Agenda Item 7C

Approvals:
City Manager
Dept. Head
Attorney SS
Finance JV

AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: June 2, 2015

Department: Finance & Administrative Services
Prepared By: Thomas Rendina, Business Services Officer

Subject: ***CITY CODE MODIFICATION – AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.***

Fiscal Impact: Yes. Water Operating Fund revenues will increase by an estimated $622,300.

Summary: Based on the annual review of the Water Operating Fund, a 4.0% rate increase to the fixed meter charges and the potable water commodity charges is recommended. For non-potable rates, a 5.0% increase to the (recycled) water commodity charge is recommended.

Background: An annual review of the cost to operate the City's Water Utility Fund is conducted as part of the City's budget process. This includes updating a five-year financial forecast for the Water Fund, a line-item review of water operating expenses, and updating the City's Water Rate models. An update of the 2012 Cost-of-Service analysis was also performed by Raftelis Financial Consulting, a copy of which is attached to this report. As required under Ordinance 13.04, the water rates must recover the cost to operate the water utility.

Discussion: **Potable Water**

Each year, during the budget process, staff generates a five-year forecast of Water operating revenues and expenses and updates a financial model to determine what rate modifications are necessary to maintain a neutral operating position in the Water Operating Fund, as required by City Ordinance, Chapter 13.04.220.

Based on the annual review performed by staff, a 4.0% increase is required to achieve a neutral operating position as defined under the Ordinance. This is lower than the 6.0% increase projected during last year's rate review process. This year's model continues to project increases over the next five year period, based on estimated future purchased water costs provided by Municipal Water District of Orange County (MWDOC), projected infrastructure maintenance and replacement costs, and inflation assumptions provided by the Fullerton Economic Forecast, as follows:

Fiscal Year	Projected % increase
2016	4.0%
2017	4.0%
2018	4.0%
2019	4.0%
2020	4.0%

Council will only consider this year's 4.0% rate increase for adoption. No action will be taken on the projected increases in the above table for fiscal years 2017-2020.

New rates will take effect on August 1, 2015 and appear on the September 10th utility bills, which charges for the previous month's water consumption.

The City continues to face increases in the cost of water from the MWDOC. MWDOC increased water rates by 4.4% on January 1, 2015 and will increase the cost of purchased water to the City by 5.3% on January 1, 2016. Infrastructure maintenance and depreciation expenses continue to increase as older infrastructure is refurbished or replaced and other operating cost increases, such as cost of electrical distribution, natural gas, and gasoline continue to rise.

To mitigate the rate increase, staff conducts a thorough review of all operating line items, looking for cost savings and expense reductions wherever possible.

Non-potable (recycled) Water
The City recently completed an expansion project to double the production capacity for recycled water. The expansion brings two benefits;

1) Reduces the dependency on potable water supplies, and
2) Develops a local water supply source.

Costs to process and deliver non-potable water was examined as part of the Raftelis Financial Consulting Cost-of-Service update. A 5.0% increase, slightly higher than the potable water increase, is proposed. Non-potable (recycled) water rates will increase from $2.15 per unit to $2.25 per unit

Future projected rate increases for non-potable water
Based on the updated model for recycled water production, projected increases during the next five years will be higher on a percentage basis than potable water increases. An increase in staffing dedicated to recycled water production, along with increases in electricity, maintenance, and depreciation, account for these differences.

Fiscal Year	Projected % increase
2016	5.0%
2017	6.0%
2018	7.0%
2019	8.0%
2020	8.0%

Council will only consider the establishment of a single flat rate of $2.25 for adoption. No action will be taken on the projected increases reflected in the above table for fiscal years 2016-2019.

Low Income Subsidy
In August 2012, the Low Income Ratepayer Assistance Program was closed to new participants and phased out over a three year period. The existing subsidy at the time was replaced with a flat monthly subsidy of $9.00 and has been reduced by $3.00 each year until expiring this year on July 31, 2015. With the final subsidy amount expiring on July 31st, the subsidy language will be removed from Municipal Code 13.04.222 Subsection A.

Survey
Staff conducted a Utility Rate survey with eight neighboring South County Agencies to compare the cost of water and sewer charges to other local agencies. The result of the survey is attached to this Agenda report as a reference document.

Attached for the City Council's consideration is an Ordinance which incorporates the above-referenced recommendations.

Based on the 4.0% rate adjustment, the average monthly residential bill will increase from $53.01 to $55.06, a $2.05 or 3.9% increase. The average monthly commercial bill will increase from $202.71 to $210.48, a $7.77, or 3.8% increase.

Recommended Action: STAFF RECOMMENDS THAT:

1. the City Council introduce Ordinance No_____ entitled
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.

Attachments: Attachment I, Comparative Utility Rates
Attachment 2, Ordinance No ____
Attachment 3, 2015 Financial Plan and Rate Update Memorandum

Notification: Written notification of the proposed rate increases was mailed to property owners and utility customers prior to April 8, 2015 and published in the Sun Post News on May 22nd, 2015 and May 29th, 2015.

