | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| R62701 | Professional Services | 2 | \$ 10,707 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 62759 | Specialty Contract Services | 2 | \$ - | \$ 275,000 | \$ 283,250 | \$ 291,748 | \$ 300,500 | \$ 309,515 | \$ 318,800 | \$ 328,364 | \$ 338,215 | \$ 348,362 |
| 62801 | Professional Development | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 63101 | Dues & Subscriptns | 2 | \$ 110,000 | \$ 125,000 | \$ 128,750 | \$ 132,613 | \$ 136,591 | \$ 140,689 | \$ 144,909 | \$ 149,257 | \$ 153,734 | \$ 158,346 |
| 63202 | Rental - Heavy Equipment | 2 | \$ 4,000 | \$ 4,000 | \$ 4,120 | \$ 4,244 | \$ 4,371 | \$ 4,502 | \$ 4,637 | \$ 4,776 | \$ 4,919 | \$ 5,067 |
| 63301 | O&M Office Equipment | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63310 | O&M Radio Service | 2 | \$ 4,000 | \$ 4,000 | \$ 4,120 | \$ 4,244 | \$ 4,371 | \$ 4,502 | \$ 4,637 | \$ 4,776 | \$ 4,919 | \$ 5,067 |
| 63320 | O&M Computer System | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| R63310 | O&M Radio Service | 2 | \$ 1,467 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sub-Total: Sewer Fund Operations - Sewer Treatment Plant | | | \$ 3,650,337 | \$ 4,027,996 | \$ 4,212,337 | \$ 4,404,749 | \$ 4,607,385 | \$ 4,798,653 | \$ 4,943,761 | \$ 5,152,867 | \$ 5,373,659 | \$ 5,607,000 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

| Sewer Fund Operations, continued | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------------------|-------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 518 Sewer Fund | | | | | | | | | | | | |
| Division 8120 Sewer Treatment Plant | | | | | | | | | | | | |
| Special Equipment O&M | | | | | | | | | | | | |
| 63401 | Special Equipment O&M | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 63420 | SPEC O&M - Compressor | 2 | \$ 75,000 | \$ 75,000 | \$ 77,250 | \$ 79,568 | \$ 81,955 | \$ 84,413 | \$ 86,946 | \$ 89,554 | \$ 92,241 | \$ 95,008 |
| 63421 | SPEC O&M - Analyzer | 2 | \$ 7,500 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 | \$ 8,441 | \$ 8,695 | \$ 8,955 | \$ 9,224 | \$ 9,501 |
| 63430 | SPEC O&M - Electric Control | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| 63431 | SPEC O&M - Elec Spare Part | 2 | \$ 35,000 | \$ 35,000 | \$ 36,050 | \$ 37,132 | \$ 38,245 | \$ 39,393 | \$ 40,575 | \$ 41,792 | \$ 43,046 | \$ 44,337 |
| 63432 | SPEC O&M - Elec Motors | 2 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 63433 | SPEC O&M - Instrumentation | 2 | \$ 40,000 | \$ 40,000 | \$ 41,200 | \$ 42,436 | \$ 43,709 | \$ 45,020 | \$ 46,371 | \$ 47,762 | \$ 49,195 | \$ 50,671 |
| 63450 | SPEC O&M - Lubrication | 2 | \$ 8,000 | \$ 8,000 | \$ 8,240 | \$ 8,487 | \$ 8,742 | \$ 9,004 | \$ 9,274 | \$ 9,552 | \$ 9,839 | \$ 10,134 |
| 63451 | SPEC O&M - Major MTCE | 2 | \$ 175,000 | \$ 175,000 | \$ 180,250 | \$ 185,658 | \$ 191,227 | \$ 196,964 | \$ 202,873 | \$ 208,959 | \$ 215,228 | \$ 221,685 |
| 63456 | SPEC O&M - Machine | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 63457 | SPEC O&M - Mech Supplies | 2 | \$ 9,000 | \$ 9,000 | \$ 9,270 | \$ 9,548 | \$ 9,835 | \$ 10,130 | \$ 10,433 | \$ 10,746 | \$ 11,069 | \$ 11,401 |
| 63460 | SPEC O&M - Mech Chem Feed | 2 | \$ 30,000 | \$ 30,000 | \$ 30,900 | \$ 31,827 | \$ 32,782 | \$ 33,765 | \$ 34,778 | \$ 35,822 | \$ 36,896 | \$ 38,003 |
| 63462 | SPEC O&M - Mech Solid | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 63463 | SPEC O&M - Mech Spare Part | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| 63471 | SPEC O&M - Bio Solids | 2 | \$ 275,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| R63420 | SPEC O&M - Compressor | 2 | \$ 14,928 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| R63433 | SPEC O&M - Instrumentation | 2 | \$ 1,834 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| R63451 | SPEC O&M - Major MTCE | 2 | \$ 18,435 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 63501 | Vehicle MTCE - ISF | 2 | \$ 51,882 | \$ 89,263 | \$ 91,941 | \$ 94,699 | \$ 97,540 | \$ 100,466 | \$ 103,480 | \$ 106,585 | \$ 109,782 | \$ 113,076 |
| 63505 | Vehicle Maint Fuel | 2 | \$ 30,396 | \$ 33,014 | \$ 34,004 | \$ 35,025 | \$ 36,075 | \$ 37,158 | \$ 38,272 | \$ 39,420 | \$ 40,603 | \$ 41,821 |
| 63599 | Vehicle Replacement Fee | 2 | \$ 54,432 | \$ 140,327 | \$ 144,537 | \$ 148,873 | \$ 153,339 | \$ 157,939 | \$ 162,677 | \$ 167,558 | \$ 172,585 | \$ 177,762 |
| 63601 | BLDG O&M - MTCE | 2 | \$ 60,000 | \$ 60,000 | \$ 61,800 | \$ 63,654 | \$ 65,564 | \$ 67,531 | \$ 69,556 | \$ 71,643 | \$ 73,792 | \$ 76,006 |
| 63603 | BLDG O&M - Janitorial | 2 | \$ 2,500 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63604 | SPEC O&M - Laundry | 2 | \$ 7,500 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 | \$ 8,441 | \$ 8,695 | \$ 8,955 | \$ 9,224 | \$ 9,501 |
| 63684 | SPEC O&M - Landscape | 2 | \$ 15,000 | \$ 15,000 | \$ 15,450 | \$ 15,914 | \$ 16,391 | \$ 16,883 | \$ 17,389 | \$ 17,911 | \$ 18,448 | \$ 19,002 |
| R63601 | BLDG O&M - MTCE | 2 | \$ 2,822 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Chemicals | | | | | | | | | | | | |
| 63701 | Chemicals | 6 | \$ 20,000 | \$ 20,000 | \$ 21,000 | \$ 22,050 | \$ 23,153 | \$ 24,310 | \$ 25,526 | \$ 26,802 | \$ 28,142 | \$ 29,549 |
| 63702 | Chlorine | 6 | \$ 120,000 | \$ 160,000 | \$ 168,000 | \$ 176,400 | \$ 185,220 | \$ 194,481 | \$ 204,205 | \$ 214,415 | \$ 225,136 | \$ 236,393 |
| 63720 | Weed Control | 6 | \$ 20,000 | \$ 20,000 | \$ 21,000 | \$ 22,050 | \$ 23,153 | \$ 24,310 | \$ 25,526 | \$ 26,802 | \$ 28,142 | \$ 29,549 |
| 63731 | Sodium Bisulfite | 6 | \$ 80,000 | \$ 110,000 | \$ 115,500 | \$ 121,275 | \$ 127,339 | \$ 133,706 | \$ 140,391 | \$ 147,411 | \$ 154,781 | \$ 162,520 |
| 63732 | Oxygen | 6 | \$ 95,000 | \$ 300,000 | \$ 315,000 | \$ 330,750 | \$ 347,288 | \$ 364,652 | \$ 382,884 | \$ 402,029 | \$ 422,130 | \$ 443,237 |
| 63733 | Polymers | 6 | \$ 225,000 | \$ 225,000 | \$ 236,250 | \$ 248,063 | \$ 260,466 | \$ 273,489 | \$ 287,163 | \$ 301,522 | \$ 316,598 | \$ 332,427 |
| 63735 | Sodium Hydroxide | 6 | \$ 15,000 | \$ 15,000 | \$ 15,750 | \$ 16,538 | \$ 17,364 | \$ 18,233 | \$ 19,144 | \$ 20,101 | \$ 21,107 | \$ 22,162 |
| 63738 | Chemical - Odor Control | 6 | \$ 5,000 | \$ 5,000 | \$ 5,250 | \$ 5,513 | \$ 5,788 | \$ 6,078 | \$ 6,381 | \$ 6,700 | \$ 7,036 | \$ 7,387 |
| 63739 | Ammonium Polyphosphate | 6 | \$ 10,000 | \$ 10,000 | \$ 10,500 | \$ 11,025 | \$ 11,576 | \$ 12,155 | \$ 12,763 | \$ 13,401 | \$ 14,071 | \$ 14,775 |
| 63740 | Polymer Daft | 6 | \$ 110,000 | \$ 110,000 | \$ 115,500 | \$ 121,275 | \$ 127,339 | \$ 133,706 | \$ 140,391 | \$ 147,411 | \$ 154,781 | \$ 162,520 |
| Other Supplies and Services | | | | | | | | | | | | |
| 63801 | Tools, Supplies & Equip <5k | 2 | \$ 12,500 | \$ 12,500 | \$ 12,875 | \$ 13,261 | \$ 13,659 | \$ 14,069 | \$ 14,491 | \$ 14,926 | \$ 15,373 | \$ 15,835 |
| 63901 | Training Program / Aids | 2 | \$ 30,000 | \$ 30,000 | \$ 30,900 | \$ 31,827 | \$ 32,782 | \$ 33,765 | \$ 34,778 | \$ 35,822 | \$ 36,896 | \$ 38,003 |
| 63904 | Manuals / Codes | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 63909 | Safety Equipment | 2 | \$ 20,000 | \$ 20,000 | \$ 20,600 | \$ 21,218 | \$ 21,855 | \$ 22,510 | \$ 23,185 | \$ 23,881 | \$ 24,597 | \$ 25,335 |
| 64101 | Raw Water Purchases | 1 | \$ 7,143 | \$ 6,933 | \$ 6,957 | \$ 6,980 | \$ 7,004 | \$ 7,028 | \$ 7,052 | \$ 7,075 | \$ 7,099 | \$ 7,123 |
| 64310 | Liability Insurance | 2 | \$ 62,495 | \$ 66,940 | \$ 68,948 | \$ 71,017 | \$ 73,147 | \$ 75,342 | \$ 77,602 | \$ 79,930 | \$ 82,328 | \$ 84,798 |
| 64910 | Depreciation (4) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 65201 | Interest (6) | 9 | \$ - | \$ 13,336 | \$ 8,081 | \$ 7,833 | \$ 7,556 | \$ 7,248 | \$ 6,890 | \$ 6,468 | \$ 6,006 | \$ 5,502 |
| 65202 | Principal (6) | 9 | \$ - | \$ 10,387 | \$ 8,220 | \$ 9,200 | \$ 10,239 | \$ 11,341 | \$ 12,509 | \$ 13,745 | \$ 15,053 | \$ 16,437 |
| 65801 | Computer Maint/Rep - ISF | 2 | \$ 45,337 | \$ 47,455 | \$ 48,879 | \$ 50,345 | \$ 51,855 | \$ 53,411 | \$ 55,013 | \$ 56,664 | \$ 58,364 | \$ 60,115 |
| 66001 | Other Material & Supplies | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 69201 | Equipment | 2 | \$ 284,250 | \$ 53,500 | \$ 55,105 | \$ 56,758 | \$ 58,461 | \$ 60,215 | \$ 62,021 | \$ 63,882 | \$ 65,798 | \$ 67,772 |
| Sub-Total: Sewer Fund Operations - Sewer Treatment Plant | | | \$ 2,203,453 | \$ 2,090,654 | \$ 2,164,557 | \$ 2,250,026 | \$ 2,339,091 | \$ 2,431,911 | \$ 2,530,237 | \$ 2,631,139 | \$ 2,736,323 | \$ 2,845,980 |
| Total: Sewer Fund Operations - Sewer Treatment Plant | | | \$ 5,853,790 | \$ 6,118,650 | \$ 6,376,894 | \$ 6,654,775 | \$ 6,946,475 | \$ 7,230,564 | \$ 7,473,998 | \$ 7,784,006 | \$ 8,109,982 | \$ 8,452,980 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