ATTACHMENT I

Single Family Residential
2015 Comparative Utility Rates
(Based on 12 Billing Units per Month)

Rank	Agency	Monthly User Fee	Property Tax	Total
1	Santa Margarita	$58.45	$4.73	$63.18
2	Moulton Niguel	$50.99	$13.41	$64.40
3	Newport Beach	$74.45	-0-	$74.45
4	El Toro	$82.60	$2.49	$85.09
5	San Clemente	$91.71	-0-	$91.71
5[1]	San Clemente	$93.76	-0-	$93.76
6	San Juan Capistrano	$100.02	$4.50	$104.52
7	South Coast WD	$135.05	$14.32	$149.37
8	Ocenaside	$167.53	-0-	$167.53
9	Laguna Beach	$144.75	$28.81	$173.56
Average		$100.62	$7.58	$108.20

The average utility bill for the nine Agencies surveyed equals $108.20 per month. San Clemente's combined average residential bill increase equals 2.2%, (assuming the 0.0% Sewer Rate and the 4.0% Water Rate increases). The $93.76 total is approximately 13.4% lower than the current survey average of $108.20.

It should be noted that six Agencies collect both user fees and property tax assessments to operate their utilities.

[1] San Clemente ranking remains at #5 assuming the approval of the 0.0% Sewer and 4.0% Water rate increase proposal.

ATTACHMENT 2

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.

WHEREAS, the City of San Clemente provides potable and non-potable water to its citizens; and

WHEREAS, the costs of operating the City's potable water system have increased in recent years; and

WHEREAS, the City desires to ensure that the costs associated with the operation of the City's potable and non-potable water systems are recovered through the fees charged for the provision of that service; and

WHEREAS, the City Council hereby finds that the revised fee and rates set forth below do not exceed the estimated reasonable cost of providing services or facilities for which such fees and rates are imposed; and

WHEREAS, written notification was mailed to property owners and utility customers prior to April 8th, 2015 and published in the Sun Post News on May 22nd, 2015 and May 29th, 2015.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE HEREBY ORDAINS AS FOLLOWS:

SECTION 1. Section 13.04.220, subsections (A), (B), and (C) of the San Clemente Municipal Code are hereby amended to read in their entirety as follows:

A. **Fixed Rate.** Except as provided below, every customer to whom the City has issued a water meter shall pay a fixed rate based upon the size of the water meter. The fixed rate shall be as follows:

METER SIZE	MONTHLY FIXED FEE
5/8 in.	$16.81
3/4 in.	$16.81
1 in.	$16.81
1-1/2 in.	$37.80
2 in.	$56.48
3 in.	$109.77

4 in.	$165.82
6 in.	$318.19

B. **Potable Water Consumption Rates.** In addition to the fixed rate established in subsection A of this section above, every customer for which the City has issued a potable water meter shall also pay a monthly potable water consumption rate. The phrase "potable water consumption" shall mean all water which has passed through a City potable water meter. The potable water consumption rate shall be based upon the "per unit" cost of potable water consumed as multiplied by the quantity of potable water consumed. The unit cost of potable water shall be established in tiers based upon the quantity of potable water consumed and whether such water is consumed during the winter or summer water season. The winter water season (winter) shall begin with the usage billed the months of October, November, December, January, February and March. The summer water season (summer) shall begin with the usage billed the months of April, May, June, July, August and September. By way of example, if the fixed rate is sixteen dollars and eighty-one cents ($16.81) and the Tier One per unit winter cost two dollars and seventy-five cents ($2.75) per unit while the Tier Two winter cost four dollars and fifty cents ($4.50) per unit and the Tier Three winter cost nine dollars and sixty-eight cents ($9.68) per unit, a person in the single-family residential category 1 who uses twenty (20) units of water during the April billing cycle will have a water bill of ninety-six dollars and twenty-four cents ($96.24) ($16.81 [fixed rate] + $24.75 [9 units x $2.75 per unit] + $45.00 [10 units x $4.50 per unit] + $9.68 [1 units x $9.68 per unit]). The City potable water consumption rates are established as follows:

SINGLE FAMILY (RESIDENTIAL 1) (0 - 7,000 Square Foot Lot)	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 9 units per month)	$2.75 per unit
Tier 2 - winter (10 - 14 units per month)	$4.50 per unit
Tier 3 - winter (15+ units per month)	$9.68 per unit

Tier 1 - summer (0 - 9 units per month)	$2.75 per unit
Tier 2 - summer (10 - 19 units per month)	$4.50 per unit
Tier 3 - summer (20+ units per month)	$9.68 per unit

SINGLE FAMILY (Large Lot) (>7,000 Square Foot Lot)	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 9 units per month)	$2.75 per unit
Tier 2 - winter (10 - 19 units per month)	$4.50 per unit
Tier 3 - winter (20+ units per month)	$9.68 per unit
Tier 1 - summer (0 - 9 units per month)	$2.75 per unit
Tier 2 - summer (10 - 28 units per month)	$4.50 per unit
Tier 3 - summer (29+ units per month)	$9.68 per unit

MULTIFAMILY RESIDENTIAL MASTER-METERED (Per Dwelling Unit Basis)	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 6 units per month)	$2.75 per unit
Tier 2 - winter (7 - 9 units per month)	$4.50 per unit
Tier 3 - winter (10+ units per month)	$9.68 per unit

Tier 1 - summer (0 - 6 units per month)	$2.75 per unit
Tier 2 - summer (7 - 10 units per month)	$4.50 per unit
Tier 3 - summer (11+ units per month)	$9.68 per unit