| Sewer Fund Operations, continued | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------------------------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fund 518 Sewer Fund | | | | | | | | | | | | |
| Division 8130 Wastewater Pretreatment | | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | | |
| 61210 | Salaries - Regular | 3 | \$ 66,215 | \$ 67,037 | \$ 69,048 | \$ 71,120 | \$ 73,253 | \$ 75,451 | \$ 77,714 | \$ 80,046 | \$ 82,447 | \$ 84,920 |
| 61211 | Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 | Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61310 | Wages - Extra Help | 3 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 61430 | Overtime - Regular | 3 | \$ 750 | \$ 750 | \$ 773 | \$ 796 | \$ 820 | \$ 844 | \$ 869 | \$ 896 | \$ 922 | \$ 950 |
| 61501 | Medicare | 4 | \$ 985 | \$ 1,041 | \$ 1,145 | \$ 1,260 | \$ 1,386 | \$ 1,524 | \$ 1,677 | \$ 1,844 | \$ 2,029 | \$ 2,231 |
| 61502 | Health Plan | 4 | \$ 12,100 | \$ 8,174 | \$ 8,991 | \$ 9,891 | \$ 10,880 | \$ 11,968 | \$ 13,164 | \$ 14,481 | \$ 15,929 | \$ 17,522 |
| 61503 | PERS | 5 | \$ 20,039 | \$ 21,116 | \$ 22,886 | \$ 24,666 | \$ 26,531 | \$ 27,410 | \$ 25,588 | \$ 26,356 | \$ 27,146 | \$ 27,961 |
| 61504 | Workers Compensation | 3 | \$ 1,167 | \$ 1,281 | \$ 1,319 | \$ 1,359 | \$ 1,400 | \$ 1,442 | \$ 1,485 | \$ 1,530 | \$ 1,575 | \$ 1,623 |
| 61505 | Life Insurance | 3 | \$ 33 | \$ 33 | \$ 34 | \$ 35 | \$ 36 | \$ 37 | \$ 38 | \$ 39 | \$ 41 | \$ 42 |
| 61507 | Dental / Vision | 4 | \$ 1,590 | \$ 1,590 | \$ 1,749 | \$ 1,924 | \$ 2,116 | \$ 2,328 | \$ 2,561 | \$ 2,817 | \$ 3,098 | \$ 3,408 |
| 61508 | Premium Incentive - Health | 4 | \$ - | \$ 2,990 | \$ 3,289 | \$ 3,618 | \$ 3,980 | \$ 4,378 | \$ 4,815 | \$ 5,297 | \$ 5,827 | \$ 6,409 |
| Supplies and Services | | | | | | | | | | | | |
| 62210 | TEL - Cellular Phone | 2 | \$ 1,000 | \$ 1,000 | \$ 1,030 | \$ 1,061 | \$ 1,093 | \$ 1,126 | \$ 1,159 | \$ 1,194 | \$ 1,230 | \$ 1,267 |
| 62250 | TEL - Internet | 2 | \$ 96 | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 113 | \$ 116 | \$ 119 | \$ 123 | \$ 127 |
| 62301 | Postage & Freight | 2 | \$ 750 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62401 | Advertising | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62501 | Office Supplies | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62507 | Computer Forms & Supplies | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 62701 | Professional Services | 2 | \$ 25,000 | \$ 25,000 | \$ 25,750 | \$ 26,523 | \$ 27,318 | \$ 28,138 | \$ 28,982 | \$ 29,851 | \$ 30,747 | \$ 31,669 |
| 62801 | Professional Development | 2 | \$ 250 | \$ 250 | \$ 258 | \$ 265 | \$ 273 | \$ 281 | \$ 290 | \$ 299 | \$ 307 | \$ 317 |
| 63101 | Dues & Subscrptn | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63401 | Special Equipment O&M | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 63470 | Spec O&M - Lab Supplies | 2 | \$ 4,000 | \$ 4,000 | \$ 4,120 | \$ 4,244 | \$ 4,371 | \$ 4,502 | \$ 4,637 | \$ 4,776 | \$ 4,919 | \$ 5,067 |
| 63505 | Vehicle Maint Fuel | 2 | \$ 1,900 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 63604 | Spec O&M - Laundry | 2 | \$ - | \$ 250 | \$ 258 | \$ 265 | \$ 273 | \$ 281 | \$ 290 | \$ 299 | \$ 307 | \$ 317 |
| 63901 | Training Program / Aids | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63904 | Manuals/Codes | 2 | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63909 | Safety Equipment | 2 | \$ 250 | \$ 250 | \$ 258 | \$ 265 | \$ 273 | \$ 281 | \$ 290 | \$ 299 | \$ 307 | \$ 317 |
| 64310 | Liability Insurance | 2 | \$ 3,165 | \$ 3,272 | \$ 3,370 | \$ 3,471 | \$ 3,575 | \$ 3,683 | \$ 3,793 | \$ 3,907 | \$ 4,024 | \$ 4,145 |
| 64910 | Depreciation (5) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total: Sewer Fund Operations - Wastewater Pretreatment | | | \$ 148,290 | \$ 147,634 | \$ 154,165 | \$ 160,945 | \$ 168,068 | \$ 174,478 | \$ 178,482 | \$ 185,392 | \$ 192,664 | \$ 200,326 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