MULTIFAMILY RESIDENTIAL INDIVIDUALLY-METERED	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 6 units per month)	$2.75 per unit
Tier 2 - winter (7 - 9 units per month)	$4.50 per unit
Tier 3 - winter (10+ units per month)	$9.68 per unit
Tier 1 - summer (0 - 6 units per month)	$2.75 per unit
Tier 2 - summer (7 - 11 units per month)	$4.50 per unit
Tier 3 - summer (12+ units per month)	$9.68 per unit

COMMERCIAL	
Water Allocation	Cost Per Unit
	$3.85 per unit

C. **Irrigation Water Rates.**

1. **Potable Irrigation Water**. In addition to the fixed rates established in subsection A of this section, every owner of

property for which the City has issued a potable irrigation water meter connected to the potable water system shall also pay a monthly irrigation water consumption rate as hereby established. "Irrigation water consumption" shall mean all water which has flowed through a City irrigation water meter. The irrigation water consumption rate shall be based upon the "per unit" cost of water and the quantity of water consumed per one hundred (100) square feet of irrigated land. By way of example, a customer that is irrigating a one (1) acre site (forty-three thousand five hundred sixty (43,560) square feet with a one and one half (1½) inch irrigation meter and consumes one hundred fifty (150) units in a thirty (30) day summer period would be charged six hundred and forty-two dollars and eighty cents ($642.80) (40 units at $2.75 per unit and 110 units at $4.50 per unit plus a fixed rate of $37.80). The City irrigation water consumption rates are established as follows:

Water Allocation	Cost Per Unit
Tier 1 - winter (0 - .0463 units per 100 square feet of irrigated land)	$2.75 per unit
Tier 2 - winter (.0463 - .1853 units per 100 square feet of irrigated land)	$4.50 per unit
Tier 3 - winter (over .1853 units per 100 square feet of irrigated land)	$9.68 per unit
Tier 1 - summer (0 - .0918 units per 100 square feet of irrigated land)	$2.75 per unit
Tier 2 - summer (.0918 - .3673 units per 100 square feet of irrigated land)	$4.50 per unit
Tier 3 - summer (over .3673 units per 100 square feet of irrigated land)	$9.68 per unit

2. **Non-Potable Irrigation Water**. In addition to the fixed rates established in subsection A of this section, every owner of property for which the City has issued an irrigation water meter connected to the non-potable water system shall also pay a

monthly non-potable irrigation water consumption rate as hereby established."Non-potable irrigation water consumption" shall mean all water which has flowed through a City non-potable irrigation water meter. The non-potable irrigation water consumption rate shall be based upon the "per unit" cost of non-potable water as multiplied by the quantity of non-potable water consumed.

Non-Potable Irrigation	
Water Allocation	Cost Per Unit
	$2.25 per unit

If any provision of this chapter is determined to be void or invalid by any administrative or judicial tribunal, said provision shall be deemed severable and such invalidation shall not invalidate the entirety of this chapter or any other provision thereof.

SECTION 2. The City Clerk shall certify to the passage of this Ordinance and the same shall be noticed as required by law and shall take effect as provided by law.

APPROVED, ADOPTED and SIGNED this ____ day of _____, 2015.

ATTEST:

_____
CITY CLERK of the City of
San Clemente, California

_____
MAYOR of the City of
San Clemente, California

STATE OF CALIFORNIA }
COUNTY OF ORANGE) ss
CITY OF SAN CLEMENTE)

I, JOANNE BAADE, City Clerk of the City of San Clemente, California, hereby certify that Ordinance No. _____, having been regularly introduced at the meeting of _____, 2015, the reading in full thereof unanimously waived, and duly passed and adopted at a regular meeting of the City Council held on the _____ day of _____, 2015, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this ____ day of _____, 2015

_____
CITY CLERK of the City of
San Clemente, California

APPROVED AS TO FORM:

_____
City Attorney

RAFTELIS
FINANCIAL CONSULTANTS, INC.

MEMO

To: Tom Rendina, Business Services Officer, City of San Clemente

From: Sanjay Gaur, Vice President / Khanh Phan, Sr Consultant, Raftelis Financial Consultants, Inc.

Date: April 29, 2015

Re: City of San Clemente – 2015 Financial Plan and Rate Update Memorandum

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Raftelis Financial Consultants, Inc. (RFC) is pleased to provide this Water, Recycled Water, and Sewer Financial Plan and Rate Update Memorandum (Memo) for the City of San Clemente (City) summarizing the key findings and recommendations related to the updated financial plans for Water, Recycled Water and Sewer Enterprise Funds and the corresponding rates for Water, Recycled Water (RW), and Sewer.

Table of Contents

1 Introduction

1.1 Background of the Study

The City of San Clemente (City) provides water, recycled water (RW), and sewer services to over 17,500 accounts within the City limits. The Water Enterprise Fund (Water Fund) supplies existing potable demand through groundwater (less than 500AF) and water purchases from Municipal Water District of Orange County (MWDOC), a member agency of Metropolitan Water District of Southern California (MWD). The Sewer Enterprise Fund (Sewer Fund) owns and maintains its public sanitary sewer system, including collection system, lift stations, and water reclamation plant (WRP), with which it serves the community. Regulations mandate secondary treatment for influent sewer flows before effluent water can be discharged to the ocean.

Currently, the RW system is managed as program 465 – Water Reclamation – under the Water Fund. In fiscal year (FY) 2015, the City completed the expansion of its WRP from 2.2 million gallons per day (MGD) to 5.0 MGD peak capacity. In addition to increased operating costs and depreciation, expansion project costs (approximately $24.4 million) were financed by a $14.4 million State Revolving Fund (SRF) loan, grants, and funds from the City's depreciation reserves. The City is in the process of converting 113 potable irrigation customers to RW between FY 2015 and FY 2017.