| Sewer Fund Operations, continued | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------------------------|-------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund 518 Sewer Fund | | | | | | | | | | | | |
| Division 8140 Treatment Plant Lab | | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | | |
| 61210 | Salaries - Regular | 3 | \$ 283,016 | \$ 284,895 | \$ 293,442 | \$ 302,245 | \$ 311,312 | \$ 320,652 | \$ 330,271 | \$ 340,180 | \$ 350,385 | \$ 360,896 |
| 61211 | Salaries - Sick Leave | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61212 | Salaries - Vacation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61310 | Wages - Extra Help | 3 | \$ 6,500 | \$ 6,500 | \$ 6,695 | \$ 6,896 | \$ 7,103 | \$ 7,316 | \$ 7,535 | \$ 7,761 | \$ 7,994 | \$ 8,234 |
| 61430 | Overtime - Regular | 3 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 61431 | Overtime - Holiday | 3 | \$ 3,000 | \$ 3,000 | \$ 3,090 | \$ 3,183 | \$ 3,278 | \$ 3,377 | \$ 3,478 | \$ 3,582 | \$ 3,690 | \$ 3,800 |
| 61501 | Medicare | 4 | \$ 4,314 | \$ 4,385 | \$ 4,824 | \$ 5,306 | \$ 5,836 | \$ 6,420 | \$ 7,062 | \$ 7,768 | \$ 8,545 | \$ 9,400 |
| 61502 | Health Plan | 4 | \$ 72,600 | \$ 76,856 | \$ 84,542 | \$ 92,996 | \$ 102,295 | \$ 112,525 | \$ 123,777 | \$ 136,155 | \$ 149,771 | \$ 164,748 |
| 61503 | PERS | 5 | \$ 90,711 | \$ 93,335 | \$ 101,160 | \$ 109,025 | \$ 117,270 | \$ 121,154 | \$ 113,102 | \$ 116,495 | \$ 119,990 | \$ 123,590 |
| 61504 | Workers Compensation | 3 | \$ 5,102 | \$ 5,566 | \$ 5,733 | \$ 5,905 | \$ 6,082 | \$ 6,265 | \$ 6,453 | \$ 6,646 | \$ 6,845 | \$ 7,051 |
| 61505 | Life Insurance | 3 | \$ 133 | \$ 133 | \$ 137 | \$ 141 | \$ 145 | \$ 150 | \$ 154 | \$ 159 | \$ 164 | \$ 168 |
| 61507 | Dental / Vision | 4 | \$ 9,535 | \$ 9,535 | \$ 10,489 | \$ 11,537 | \$ 12,691 | \$ 13,960 | \$ 15,356 | \$ 16,892 | \$ 18,581 | \$ 20,439 |
| 61508 | Premium Incentive - Health | 4 | \$ - | \$ 2,990 | \$ 3,289 | \$ 3,618 | \$ 3,980 | \$ 4,378 | \$ 4,815 | \$ 5,297 | \$ 5,827 | \$ 6,409 |
| Supplies and Services | | | | | | | | | | | | |
| 62250 | TEL - Internet | 2 | \$ 1,056 | \$ 1,102 | \$ 1,135 | \$ 1,169 | \$ 1,204 | \$ 1,240 | \$ 1,278 | \$ 1,316 | \$ 1,355 | \$ 1,396 |
| 62301 | Postage & Freight | 2 | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 | \$ 5,796 | \$ 5,970 | \$ 6,149 | \$ 6,334 |
| 62501 | Office Supplies | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62507 | Computer Forms & Supplies | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 62508 | Photocopy Machine | 2 | \$ 2,000 | \$ 2,000 | \$ 2,060 | \$ 2,122 | \$ 2,185 | \$ 2,251 | \$ 2,319 | \$ 2,388 | \$ 2,460 | \$ 2,534 |
| 62701 | Professional Services | 2 | \$ 150,000 | \$ 175,000 | \$ 180,250 | \$ 185,658 | \$ 191,227 | \$ 196,964 | \$ 202,873 | \$ 208,959 | \$ 215,228 | \$ 221,685 |
| 62725 | Commercial Lab Expenses | 2 | \$ 40,000 | \$ 50,000 | \$ 51,500 | \$ 53,045 | \$ 54,636 | \$ 56,275 | \$ 57,964 | \$ 59,703 | \$ 61,494 | \$ 63,339 |
| 62801 | Professional Development | 2 | \$ 1,500 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 63101 | Dues & Subscrptn | 2 | \$ 1,250 | \$ 1,250 | \$ 1,288 | \$ 1,326 | \$ 1,366 | \$ 1,407 | \$ 1,449 | \$ 1,493 | \$ 1,537 | \$ 1,583 |
| 63401 | Special Equipment O&M | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 63470 | Spec O&M - Lab Supplies | 2 | \$ 125,000 | \$ 125,000 | \$ 128,750 | \$ 132,613 | \$ 136,591 | \$ 140,689 | \$ 144,909 | \$ 149,257 | \$ 153,734 | \$ 158,346 |
| 63501 | Vehicle MTCE - ISF | 2 | \$ 3,422 | \$ 8,852 | \$ 9,118 | \$ 9,391 | \$ 9,673 | \$ 9,963 | \$ 10,262 | \$ 10,570 | \$ 10,887 | \$ 11,213 |
| 63505 | Vehicle Maint Fuel | 2 | \$ 2,177 | \$ 1,765 | \$ 1,818 | \$ 1,872 | \$ 1,929 | \$ 1,987 | \$ 2,046 | \$ 2,108 | \$ 2,171 | \$ 2,236 |
| 63599 | Vehicle Replacement Fee | 2 | \$ 482 | \$ 2,384 | \$ 2,456 | \$ 2,529 | \$ 2,605 | \$ 2,683 | \$ 2,764 | \$ 2,847 | \$ 2,932 | \$ 3,020 |
| 63601 | BLDG O&M - MTCE | 2 | \$ 7,500 | \$ 7,500 | \$ 7,725 | \$ 7,957 | \$ 8,195 | \$ 8,441 | \$ 8,695 | \$ 8,955 | \$ 9,224 | \$ 9,501 |
| 63603 | BLDG O&M - Janitorial | 2 | \$ 350 | \$ 350 | \$ 361 | \$ 371 | \$ 382 | \$ 394 | \$ 406 | \$ 418 | \$ 430 | \$ 443 |
| 63604 | SPEC O&M - Laundry | 2 | \$ 1,250 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63901 | Training Program / Aids | 2 | \$ 2,500 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63904 | Manuals/Codes | 2 | \$ 750 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 | \$ 597 | \$ 615 | \$ 633 |
| 63909 | Safety Equipment | 2 | \$ 1,750 | \$ 1,500 | \$ 1,545 | \$ 1,591 | \$ 1,639 | \$ 1,688 | \$ 1,739 | \$ 1,791 | \$ 1,845 | \$ 1,900 |
| 64310 | Liability Insurance | 2 | \$ 14,004 | \$ 14,240 | \$ 14,667 | \$ 15,107 | \$ 15,560 | \$ 16,027 | \$ 16,508 | \$ 17,003 | \$ 17,513 | \$ 18,039 |
| 64910 | Depreciation (5) | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 66001 | Other Materials & Supplies | 2 | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 | \$ 11,593 | \$ 11,941 | \$ 12,299 | \$ 12,668 |
| 69201 | Equipment | 2 | \$ 90,000 | \$ 220,000 | \$ 92,700 | \$ 95,481 | \$ 98,345 | \$ 101,296 | \$ 104,335 | \$ 107,465 | \$ 110,689 | \$ 114,009 |
| Total: Sewer Fund Operations - Treatment Plant Lab | | | \$ 953,402 | \$ 1,138,638 | \$ 1,050,485 | \$ 1,094,050 | \$ 1,139,789 | \$ 1,183,084 | \$ 1,216,500 | \$ 1,263,565 | \$ 1,313,100 | \$ 1,365,284 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

| Sewer Fund Operations | | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--|-------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Fund 519 Stonegate Fund | | | | | | | | | | | | |
| Department 8200 Stonegate Facility | | | | | | | | | | | | |
| Salaries and Benefits | | | | | | | | | | | | |
| 61210 | Salaries - Regular | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61501 | Medicare | 4 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61502 | Health Plan | 4 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61503 | PERS | 5 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61504 | Workers Compensation | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61505 | Life Insurance | 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 61507 | Dental / Vision | 4 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supplies and Services | | | | | | | | | | | | |
| 63101 | Dues & Subscrptn | 2 | \$ 1,800 | \$ 2,500 | \$ 2,575 | \$ 2,652 | \$ 2,732 | \$ 2,814 | \$ 2,898 | \$ 2,985 | \$ 3,075 | \$ 3,167 |
| 63401 | Special Equipment O&M | 2 | \$ 25,000 | \$ 80,000 | \$ 82,400 | \$ 84,872 | \$ 87,418 | \$ 90,041 | \$ 92,742 | \$ 95,524 | \$ 98,390 | \$ 101,342 |
| 63451 | Spec O&M - Major MTCE | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| R63401 | Special Equipment O&M | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 63601 | BLDG O&M - MTCE | 2 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 64101 | Raw Water Purchases | 1 | \$ 617 | \$ 316 | \$ 317 | \$ 318 | \$ 319 | \$ 320 | \$ 321 | \$ 322 | \$ 324 | \$ 325 |
| Total: Sewer Fund Operations - Stonegate Facility | | | \$ 27,417 | \$ 82,816 | \$ 85,292 | \$ 87,842 | \$ 90,469 | \$ 93,175 | \$ 95,962 | \$ 98,832 | \$ 101,788 | \$ 104,833 |
| Sewer Fund Operations | | | | | | | | | | | | |
| Operating Transfers | | | | | | | | | | | | |
| Z69990 | Operation Transfers Out (Fund 518-8120) | 8 | \$ 1,419,900 | \$ 1,557,600 | \$ 1,619,904 | \$ 1,684,700 | \$ 1,752,088 | \$ 1,822,172 | \$ 1,895,059 | \$ 1,970,861 | \$ 2,049,695 | \$ 2,131,683 |
| -- | Operation Transfers Out (Fund 518 to Fund 620) | 3 | \$ - | \$ 173,107 | \$ 178,300 | \$ 183,649 | \$ 189,159 | \$ 194,833 | \$ 200,678 | \$ 206,699 | \$ 212,900 | \$ 219,287 |
| Total: Sewer Fund Operations - Operating Transfers | | | \$ 1,419,900 | \$ 1,730,707 | \$ 1,798,204 | \$ 1,868,349 | \$ 1,941,247 | \$ 2,017,005 | \$ 2,095,737 | \$ 2,177,560 | \$ 2,262,595 | \$ 2,350,970 |
| Grand Total: Sewer Fund Operations | | | \$ 9,210,133 | \$ 10,040,956 | \$ 10,324,314 | \$ 10,763,561 | \$ 11,224,012 | \$ 11,673,701 | \$ 12,062,553 | \$ 12,552,051 | \$ 13,065,948 | \$ 13,605,812 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

Non-Cash Items, Show for Reference Purposes:

| Annual Depreciation Expense (5) | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Sewer Collection Depreciation | 2 | \$ 1,043,944 | \$ 1,127,876 | \$ 1,161,712 | \$ 1,196,563 | \$ 1,232,460 | \$ 1,269,434 | \$ 1,307,517 | \$ 1,346,743 | \$ 1,387,145 | \$ 1,428,759 |
| Sewer Treatment Plant Depreciation | 2 | \$ 1,949,024 | \$ 1,919,649 | \$ 1,977,238 | \$ 2,036,555 | \$ 2,097,652 | \$ 2,160,582 | \$ 2,225,399 | \$ 2,292,161 | \$ 2,360,926 | \$ 2,431,754 |
| Wastewater Pretreatment Depreciation | 2 | \$ 2,200 | \$ 2,200 | \$ 2,266 | \$ 2,334 | \$ 2,405 | \$ 2,477 | \$ 2,551 | \$ 2,627 | \$ 2,706 | \$ 2,787 |
| Treatment Plant Lab Depreciation | 2 | \$ 49,373 | \$ 57,642 | \$ 59,371 | \$ 61,152 | \$ 62,987 | \$ 64,877 | \$ 66,823 | \$ 68,828 | \$ 70,892 | \$ 73,019 |
| Total: Annual Depreciation Expense | | \$ 3,044,542 | \$ 3,107,367 | \$ 3,200,588 | \$ 3,296,606 | \$ 3,395,504 | \$ 3,497,369 | \$ 3,602,290 | \$ 3,710,359 | \$ 3,821,669 | \$ 3,936,319 |

| Operating Transfers (5) | Basis | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Z69980 Operating Transfers In (Fund 518-8110) | 9 | \$ (289,250) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69990 Operating Transfers Out (Fund 518-8110) | 9 | \$ 431,386 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Z69970 Debt Service Transfer Out (Fund 518-8120) | 9 | \$ 675,899 | \$ 1,049,897 | \$ 1,048,653 | \$ 1,051,211 | \$ 1,047,552 | \$ 1,047,773 | \$ 1,047,760 | \$ 1,096,714 | \$ 1,094,431 | \$ 1,096,031 |
| Total: Sewer Fund Operations - Operating Transfers | | \$ 818,035 | \$ 1,049,897 | \$ 1,048,653 | \$ 1,051,211 | \$ 1,047,552 | \$ 1,047,773 | \$ 1,047,760 | \$ 1,096,714 | \$ 1,094,431 | \$ 1,096,031 |