In 2012, the City engaged RFC to conduct a comprehensive Water, Recycled Water, and Sewer Rate Study (Rate Study) to develop the financial plan and corresponding rates for its Water and Sewer Enterprise Funds. In 2014, the City retained RFC to conduct the Recycled Water Rate Study (RW Study) to calculate the recycled water rates for existing and conversion customers as the expansion approached the completion stage.

For the past four years California has experienced one of the most severe droughts in state history. To address water supply issues, MWD developed the Water Supply Allocation Plan (WSAP) which provides reduced allocations to wholesale customers within MWD's service area. In turn, on January 20, 2015, MWDOC adopted a methodology to determine the allocation to its member agencies. Member agencies, such as the City, can purchase water above the allocation, but such purchases are subject to severe penalties. The allocation to the City may be reduced depending on the severity of the drought and the drought stage (ranging from 1 to 10) declared by MWD[1].

In light of the current issues and challenges due to the drought and RW conversion, the City engaged RFC in the annual rate update process to revise the financial plan and rates for its Water, Recycled Water and Sewer Enterprise Funds.

[1] MWD has not declared any drought stage as of April 15, 2015. Best estimates are that MWD will declare Stage 3 or Stage 4 sometime in April or May of 2015

1.2 Objectives of the Study

The major objectives of the study include the following:

1. Update the financial plans for the Water, Recycled Water, and Sewer Enterprise Funds to ensure financial sufficiency to successfully meet operation and maintenance (O&M) costs and to ensure sufficient depreciation funding for capital replacement and refurbishment (R&R) needs;
2. Update the Water, Recycled Water and Sewer rates;
3. Conduct a financial impact sensitivity analysis for drought; and
4. Determine the customer impacts from the proposed rates for a typical residential customer.

The Memo summarizes the key findings and recommendations related to the updated financial plans for Water, Recycled Water and Sewer Enterprise Funds and the corresponding rates for Water, Recycled Water (RW) and Sewer.

2 Key Assumptions and Inputs

2.1 Key Assumptions

The Study period is from fiscal year ending June 30, 2016 to 2020. Various types of assumptions and inputs were incorporated into the Study based on discussions with and/or direction from City staff. The inflation factor assumptions are presented **Error! Reference source not found.**below. Note, FY 2016 values subject to inflationary factors use proposed rather than projected values, and correspondingly, inflation factors are not applied.

Table 2-1: Inflation Factor Assumptions

KEY FACTORS	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
General (CPI)		3.0%	3.0%	3.0%	3.0%
Salary		2.0%	2.0%	2.0%	2.0%
Benefits		5.0%	5.0%	5.0%	5.0%
Utilities		5.0%	5.0%	5.0%	5.0%

The City is at built-out, thus no account growth is assumed for the Study period. Given the state-wide drought and ongoing conservation efforts, the Study assumes a permanent reduction of 10 percent in FY 2016 from FY 2015 water consumption. Additionally, 100AF of potable demand reduction is assumed from conversion to RW. Due to the severity of the drought, the City is expediting the RW conversion to be completed by end of FY 2017. The projected potable and RW demand is summarized in Table 2-2.

Of note, the total RW demand in FY 2015 is low because the RW plant was closed from June through November of 2014, with two major accounts using potable water during that period.

Table 2-2: Projected Potable and Converting RW Demand

Year	Potable Demand	Estimated RW Conversion	Total Converted RW Demand	Existing RW Demand	Total RW Demand
FY 2015	9,180 AF	100 AF	100 AF	260 AF	360 AF
FY 2016	8,102 AF	160 AF	260 AF	610 AF	870 AF
FY 2017	7,612 AF	390 AF	750 AF	610 AF	1,360 AF
FY 2018	7,612 AF	0 AF	750 AF	610 AF	1,360 AF
FY 2019	7,612 AF	0 AF	750 AF	610 AF	1,360 AF
FY 2020	7,612 AF	0 AF	750 AF	610 AF	1,360 AF

The WRP expansion is financed primarily from a State Revolving Loan (SRF). The City has budgeted to start repayment of the 20-year loan beginning FY 2016 with annual payments of $895,880, which include principal and interest.

2.2 Current Water, RW and Wastewater Rates

The current potable water rate structure consists of monthly fixed charges that vary by meter size, tiered commodity rates for residential and irrigation customers (shown in Table 2-3), a uniform rate for commercial water usage, and a uniform rate for recycled water usage, within the billing period, as shown in Table 2-4.