FORECASTING ASSUMPTIONS:

| ECONOMIC VARIABLES | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 Customer Growth (7) | -- | 0.34% | 0.34% | 0.34% | 0.34% | 0.34% | 0.34% | 0.34% | 0.34% | 0.33% |
| 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 (8) | -- | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| 4 Health Benefits Cost Inflation (9) | -- | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| 5 Retirement Benefits Cost Inflation (10) | -- | 16.33% | 8.38% | 7.77% | 7.56% | 3.31% | -6.65% | 3.00% | 3.00% | 3.00% |
| 6 Chemicals | -- | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 7 Energy (11) | -- | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| 8 Internal Transfers | -- | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| 9 No Escalation | -- | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

- (1) Revenues for FY 2014/15 -2015/16 are from the City's Actual FY 2014/15 and Proposed FY 2015/16 Pro Forma Analysis (files: *Wastewater Debt Coverage Ratio Actual 14-15.xls*).
- (2) Sewer Service Charges were reduced in FY 2015/16 to account for State mandated conservation; commercial variable revenue was reduced by 32%.
- (3) Interest earnings are per the City's budget in FY 2014/15, and calculated in the Financial Plan for all future years.
- (4) Expenses for FY 2014/15 are from the City's Fiscal Year 2014-15 Budget (file: *14-15 WtrWW Rev Op Bgts Line Item Detail.pdf*). FY 2015/16 expenses are from file: *Wastewater Fund - Expenditures.xls*. Inflationary factors are applied to these expenses to project costs in 2015/16 and beyond.
- (5) The City's budgeted depreciation expense is excluded from this forecast for purposes of the analysis. Contributions to reserves is handled in the Financial Plan and Reserve Fund summaries in this model, and Capital Improvement Program funding is handled in Exhibit 2 (CIP). Operating Transfers were also excluded from this analysis as they do not represent actual cash expenditures. All Operating Transfer amounts are set to zero for future years as they vary annually, with the exception of Debt Service Operating Transfers, which are equal to Debt Service payments that are to be satisfied with Wastewater Rates, excluding the Wastewater Solar Project payments (see Exhibit 3 (Debt) for detail).
- (6) Principal and Interest is for the Opterra Bank of America debt service and the portion thereof that Fund 518 is responsible for. The Opterra debt is charged to divisions instead of using a debt service fund. Data provided by City staff, June 2015, file: *Opterra - Bank of America Debt Service.xlsx*.
- (7) Per the City's direction, growth is based on 50 new sewer connections per year (meeting with City staff on 03/19/2015).
- (8) Labor Cost inflation factor increases noticeably for FY 2016/17 as the City eliminates all furloughs. Inflation is expected to be 3% thereafter (meeting with City staff on 03/19/2015).
- (9) Health Benefit Cost inflation factor was determined by City staff (meeting with City staff on 03/19/2015).
- (10) Retirement Benefit Cost inflation factor was determined by City staff; inflation factor calculated based on retirement benefits costing an average of 30% of the wastewater utilities payroll annually (meeting with City staff on 03/19/2015).
- (11) Energy Cost inflation factor was determined by City staff (meeting with City staff on 03/19/2015).

CAPITAL FUNDING SUMMARY

| CAPITAL FUNDING FORECAST | Budget | | | | | Projected | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Funding Sources: | | | | | | | | | | | |
| Grants | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of Capacity Fee Reserves | \$ 150,000 | \$ - | \$ 901,765 | \$ 991,088 | \$ 410,770 | \$ 411,027 | \$ - | \$ 411,540 | \$ 411,796 | \$ - | \$ - |
| Use of SRF Loan Funding | \$ - | \$ - | \$ 1,200,000 | \$ 3,000,000 | \$ 5,000,000 | \$ 10,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of New Revenue Bond Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of Capital Rehabilitation and Replacement Reserve | \$ 2,329,475 | \$ 2,418,955 | \$ 1,820,382 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Rate Revenue | \$ 1,035,525 | \$ - | \$ - | \$ 2,995,808 | \$ 1,785,733 | \$ 4,817,777 | \$ 3,582,157 | \$ 3,278,082 | \$ 3,388,514 | \$ 3,914,320 | \$ 4,031,749 |
| Total Sources of Capital Funds | \$ 3,515,000 | \$ 2,418,955 | \$ 3,922,147 | \$ 6,986,896 | \$ 7,196,503 | \$ 15,228,804 | \$ 3,582,157 | \$ 3,689,622 | \$ 3,800,310 | \$ 3,914,320 | \$ 4,031,749 |
| Uses of Capital Funds: | | | | | | | | | | | |
| Total Project Costs (Inflated to Future Year Dollars) | \$ 3,515,000 | \$ 2,418,955 | \$ 3,922,147 | \$ 6,986,896 | \$ 7,196,503 | \$ 15,228,804 | \$ 3,582,157 | \$ 3,689,622 | \$ 3,800,310 | \$ 3,914,320 | \$ 4,031,749 |
| Capital Funding Surplus (Deficiency) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| New SRF Loan Funding | \$ - | \$ - | \$ 1,200,000 | \$ 3,000,000 | \$ 5,000,000 | \$ 10,000,000 | \$ - |
| New Revenue Bond Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Set Capital Spending here: \$ 2,348,500 \$ 3,697,000 \$ 6,394,000 \$ 6,394,000 \$ 13,136,500 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000 \$ 3,000,000

| Option #2 Total Project Expenditures: | FY 2015/16 - FY 2019/20 | SFR Loan Funding |
|---|-------------------------|----------------------|
| Digester Improvements | \$ 3,300,000 | \$ 3,000,000 |
| Secondary Clarifier #4 | \$ 5,500,000 | \$ 5,000,000 |
| West Chlorine Contact Basin Rehabilitation | \$ 650,000 | \$ - |
| New Outfall Diffuser | \$ 11,500,000 | \$ 10,000,000 |
| Advanced Treatment & Water Recycling Opportunities Evaluation | \$ 270,000 | \$ - |
| Barscreen Rehabilitation / Replacement | \$ 1,200,000 | \$ 1,200,000 |
| Dewatering System Improvements | \$ 3,550,000 | \$ - |
| Electrical Instrumentation Improvements | \$ 1,000,000 | \$ - |
| Total: | \$ 26,970,000 | \$ 19,200,000 |

| Annual % Of Project Expenditures: | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|-----------------------------------|------|------|------|------|------|-------|
| | 5% | 10% | 20% | 20% | 45% | 100% |

FORECASTING ASSUMPTIONS:

| Economic Variables | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annual Construction Cost Inflation, Per Engineering News Record (1) | 0.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Cumulative Construction Cost Multiplier from 2015 | 1.00 | 1.03 | 1.06 | 1.09 | 1.13 | 1.16 | 1.19 | 1.23 | 1.27 | 1.30 | 1.34 |

(1) For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2004-2014. Source: Engineering News Record website (<http://enr.construction.com>).

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Debt Service
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 3

| EXISTING DEBT OBLIGATIONS | Budget | | Projected | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 | FY 2023/24 | FY 2024/25 |
| Wastewater Revenue Refunding Bonds - 2011 - \$9,715,000 (1) | | | | | | | | | | | |
| Principal Payment | \$ 155,000 | \$ 150,000 | \$ 150,000 | \$ 160,000 | \$ 155,000 | \$ 160,000 | \$ 165,000 | \$ 170,000 | \$ 170,000 | \$ 180,000 | \$ 180,000 |
| Interest Payment | \$ 358,716 | \$ 356,004 | \$ 352,854 | \$ 349,329 | \$ 345,129 | \$ 340,634 | \$ 335,594 | \$ 330,149 | \$ 324,369 | \$ 318,419 | \$ 311,849 |
| Subtotal: Annual Debt Service | \$ 513,716 | \$ 506,004 | \$ 502,854 | \$ 509,329 | \$ 500,129 | \$ 500,634 | \$ 500,594 | \$ 500,149 | \$ 494,369 | \$ 498,419 | \$ 491,849 |
| Coverage Requirement (\$-Amnt above annual payment) (2) | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 | \$ 1,488,119 |
| Reserve Requirement (total fund balance) (3) | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 | \$ 951,121 |
| Wastewater Revenue Refunding Bonds - 2014 - \$7,321,914 (4) | | | | | | | | | | | |
| Principal Payment | \$ 595,966 | \$ 610,568 | \$ 625,527 | \$ 640,852 | \$ 656,553 | \$ 672,638 | \$ 689,118 | \$ 706,001 | \$ 723,298 | \$ 741,019 | \$ - |
| Interest Payment | \$ 163,208 | \$ 148,607 | \$ 133,648 | \$ 118,322 | \$ 102,621 | \$ 86,526 | \$ 70,056 | \$ 53,173 | \$ 35,876 | \$ 18,155 | \$ - |
| Subtotal: Annual Debt Service | \$ 759,174 | \$ 759,164 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ - |
| Coverage Requirement (\$-Amnt above annual payment) (5) | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ 911,009 | \$ - |
| Reserve Requirement (total fund balance) (6) | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ 759,174 | \$ - |
| Wastewater SRF Loan - WWTF - \$3,500,000 (7) | | | | | | | | | | | |
| Principal Payment | \$ - | \$ 141,734 | \$ 144,852 | \$ 148,039 | \$ 151,273 | \$ 154,625 | \$ 158,026 | \$ 161,478 | \$ 165,030 | \$ 168,661 | \$ 172,372 |
| Interest Payment | \$ - | \$ 77,290 | \$ 74,172 | \$ 70,985 | \$ 67,718 | \$ 64,400 | \$ 60,998 | \$ 57,513 | \$ 53,960 | \$ 50,330 | \$ 46,619 |
| Subtotal: Annual Debt Service | \$ - | \$ 219,024 | \$ 219,024 | \$ 219,024 | \$ 218,991 | \$ 219,025 | \$ 219,024 | \$ 218,991 | \$ 218,991 | \$ 218,991 | \$ 218,991 |
| Coverage Requirement (\$-Amnt above annual payment) (8) | \$ - | \$ 262,830 | \$ 262,830 | \$ 262,830 | \$ 262,830 | \$ 262,830 | \$ 262,829 | \$ 262,789 | \$ 262,789 | \$ 262,789 | \$ 262,789 |
| Reserve Requirement (total fund balance) (9) | \$ - | \$ 219,025 | \$ 219,025 | \$ 219,025 | \$ 219,025 | \$ 219,025 | \$ 219,024 | \$ 218,991 | \$ 218,991 | \$ 218,991 | \$ 218,991 |
| Wastewater SRF Loan - Collection - \$7,193,965 (10) | | | | | | | | | | | |
| Principal Payment | \$ - | \$ 273,328 | \$ 274,947 | \$ 279,896 | \$ 284,934 | \$ 290,063 | \$ 295,284 | \$ 338,890 | \$ 344,990 | \$ 351,200 | \$ 357,522 |
| Interest Payment | \$ - | \$ 112,556 | \$ 110,937 | \$ 105,988 | \$ 100,950 | \$ 95,821 | \$ 90,600 | \$ 96,148 | \$ 90,048 | \$ 83,839 | \$ 77,517 |
| Subtotal: Annual Debt Service | \$ - | \$ 385,884 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 |
| Coverage Requirement (\$-Amnt above annual payment) (11) | \$ - | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 | \$ 522,046 |
| Reserve Requirement (total fund balance) (12) | \$ - | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 | \$ 435,039 |
| Wastewater Solar Project - \$2,398,711 (13) | | | | | | | | | | | |
| Principal Payment | \$ 82,164 | \$ 85,451 | \$ 88,869 | \$ 92,423 | \$ 96,120 | \$ 99,965 | \$ 103,964 | \$ 108,122 | \$ 112,447 | \$ 116,945 | \$ 121,623 |
| Interest Payment | \$ 90,943 | \$ 87,657 | \$ 84,239 | \$ 80,684 | \$ 76,987 | \$ 73,142 | \$ 69,143 | \$ 64,985 | \$ 60,660 | \$ 56,162 | \$ 51,484 |
| Subtotal: Annual Debt Service | \$ 173,107 |
| Grand Total: Existing Annual Debt Service | \$ 1,445,998 | \$ 2,043,193 | \$ 2,040,043 | \$ 2,046,518 | \$ 2,037,285 | \$ 2,037,814 | \$ 2,037,783 | \$ 2,086,459 | \$ 2,080,679 | \$ 2,084,729 | \$ 1,318,985 |
| Grand Total: Existing Annual Coverage Requirement | \$ 2,399,128 | \$ 3,184,004 | \$ 3,184,003 | \$ 3,183,963 | \$ 3,183,963 | \$ 3,183,963 | \$ 2,272,954 |
| Grand Total: Existing Debt Reserve Target | \$ 1,710,295 | \$ 2,364,358 | \$ 2,364,357 | \$ 2,364,324 | \$ 2,364,324 | \$ 2,364,324 | \$ 1,605,150 |

Existing Annual Debt Obligations to be Satisfied by Wastewater Rates:

| | | | | | | | | | | | |
|---------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Existing Annual Debt Service | \$ 675,899 | \$ 1,223,004 | \$ 1,221,760 | \$ 1,224,318 | \$ 1,220,659 | \$ 1,220,880 | \$ 1,220,867 | \$ 1,269,821 | \$ 1,267,538 | \$ 1,269,138 | \$ 966,669 |
| Existing Annual Coverage Requirement | \$ 947,655 | \$ 1,666,824 | \$ 1,666,824 | \$ 1,666,824 | \$ 1,666,824 | \$ 1,666,824 | \$ 1,666,823 | \$ 1,666,793 | \$ 1,666,793 | \$ 1,666,793 | \$ 1,306,945 |
| Existing Bond Debt Reserve Target | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 675,566 | \$ 375,693 |
| Existing SRF Loan Debt Reserve Target | \$ - | \$ 599,307 | \$ 599,307 | \$ 599,307 | \$ 599,307 | \$ 599,307 | \$ 599,307 | \$ 599,282 | \$ 599,282 | \$ 599,282 | \$ 599,282 |

Existing Annual Debt Obligations to be Satisfied by Connection Fees:

| | | | | | | | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| Existing Annual Debt Service | \$ 770,099 | \$ 820,189 | \$ 818,283 | \$ 822,200 | \$ 816,626 | \$ 816,934 | \$ 816,916 | \$ 816,638 | \$ 813,141 | \$ 815,591 | \$ 352,316 |
| Existing Annual Coverage Requirement | \$ 1,451,472 | \$ 1,517,180 | \$ 1,517,180 | \$ 1,517,180 | \$ 1,517,180 | \$ 1,517,180 | \$ 1,517,179 | \$ 1,517,169 | \$ 1,517,169 | \$ 1,517,169 | \$ 966,009 |
| Existing Bond Debt Reserve Target | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 1,034,728 | \$ 575,428 |
| Existing SRF Loan Debt Reserve Target | \$ - | \$ 54,756 | \$ 54,756 | \$ 54,756 | \$ 54,756 | \$ 54,756 | \$ 54,756 | \$ 54,748 | \$ 54,748 | \$ 54,748 | \$ 54,748 |

**CITY OF YUBA CITY
WASTEWATER RATE STUDY
Debt Service**

EXHIBIT 3

Preliminary Draft: Do Not Cite or Distribute

- (1) The 2011 Wastewater Bonds refunded the 2002 Bonds. 2011 Bonds are Debt Service Fund 535; payment breakdown is 39.50% paid by Fund 518 and 60.50% by Fund 527. File: *Wastewater 2014 & 2011 Debt Service Schedule.pdf*
- (2) The Coverage Requirement for the 2011 Wastewater Bonds is at least equal to 120% of Maximum Annual Debt Service, taking into account all Parity Debt. File: *2011 Wastewater Refunding Indenture of Trust.pdf*; 3.05(b), page 10.
- (3) The Reserve Requirement for the 2011 Wastewater Bonds is equal to the lesser of (a) \$951,120.59, being 125% of Average Annual Debt Service on the bonds or (b) the amount of Maximum Annual Debt Service on the Bonds.
File: *2011 Wastewater Refunding Indenture of Trust.pdf*; Appendix A, Definitions, page A-8.
- (4) The 2014 Wastewater Bonds refunded the 2007 Bonds. 2014 Bonds are Debt Service Fund 539; payment breakdown is 39.50% paid by Fund 518 and 60.50% by Fund 527. File: *Wastewater 2014 & 2011 Debt Service Schedule.pdf*
- (5) The Coverage Requirement for the 2014 Wastewater Revenue Refunding Bonds are at least equal to 120% Parity Debt. File: *A_003.pdf* City of Yuba City Resolution No. 14-026, Section 5.07, page 15.
- (6) NBS assumes the Reserve Requirement for the 2014 Wastewater Certificates is equal to the Maximum Annual Debt Service on the Bonds as Section 5.02 of Resolution 14-026 states that the city will observe all conditions of Parity Debt.
File: *A_003.pdf* City of Yuba City Resolution No. 14-026, Section 5.02, page 13.
- (7) The Wastewater SRF Loan - WWTF is allocated 75% to Fund 518 (Operating) and 25% to Fund 527 (Connection). Original SRF loan amount was \$6,500,000 less \$3,000,000 in Contingent Principal Forgiveness.
File: *Wastewater SRF - Fund 541 WWTF - revised 5-28-14.pdf* and *Agreement 11-830-550 \$6.5m.pdf*, Exhibit B (4), Project Financing Amount.
- (8) The Wastewater SRF Loan - WWTF Coverage Requirement is equal to at least 1.2 times the total annual debt service. File: *Agreement 11-830-550 \$6.5m.pdf*, Exhibit D (2), Special Conditions.
- (9) The Wastewater SRF Loan - WWTF Reserve Fund is equal to one years debt service. File: *Agreement 11-830-550 \$6.5m.pdf*, Exhibit D (1), Special Conditions.
- (10) The Wastewater SRF Loan - Collection is 100% allocated to Fund 518, and paid for with Debt Service Fund 542. Revised SRF loan amount was \$10,193,965 less \$3,000,000 in Contingent Principal Forgiveness.
File: *Wastewater SRF - Fund 542 Collection System - Revised.pdf* and *Agreement 12-804-550 \$7.7m - Revised 8-8-13.pdf*, Exhibit B (1) and (3), Project Financing Amount.
- (11) The Wastewater SRF Loan - Collection Coverage Requirement is equal to at least 1.2 times the total annual debt service. File: *Agreement 12-804-550 \$7.7m.pdf*, Exhibit D, Special Conditions.
- (12) The Wastewater SRF Loan - Collection Reserve Fund is equal to one years debt service. File: *Agreement 12-804-550 \$7.7m.pdf*, Exhibit D, Special Conditions.
- (13) The Wastewater Solar Project is 100% allocated to Fund 518. NBS assumes there is no coverage or reserve requirement on this debt as it is a loan from the City of Yuba City - Pooled Cash Investment Fund. File: *Wastewater Solar System.pdf*.