Table 2-3: Current Water Tier Definitions

		Winter (Oct – Mar)	Summer (Apr-Sep)
SFR[2] (ccf[3] / month)	Tier 1	0 – 9	0 – 9
	Tier 2[4]	10 – 14	10 – 19
	Tier 3	>14	>19
SFR-LL[5] (ccf / month)	Tier 1	0 – 9	0 – 9
	Tier 2[6]	10 – 19	10 – 28
	Tier 3	>19	>28
Irrigation (IRR) (ccf / 100 sq ft)	Tier 1	0 – 0.0463	0 – 0.0918
	Tier 2	0.0464 – 0.1853	0.0919 – 0.3673
	Tier 3	>0.1853	>0.3673

[2] Single Family Residential (SFR) with regular lot size of 7,000 sq ft or less
[3] 1 ccf = 100 cubic feet = 748 gallons
[4] Provides 2,600 sq ft of landscape area
[5] Single Family Residential with large lots (>7,000 sq ft)
[6] Provides 5,000 sq ft of landscape area

Table 2-4: Current Water Rates effective August 1, 2014

Meter Size	Current
Monthly Fixed Service Charges by meter size	
⅝ in.	$16.17
¾ in.	$16.17
1 in.	$16.17
1½ in.	$36.35
2 in.	$54.31
3 in.	$105.55
4 in.	$159.45
6 in.	$305.96
Commodity Rates ($ / ccf)	
Residential / Irrigation Potable	
Tier I	$2.65
Tier II	$4.33
Tier III	$9.31
Commercial Potable	$3.71
Recycled Water	$2.15

The current sewer rates effective August 1, 2014 are shown in Table 2-5. Sewer rates consist of a monthly fixed fee, which varies with meter size, and a uniform commodity rate, by customer class, on the estimated generated sewer flows. Flows are estimated using a 90 percent wastewater return factor on water usage.

Table 2-5: Current Sewer Rates effective August 1, 2014

Sewer Rates	Current
Monthly Fixed Fees by meter size	
⅝ in.	$23.36
¾ in.	$23.36
1 in.	$23.36
1½ in.	$77.06
2 in.	$123.77
2½ in.	$256.89
3 in.	$256.89
4 in.	$396.99
6 in.	$777.64
Commodity Rates ($ / ccf)	
Single-family residential[7]	$1.42
Multi-family residential/ Mobile Home	$1.42
Low strength commercial/ Schools/ Religious Institutions	$1.94
Medium strength commercial	$2.53
Commercial/ Residential	$2.56
Medium high strength commercial	$4.49
High strength commercial	$6.26

2.3 Water Supply Costs

The City currently has two sources of potable water supply: local groundwater and imported water via MWDOC. Table 2-6 shows the total variable cost per AF for MWD water over the Study period. Annual cost increases of 4.4, 5.3, 8.1, and 7.5 percent are estimated for FY 2017-2020, and total variable unit cost is weighted to account for mid-fiscal year increases (January 1)[8]. Groundwater costs consist of the electricity required for pumping 500 AF per year[9]. Total water costs by fiscal year are shown in Table 2-8.

The City's projected water usage was used as the basis for determining the appropriate amount of water supply necessary and the associated expected water supply costs. Table 2-7 shows projected water sales over the Study period based on current and projected consumption. Additionally the table shows projected total costs for the itemized components of the MWD variable rate in Table 2-6. Fixed costs

[7] According to the City Ordinance, "the sewer commodity rate for single-family dwellings shall be annually calculated by multiplying the per unit rate times ninety (90) percent of Winter Month Average (WMA). For the purposes of this section, winter months shall be defined as the six months between October and March. The WMA shall be calculated using the total consumption for a service location during the prior fiscal year's winter months divided by the number of winter months in which there was water consumption."

[8] MWD rate increases are effective January 1 of each year

[9] 500 AF is the City's estimated annual safe yield / production from the wells

related to MWD are inflated at 3 percent per year and account for $744,000 in FY 2016. Variable costs are estimated at $931.55 per AF in FY 2016, with a total of 7,890 AF imported.

FY 2017 water sales are projected to be 10 percent lower versus FY 2016. Sales are anticipated to be consistent at FY 2017 levels through the Study period. Total potable supply assumes a system loss of 4.4 percent, the difference between demand and supply. As previously discussed, some potable demand will be offset from conversion of users to RW. City staff provided RFC projections for the amount of use that is estimated to be converted from potable to RW during the Study period. It is estimated that a total of 750 AF of potable irrigation use will be converted to recycled water by FY 2017. Expansion is related to both treatment plant expansion and distribution improvements.

Table 2-6: MWD Variable Unit Cost Projections[10]

MWD Variable Cost	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
MWD Tier 1 Supply Rate & Surcharge	$158 /AF	$156 /AF	$163 /AF	$172 /AF	$185 /AF	$199 /AF
MWD System Access Rate	$257 /AF	$259 /AF	$271 /AF	$285 /AF	$308 /AF	$331 /AF
MWD Water Stewardship Rate	$41 /AF	$41 /AF	$43 /AF	$45 /AF	$49 /AF	$52 /AF
MWD System Power Rate	$126 /AF	$138 /AF	$144 /AF	$152 /AF	$164 /AF	$176 /AF
MWD Treatment Surcharge	$341 /AF	$348 /AF	$363 /AF	$383 /AF	$414 /AF	$445 /AF
Calendar Year Rates	**$923 /AF**	**$942 /AF**	**$984 /AF**	**$1,036 /AF**	**$1,120 /AF**	**$1,204 /AF**
Jul - Dec	55%	$923.00	$942.00	$983.87	$1,036.20	$1,119.93
Jan - Jun	45%	$942.00	$983.87	$1,036.20	$1,119.93	$1,203.67
Weight Average Variable Unit Cost		**$931.55**	**$960.84**	**$1,007.42**	**$1,073.88**	**$1,157.61**