NEW DEBT FINANCING ASSUMPTIONS:

| Long-Term Debt Terms | State Revolving Fund Loan | Revenue Bonds |
|---|---------------------------|---------------|
| Issuance Cost | 0.00% | 2.00% |
| Annual Interest Cost (%) | 3.00% | 5.50% |
| Term | 30 | 30 |
| Debt Reserve Funded? | Yes | Yes |
| Coverage Requirement (% above annual pmt) | 20% | 25% |

NEW DEBT OBLIGATIONS:

| Annual Repayment Schedules | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-------------|-------------|------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| SRF Loan Funding | | | | | | | | | | | |
| Principal Payment | \$ - | \$ - | \$ 26,579 | \$ 93,824 | \$ 207,386 | \$ 435,100 | \$ 448,153 | \$ 461,598 | \$ 475,446 | \$ 489,709 | \$ 504,400 |
| Interest Payment | - | - | 37,935 | 131,977 | 287,226 | 597,133 | 584,080 | 570,636 | 556,788 | 542,524 | 527,833 |
| Subtotal: Annual Debt Service | \$ - | \$ - | \$ 64,515 | \$ 225,801 | \$ 494,612 | \$ 1,032,234 |
| Revenue Bonds | | | | | | | | | | | |
| Principal Payment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest Payment | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal: Annual Debt Service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Grand Total: New Annual Debt Service | \$ - | \$ - | \$ 64,515 | \$ 225,801 | \$ 494,612 | \$ 1,032,234 |
| Grand Total: New Annual Coverage Requirement | \$ - | \$ - | \$ 12,903 | \$ 45,160 | \$ 98,922 | \$ 206,447 |
| Grand Total: New Bond Debt Reserve Target | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Grand Total: New SRF Loan Debt Reserve Target | \$ - | \$ - | \$ 64,515 | \$ 225,801 | \$ 494,612 | \$ 1,032,234 |

TOTAL DEBT SERVICE:

| Annual Obligations | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Annual Debt Service | \$ 1,445,998 | \$ 2,043,193 | \$ 2,104,558 | \$ 2,272,319 | \$ 2,531,897 | \$ 3,070,048 | \$ 3,070,017 | \$ 3,118,693 | \$ 3,112,913 | \$ 3,116,963 | \$ 2,351,219 |
| Annual Coverage Requirement | \$ 2,399,128 | \$ 3,184,004 | \$ 3,196,907 | \$ 3,229,164 | \$ 3,282,926 | \$ 3,390,451 | \$ 3,390,449 | \$ 3,390,409 | \$ 3,390,409 | \$ 3,390,409 | \$ 2,479,400 |
| Total Debt Reserve Target | \$ 1,710,295 | \$ 2,364,358 | \$ 2,428,873 | \$ 2,590,160 | \$ 2,858,970 | \$ 3,396,592 | \$ 3,396,591 | \$ 3,396,558 | \$ 3,396,558 | \$ 3,396,558 | \$ 2,637,383 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Projected Water Rates Under Existing Rate Schedule
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 4

| EXISTING WASTEWATER RATES (1) | Current Rates | |
|--|---------------------|---------------------|
| | 09/01/14 - 08/31/15 | 09/01/15 - 08/31/16 |
| Projected Annual Revenue Increase | | |
| <u>Sewer Service Charges (updated September 1st each year)</u> | | |
| Single family dwelling (per unit) | \$38.39 | \$40.53 |
| Duplex (per unit) | \$38.39 | \$40.53 |
| Multiple dwellings (per unit) | \$30.71 | \$32.43 |
| Churches | See Comm Rates | See Comm Rates |
| Offices & retail businesses, non-metered, each service | See Comm Rates | See Comm Rates |
| Schools, per student, per year (2) | \$17.63 | \$18.61 |
| <u>Commercial</u> | | |
| C1 (Retail, Doctor, Church, Barber, Fitness, Theater, etc.) | \$38.39 | \$40.53 |
| C2 (Auto Sales, Motel, Auto Shop, Dry Cleaners, etc.) | \$43.19 | \$45.60 |
| C3 (Fast food, Bakery, Deli, Restaurant, Market, Gas, etc.) | \$52.29 | \$55.23 |
| <u>Metered Rate Sewer Service Charges (per 100 cf)</u> | | |
| \$ per 100 cubic feet | \$1.513 | \$1.597 |
| <u>Septage Waste Disposal</u> | | |
| Septic tank trucks discharging at the WWTP (per gallon) | \$0.296 | \$0.312 |
| Minimum 400 gallons per dump | \$118.40 | \$124.80 |
| <u>Large Industrial User charges</u> | | |
| Waste water (per million gallons) | \$2,240.06 | \$2,336.92 |
| Suspended solids (per pound) | \$0.1724 | \$0.1800 |
| Biochemical demand (per pound) | \$0.2292 | \$0.2393 |

(1) Rates are effective rates as of September 1st, Sections 6-5.408 and 6-5.507, Wastewater Ordinance.

(2) Average Daily Attendance (ADA) for past school year, for number of students.

CITY OF YUBA CITY
WASTEWATER RATE STUDY
Wastewater Cost of Service Analysis/Rate Design
Preliminary Draft: Do Not Cite or Distribute

Current vs. Proposed Sewer Rates (Monthly)

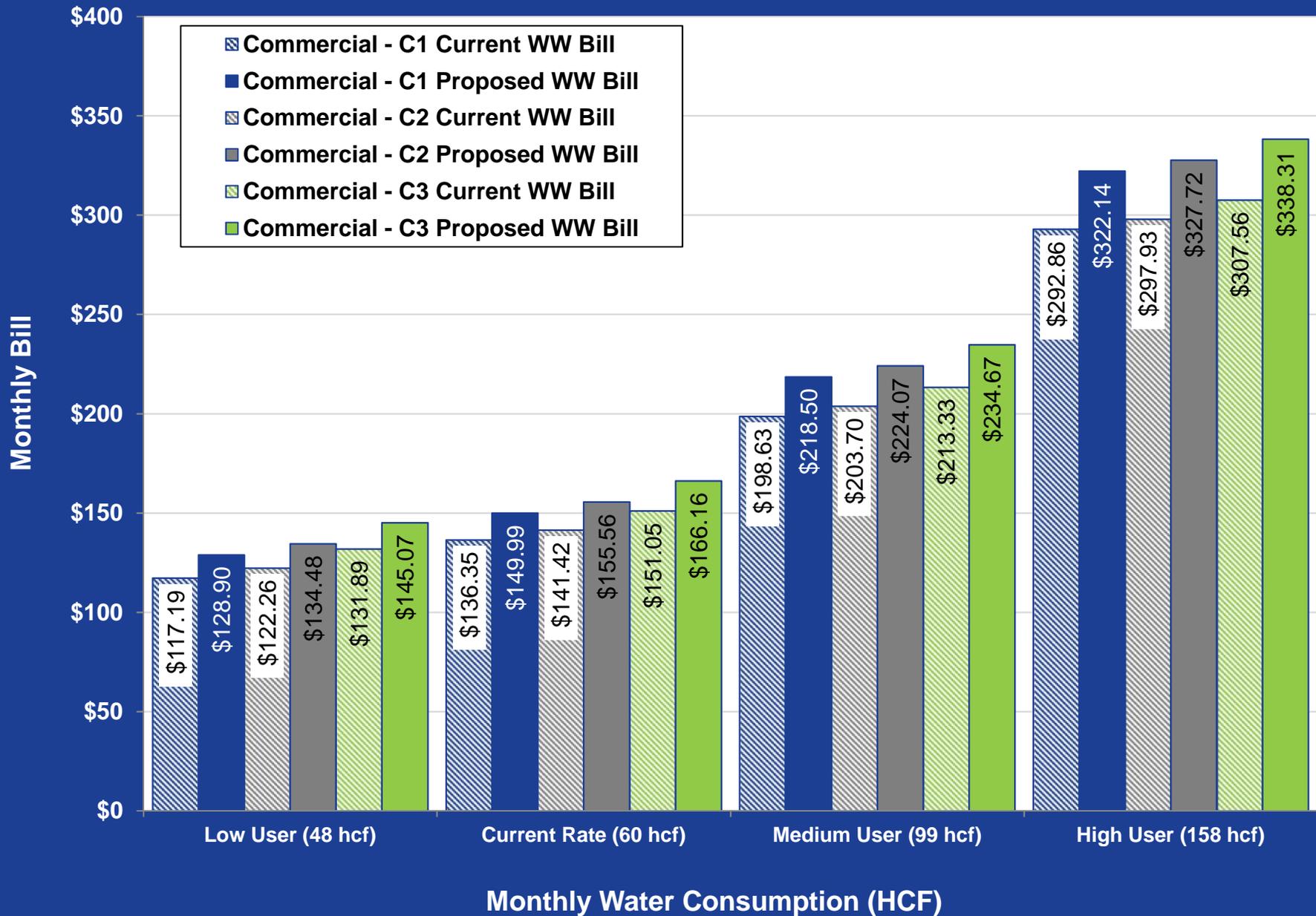
| Sewer Rate Schedule | Current Rates | Recommended Sewer Rates | | | | |
|---|---------------|-------------------------|------------|------------|------------|------------|
| | | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| <i>Projected Increase in Rate Revenue per Financial Plan:</i> | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Monthly Fixed Service Charge (\$/mo.) | | | | | | |
| Single-Family/Duplex Residential (per unit) | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Multi Family Residential (per unit) | \$32.43 | \$35.67 | \$39.24 | \$43.16 | \$47.48 | \$52.23 |
| Commercial - C1 | \$40.53 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Commercial - C2 | \$45.60 | \$50.16 | \$55.18 | \$60.69 | \$66.76 | \$73.44 |
| Commercial - C3 | \$55.23 | \$60.75 | \$66.83 | \$73.51 | \$80.86 | \$88.95 |
| Commercial Volumetric Charge (\$/HCF) (Applied to Monthly Water Use) | | | | | | |
| Commercial - C1 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Commercial - C2 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Commercial - C3 | \$1.60 | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Large Industrial User Charges | | | | | | |
| Waste water (\$/million gallons) | \$2,336.92 | \$2,570.61 | \$2,827.67 | \$3,110.44 | \$3,421.48 | \$3,763.63 |
| Total Suspended solids (TSS - in \$/lb.) | \$0.180 | \$0.198 | \$0.218 | \$0.240 | \$0.264 | \$0.290 |
| Biochemical Oxygen Demand (BOD in \$/lb.) | \$0.239 | \$0.263 | \$0.290 | \$0.319 | \$0.350 | \$0.385 |
| Schools (Average Daily Attendance) | | | | | | |
| Schools, per student, per year | \$18.61 | \$20.47 | \$22.52 | \$24.77 | \$27.25 | \$29.97 |
| Septage Hauler Charges¹ | | | | | | |
| <i>Projected Increase in Rate Revenue per Financial Plan:</i> | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Charge per Gallon | \$0.312 | \$0.343 | \$0.378 | \$0.415 | \$0.457 | \$0.502 |
| Minimum Charge: 400 gallons per dump | \$124.80 | \$137.28 | \$151.01 | \$166.11 | \$182.72 | \$200.99 |
| Minimum Charge: 1,000 gallon truck | \$312.00 | \$343.20 | \$377.52 | \$415.27 | \$456.80 | \$502.48 |
| Minimum Charge: 1,500 gallon truck | \$468.00 | \$514.80 | \$566.28 | \$622.91 | \$685.20 | \$753.72 |

(1) Septage Haulers will be charged for a full tank each occurrence.

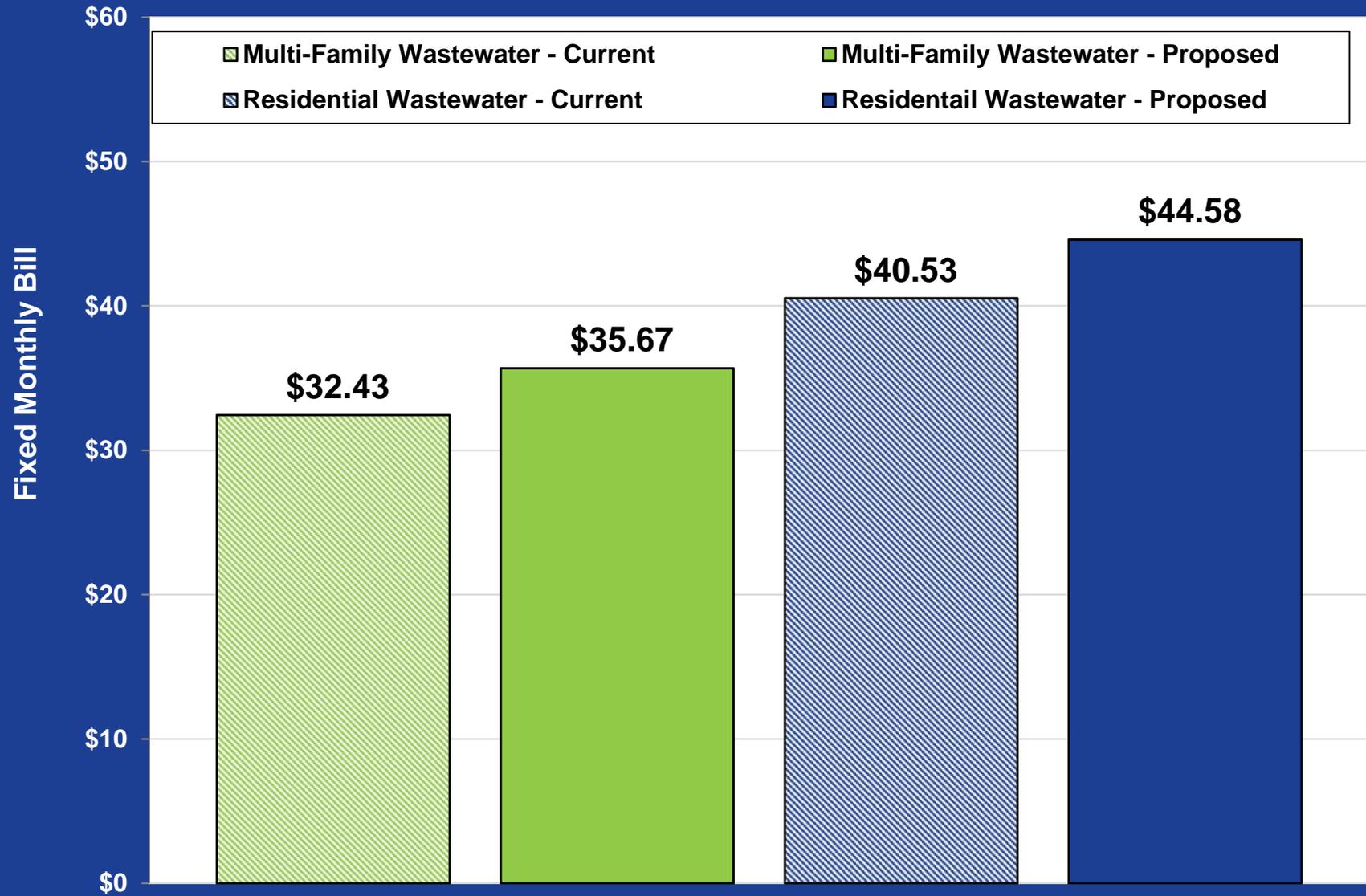
| Sewer Rate Schedule - Conservation Rates (Commercial Customers Only) ¹ | Current Rates | Recommended Sewer Conservation Rates | | | | |
|--|---------------|--------------------------------------|------------|------------|------------|------------|
| | | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| <i>Projected Increase in Rate Revenue per Financial Plan:</i> | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Volumetric Charge (\$/HCF) - Adjusted for Conservation Scenarios¹ | | | | | | |
| <i>Scenario 1 (20% Conservation)</i> | | | | | | |
| Commercial - C1 | \$1.60 | \$ 1.76 | \$ 1.93 | \$ 2.13 | \$ 2.34 | \$ 2.57 |
| Commercial - C2 | \$1.60 | \$ 1.76 | \$ 1.93 | \$ 2.13 | \$ 2.34 | \$ 2.57 |
| Commercial - C3 | \$1.60 | \$ 1.76 | \$ 1.93 | \$ 2.13 | \$ 2.34 | \$ 2.57 |
| <i>Scenario 2 (30% Conservation)</i> | | | | | | |
| Commercial - C1 | \$1.60 | \$ 2.02 | \$ 2.22 | \$ 2.44 | \$ 2.69 | \$ 2.96 |
| Commercial - C2 | \$1.60 | \$ 2.02 | \$ 2.22 | \$ 2.44 | \$ 2.69 | \$ 2.96 |
| Commercial - C3 | \$1.60 | \$ 2.02 | \$ 2.22 | \$ 2.44 | \$ 2.69 | \$ 2.96 |
| <i>Scenario 3 (40% Conservation)</i> | | | | | | |
| Commercial - C1 | \$1.60 | \$ 2.20 | \$ 2.42 | \$ 2.66 | \$ 2.92 | \$ 3.21 |
| Commercial - C2 | \$1.60 | \$ 2.20 | \$ 2.42 | \$ 2.66 | \$ 2.92 | \$ 3.21 |
| Commercial - C3 | \$1.60 | \$ 2.20 | \$ 2.42 | \$ 2.66 | \$ 2.92 | \$ 3.21 |
| <i>Scenario 4 (50% Conservation)</i> | | | | | | |
| Commercial - C1 | \$1.60 | \$ 2.37 | \$ 2.61 | \$ 2.87 | \$ 3.16 | \$ 3.47 |
| Commercial - C2 | \$1.60 | \$ 2.37 | \$ 2.61 | \$ 2.87 | \$ 3.16 | \$ 3.47 |
| Commercial - C3 | \$1.60 | \$ 2.37 | \$ 2.61 | \$ 2.87 | \$ 3.16 | \$ 3.47 |
| <i>Scenario 5 (60% Conservation)</i> | | | | | | |
| Commercial - C1 | \$1.60 | \$ 2.55 | \$ 2.80 | \$ 3.08 | \$ 3.39 | \$ 3.73 |
| Commercial - C2 | \$1.60 | \$ 2.55 | \$ 2.80 | \$ 3.08 | \$ 3.39 | \$ 3.73 |
| Commercial - C3 | \$1.60 | \$ 2.55 | \$ 2.80 | \$ 3.08 | \$ 3.39 | \$ 3.73 |

(1) Only Commercial customers have a true variable (volumetric rate). These rates reflect annual rate increases and percent rate increases needed to offset drought stage conservation.

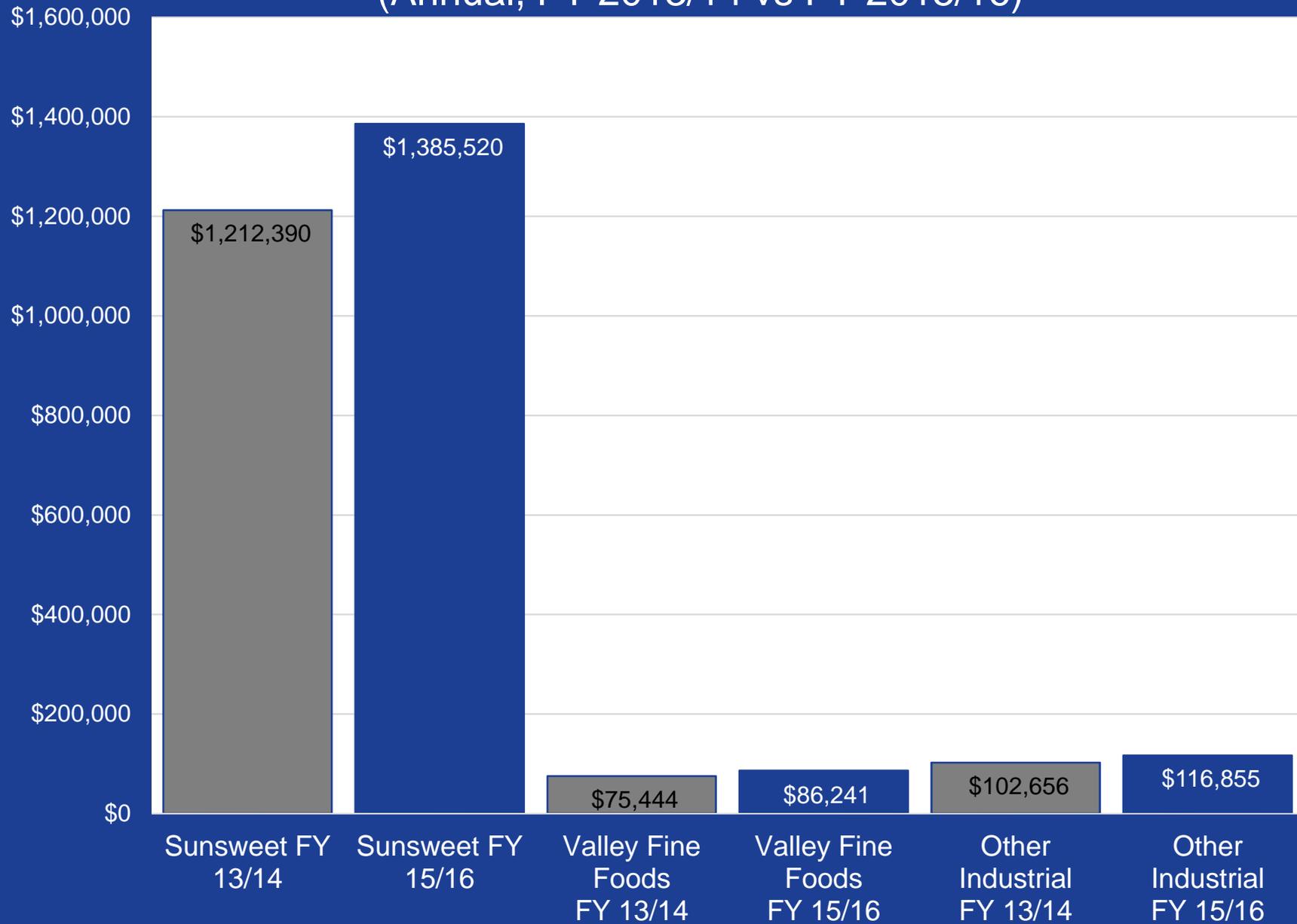
Wastewater Bill Comparisons - Commercial FY 2015/16