[10] Based on MWD/MWDOC projected increases

Table 2-7: Purchased Water Cost Projections

Descriptions	FY 2016 Budgeted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Water Demand (AF)					
Potable Water Sales	8,102	7,612	7,612	7,612	7,612
Potable Production[11]	8,390	7,947	7,947	7,947	7,947
Water Supply to meet Water Demand (AF)					
Groundwater (GW)	500	500	500	500	500
MWDOC Blended	7,890	7,447	7,447	7,447	7,447
Water Supply Unit Costs					
MWD Variable Cost	$931.55	$960.84	$1,007.42	$1,073.88	$1,157.61
MWD RTS	$575,000	$592,250	$610,018	$628,318	$647,168
MWD Capacity	$169,000	$174,070	$179,292	$184,671	$190,211
MWDOC Meter Charge	$187,000	$192,610	$198,388	$204,340	$210,470
SCP O&M Surcharge	$35,000	$36,050	$37,132	$38,245	$39,393
MWDOC Penalty[12]	$3,000	$3,000	$3,000	$3,000	$3,000
Water Supply Cost					
Fixed Cost	$744,000	$766,320	$789,310	$812,989	$837,379
MWDOC Variable Cost	$7,350,302	$7,155,271	$7,502,123	$7,997,068	$8,620,621
Other WS Cost	$35,000	$36,050	$37,132	$38,245	$39,393
Purchased Water	**$8,129,302**	**$7,957,641**	**$8,328,564**	**$8,848,302**	**$9,497,392**

Table 2-8: Water Cost Projections

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Purchased Water	$8,129,302	$7,957,641	$8,328,564	$8,848,302	$9,497,392
GW Pumping Costs	$74,290	$76,147	$78,051	$80,002	$82,002
Total Water Costs	**$8,203,592**	**$8,033,788**	**$8,406,615**	**$8,928,304**	**$9,579,394**

[11] Includes 4.4 percent water loss

[12] Over-allocation penalty from MWD is per acre foot and estimated here as passed along from MWDOC

2.4 Reserve Policy

A reserve policy is a written document that provides a basis for an agency to manage unanticipated reductions in revenues, offset fluctuations in costs of providing services, or fiscal emergencies such as revenue shortfalls, asset failure, natural disasters, etc. It also provides guidelines for sound financial management with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. Additionally, adopting and adhering to a sustainable reserve policy enhances financial management transparency and helps achieve or maintain a more favorable credit rating for future debt issues.

The appropriate amount of reserves and reserve types are determined by a variety of factors, such as the size of the operating budget, the amount of debt, the type of rate structure, frequency of customer billing, and risk of natural disaster. Most reserves can be categorized as one of the following: operations & maintenance (O&M) cash flow, rate stabilization, capital repair and replacement (R&R), and emergency.

The City's current reserve policy sets the target level for the Operating Enterprise Funds at 12 percent of operating budget (roughly 45 days of cash), including depreciation funding for capital replacement, and excluding water costs.

Table 2-9: Current Operating Reserve Policy

Operating Fund	FY 2016 Operating Budget (including Depreciation Funding & excluding Water Supply Costs)	FY 2016 Target Reserve Levels (12%)
Water and Recycled Water	$10.2M	$1.32M
Sewer	$9.5M	$1.14M

2.5 Key Financial Information

The Study utilized the following key financial documents and figures:

1. FY 2016 Budget provided by City staff in March 2015
2. Water supply quantity and cost information
3. Estimated ending fund balances as of June 30, 2015 provided by City staff in March 2015

Table 2-10: Ending FY 2015 Fund Balances

Operating Funds	Balance (June 30, 2015)
Water & RW	$5,159,544
Sewer	$2,244,623

3 Water, RW and Sewer Financial Plan Updates

3.1 5-Year Financial Plan for Water and Recycled Water Operating Fund

Based upon the inputs and assumptions in Section 2, and revenue requirements of the Water Enterprise, Table 3-1 displays the five years of proposed revenue adjustments for both Water and RW. RFC proposes 4% revenue adjustments for the Water Enterprise, for all five years of the Study period. RFC proposes increasing revenue adjustments for RW.

Table 3-1: Proposed Water and Recycled Water Revenue Adjustments

Fiscal Year	Effective Date	Water	Recycled Water
2016	Aug 1, 2015	4 percent	5 percent
2017	Aug 1, 2016	4 percent	6 percent
2018	Aug 1, 2017	4 percent	7 percent
2019	Aug 1, 2018	4 percent	8 percent
2020	Aug 1, 2019	4 percent	8 percent

Figure 3-1 illustrates the Water operating financial plan. Note that water supply costs have been included with total O&M expenses as shown in blue. O&M expenses increase steadily through the Study period, increasing the Enterprise's revenue requirement. Revenues under proposed rates (green line) are sufficient to meet the increasing O&M costs (blue bars), depreciation funding of capital R&R (light orange bars) and have sufficient funds to maintain Operating reserves of 12% as prescribed by the City's Fiscal Policy.

Figure 3-2 shows the RW operating financial plan. O&M expenses are shown as blue bars and debt service - related to the RW expansion SRF loan - is shown as green bars. RW's total revenue requirement increases in out years as expansion related depreciation is funded for future R&R (shown as light orange bars in the figure). With proposed revenue adjustments the RW system requires less in loans from Water to cover revenue shortfalls. Proposed RW revenues are shown as a green line.

Figure 3-1: Water Operating Financial Plan (excluding RW Program 465)

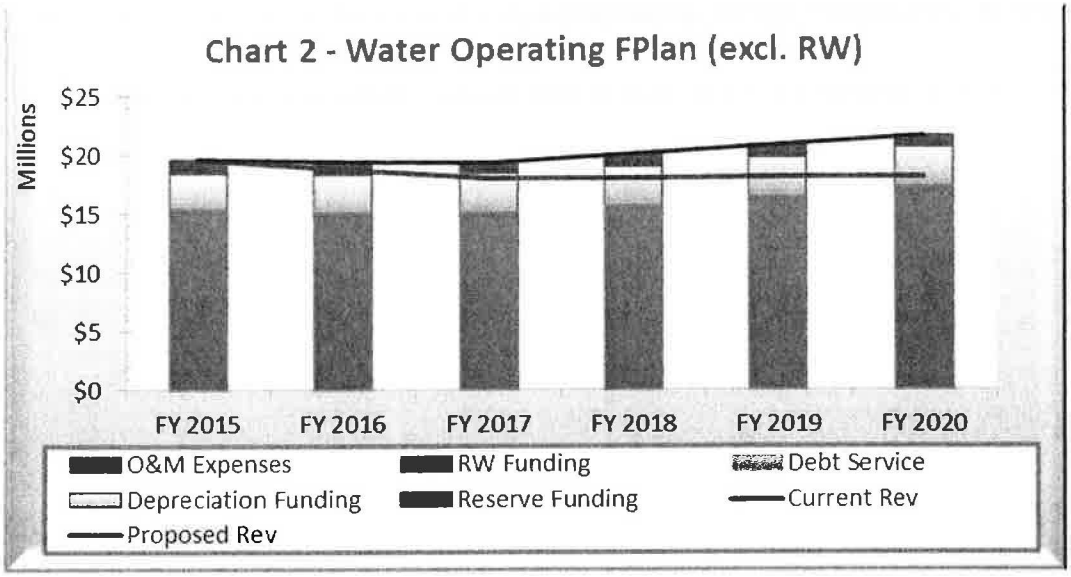
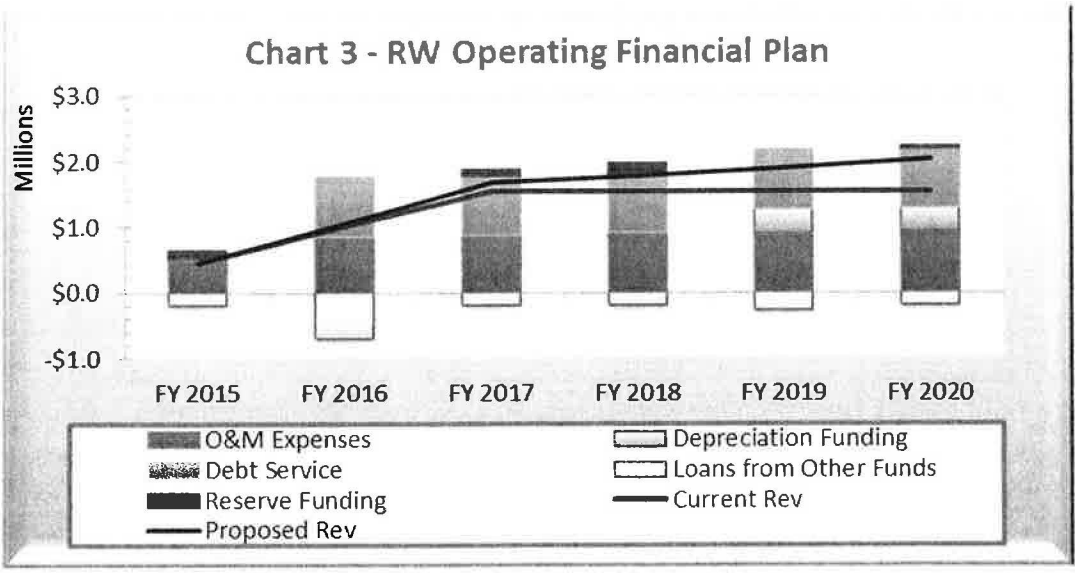


Figure 3-2: RW Operating Financial Plan (Program 465)



Given proposed revenue adjustments for Water and RW, ending fund balances are maintained above target level. The ending balance drops in FY 2016 due to a one-time transfer out of the fund for the Baker Treatment Plant, as well as, the negative operating position of the RW system.