Wastewater Bill Comparisons - SFR & MFR (FY 2015/16)



Industrial Wastewater Revenue Comparison (Annual, FY 2013/14 vs FY 2015/16)



CITY OF YUBA CITY
WASTEWATER RATE STUDY
Customer Data
Preliminary Draft: Do Not Cite or Distribute

| Number of Accounts by Class and Size (1) | FY 2013/14 | | | | | | | Total |
|---|------------|------------|------------|-----------|-----------|----------|-----------------------|---------------|
| | 1 inch | 1.5 inch | 2 inch | 3 inch | 4 inch | 6 inch | Unknown Meter Size | |
| Single Family | - | - | - | - | - | - | 12,312 | 12,312 |
| Multi Family | - | - | - | - | - | - | 1,028 | 1,028 |
| Stonegate | - | - | - | - | - | - | 103 | 103 |
| Commercial - C1 | 502 | 202 | 101 | 15 | 6 | 1 | 31 | 858 |
| Commercial - C2 | 39 | 13 | 5 | 1 | - | - | - | 58 |
| Commercial - C3 | 35 | 42 | 23 | 4 | 1 | - | 1 | 106 |
| Industrial | - | - | - | - | - | - | 6 | 6 |
| Schools ADA | 6 | 2 | 6 | 7 | 7 | - | 13 | 41 |
| Outside City Limits - Commercial C-1 | - | 1 | - | - | - | - | - | 1 |
| Total | 582 | 260 | 135 | 27 | 14 | 1 | 13,494 | 14,513 |

(1) Meter count is for June 2014, as provided by the City of Yuba City in file: *Utility Billing Summaries by Month and FY-Final 2-15.xls* and *YCUSD reports*. The City bills customers monthly.

| Revenue Summary by Class FY 2013/14 | Fixed | Variable | Other Revenues | Total |
|--|---------------------|---------------------|-------------------|----------------------|
| Single Family Residential | \$ 5,345,051 | \$ - | \$ - | \$ 5,345,051 |
| Multi Family Residential | \$ 2,570,530 | \$ - | \$ - | \$ 2,570,530 |
| Stonegate | \$ 45,358 | \$ - | \$ - | \$ 45,358 |
| Commercial - C1 | \$ 20,737 | \$ 860,926 | \$ - | \$ 881,663 |
| Commercial - C2 | \$ - | \$ 67,480 | \$ - | \$ 67,480 |
| Commercial - C3 | \$ 834 | \$ 212,056 | \$ - | \$ 212,890 |
| Industrial | \$ 51,965 | \$ 1,264,723 | \$ - | \$ 1,316,688 |
| Schools ADA | \$ 17,361 | \$ - | \$ - | \$ 17,361 |
| Outside City Limits - Commercial C-1 | \$ - | \$ 6,288 | \$ - | \$ 6,288 |
| City Facility Sewer | \$ - | \$ - | \$ 18,329 | \$ 18,329 |
| Septage Charges | \$ - | \$ - | \$ 263,883 | \$ 263,883 |
| Back Sewer | \$ - | \$ - | \$ 85,563 | \$ 85,563 |
| Total | \$ 8,051,836 | \$ 2,411,473 | \$ 367,775 | \$ 10,831,084 |

CITY OF YUBA CITY
WASTEWATER RATE STUDY
WWTF Loading Data
Preliminary Draft: Do Not Cite or Distribute

WWTF Loading Data

| Month | days | Influent Daily Average | | | Influent Daily Average | | | Influent Monthly Average | | |
|--------------|------|------------------------|-----------|-----------|------------------------|--------------|--------------|--------------------------|--------------|--------------|
| | | Flow, MGD | BOD, mg/L | TSS, mg/L | Flow, MGD | BOD, lbs/day | TSS, lbs/day | Flow, MG | BOD, lbs/mo. | TSS, lbs/mo. |
| June-12 | 30 | 6.896 | 420 | 298 | 6.896 | 24,155 | 17,139 | 207 | 724,659 | 514,163 |
| July-12 | 31 | 6.904 | 465 | 285 | 6.904 | 26,774 | 16,410 | 214 | 830,006 | 508,714 |
| August-12 | 31 | 6.444 | 387 | 298 | 6.444 | 20,799 | 16,015 | 200 | 644,754 | 496,477 |
| September-12 | 30 | 6.382 | 422 | 293 | 6.382 | 22,461 | 15,595 | 191 | 673,840 | 467,855 |
| October-12 | 31 | 6.535 | 431 | 332 | 6.535 | 23,490 | 18,095 | 203 | 728,200 | 560,934 |
| November-12 | 30 | 6.294 | 404 | 344 | 6.294 | 21,207 | 18,057 | 189 | 636,203 | 541,717 |
| December-12 | 31 | 6.623 | 390 | 320 | 6.623 | 21,542 | 17,675 | 205 | 667,801 | 547,939 |
| January-13 | 31 | 6.737 | 414 | 297 | 6.737 | 23,261 | 16,687 | 209 | 721,099 | 517,310 |
| February-13 | 28 | 6.892 | 393 | 305 | 6.892 | 22,589 | 17,531 | 193 | 632,502 | 490,873 |
| March-13 | 31 | 6.812 | 368 | 271 | 6.812 | 20,907 | 15,396 | 211 | 648,112 | 477,278 |
| April-13 | 30 | 6.920 | 387 | 239 | 6.920 | 22,335 | 13,793 | 208 | 670,046 | 413,801 |
| May-13 | 31 | 6.748 | 395 | 275 | 6.748 | 22,230 | 15,477 | 209 | 689,128 | 479,773 |
| June-13 | 30 | 6.854 | 367 | 262 | 6.854 | 20,979 | 14,977 | 206 | 629,358 | 449,296 |
| July-13 | 31 | 6.625 | 361 | 241 | 6.625 | 19,946 | 13,316 | 205 | 618,331 | 412,791 |
| August-13 | 31 | 6.641 | 393 | 255 | 6.641 | 21,767 | 14,123 | 206 | 674,767 | 437,826 |
| September-13 | 30 | 6.285 | 395 | 257 | 6.285 | 20,705 | 13,471 | 189 | 621,140 | 404,134 |
| October-13 | 31 | 6.012 | 435 | 235 | 6.012 | 21,811 | 11,783 | 186 | 676,139 | 365,270 |
| November-13 | 30 | 5.776 | 457 | 257 | 5.776 | 22,015 | 12,380 | 173 | 660,436 | 371,405 |
| December-13 | 31 | 5.677 | 378 | 246 | 5.677 | 17,897 | 11,647 | 176 | 554,803 | 361,062 |
| January-14 | 31 | 5.893 | 382 | 263 | 5.893 | 18,774 | 12,926 | 183 | 582,006 | 400,701 |
| February-14 | 28 | 6.067 | 389 | 323 | 6.067 | 19,683 | 16,343 | 170 | 551,122 | 457,615 |
| March-14 | 31 | 6.130 | 350 | 278 | 6.130 | 17,893 | 14,213 | 190 | 554,698 | 440,588 |
| April-14 | 30 | 6.290 | 383 | 301 | 6.290 | 20,092 | 15,790 | 189 | 602,749 | 473,701 |
| May-14 | 31 | 6.214 | 441 | 307 | 6.214 | 22,855 | 15,910 | 193 | 708,496 | 493,216 |
| June-14 | 30 | 6.396 | 421 | 299 | 6.396 | 22,457 | 15,949 | 192 | 673,718 | 478,483 |
| July-14 | 31 | 6.324 | 391 | 259 | 6.324 | 20,622 | 13,660 | 196 | 639,288 | 423,467 |
| August-14 | 31 | 6.271 | 401 | 265 | 6.271 | 20,972 | 13,860 | 194 | 650,143 | 429,646 |
| September-14 | 30 | 5.999 | 433 | 252 | 5.999 | 21,664 | 12,608 | 180 | 649,911 | 378,239 |
| October-14 | 31 | 5.954 | 395 | 257 | 5.954 | 19,614 | 12,762 | 185 | 608,042 | 395,612 |

Source: WWTF loading.xls

| FY 2013/14 Summary | | | |
|---------------------------|------|------------------------------|-----------|
| Average Daily Flow | 6.17 | Total Flow (million gallons) | 2,251 |
| Average BOD | 399 | Total BOD (lbs/yr) | 7,478,404 |
| Average TSS | 272 | Total TSS (lbs/yr) | 5,096,794 |

| Residential & Commercial Customers | |
|---|-----------|
| Total Flow (million gallons) | 1,951 |
| Total BOD (lbs/yr) | 5,064,168 |
| Total TSS (lbs/yr) | 4,566,069 |

| 2014 Summary - Industrial Customers ONLY | | | |
|---|------|------------------------------|-----------|
| Average Daily Flow | 0.00 | Total Flow (million gallons) | 300 |
| Average BOD | 0 | Total BOD (lbs/yr) | 2,414,236 |
| Average TSS | 0 | Total TSS (lbs/yr) | 530,725 |

| Industrial Customers | |
|--|-----------|
| Total Flow (million gallons) | 300 |
| Total Flow (million gallons/day, or MGD) | 0.822 |
| Total BOD (lbs/yr) | 2,414,236 |
| Total TSS (lbs/yr) | 530,725 |