Figure 3-3: Projected Water & RW Operating Fund Ending Balances

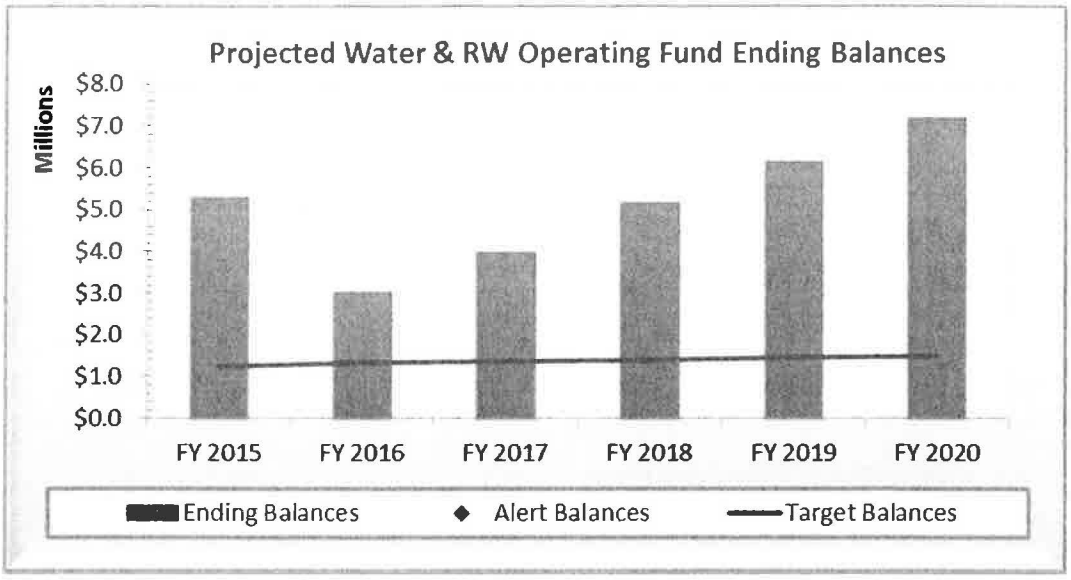


Table 3-2 displays the pro-forma of the Water and Recycled Water Operating Fund at current consumption, with proposed revenue adjustments from FY 2016-2020 as shown in Table 3-1. These rate adjustments are in line with proposed adjustments in the 2012 Report, which proposed revenue adjustments of 4.5% for FY 2016 and FY 2017.

Revenues generated from proposed rates and other miscellaneous revenues are sufficient to recover the operating expenses of the Water Enterprise through 2020. Net Annual Cash Balances are projected to be positive in all years other than FY 2016 to fund reserves. The negative cash balance in FY 2016 is due to the one-time transfer for the expansion at the Baker Treatment Plant.

Projected ending fund balances are above target over the Study period (as shown in Figure 3-3). Given the uncertainty of the drought, the balance above target is necessary to ensure that the City can manage through a reduction in water sales, or a penalty from MWDOC, as the drought persists and/or intensifies.

Table 3-2: Proposed Water and Recycled Water Operating Fund Proforma

	FY 2016 Budgeted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
REVENUES					
Water Revenues from Current Rates	$17,366,913	$16,468,132	$16,468,132	$16,468,132	$16,468,132
Water Revenue Adjustments	$636,787	$1,286,710	$1,996,904	$2,735,505	$3,503,651
Other Water Operating Revenues	$592,400	$598,324	$604,307	$610,350	$616,454
Water Non-Operating Revenues	$841,035	$918,563	$955,019	$994,594	$1,033,795
RW Revenues from Current Rates	$814,823	$1,273,727	$1,273,727	$1,273,727	$1,273,727
RW Revenue Adjustments	$37,346	$137,244	$234,898	$354,406	$484,657
Other RW Operating Revenues	$195,195	$270,522	$270,522	$270,522	$270,522
TOTAL REVENUES	**$20,484,498**	**$20,953,223**	**$21,803,509**	**$22,707,237**	**$23,650,938**
O&M EXPENSES					
461 WATER ADMINISTRATION	$1,415,870	$1,458,300	$1,502,056	$1,547,183	$1,593,725
462 WATER PRODUCTION	$2,139,380	$2,203,860	$2,270,427	$2,339,154	$2,410,117
Water Cost	$8,203,592	$8,033,788	$8,406,615	$8,928,304	$9,579,394
463 TRANSMISSION & DISTRIBUTION	$2,824,250	$2,918,939	$3,017,272	$3,119,405	$3,225,501
464 WATER CONSERVATION	$243,220	$250,417	$257,850	$265,528	$273,458
465 WATER RECLAMATION	$816,840	$844,378	$872,977	$902,680	$933,537
SUBTOTAL O&M EXPENSES	**$15,643,152**	**$15,709,682**	**$16,327,196**	**$17,102,254**	**$18,015,732**
GROSS EARNINGS	**$4,841,346**	**$5,243,540**	**$5,476,312**	**$5,604,982**	**$5,635,205**
DEPRECIATION FUNDING					
461 WATER ADMINISTRATION	$8,560	$8,560	$8,560	$8,560	$8,560
462 WATER PRODUCTION	$2,593,780	$2,593,780	$2,593,780	$2,593,780	$2,593,780
463 TRANSMISSION & DISTRIBUTION	$751,080	$751,080	$751,080	$751,080	$751,080
465 WATER RECLAMATION	$38,250	$39,398	$40,579	$362,197	$363,451
SUBTOTAL DEPRECIATION FUNDING	**$3,391,670**	**$3,392,818**	**$3,393,999**	**$3,715,617**	**$3,716,871**
RW DEBT SERVICE					
Existing Debt Service	$895,880	$895,880	$895,880	$895,880	$895,880
SUBTOTAL RW DEBT SERVICE	**$895,880**	**$895,880**	**$895,880**	**$895,880**	**$895,880**
NET INCOME	**$553,796**	**$954,843**	**$1,186,433**	**$993,486**	**$1,022,455**
Net Transfers from / (to) Other Funds	**-$2,700,000**	**$0**	**$0**	**$0**	**$0**
WATER DEPRECIATION FUND	-$2,700,000	$0	$0	$0	$0
NET CASH BALANCES	**-$2,146,204**	**$954,843**	**$1,186,433**	**$993,486**	**$1,022,455**
Beginning Operating Fund Balances	$5,159,544	$3,013,340	$3,968,183	$5,154,616	$6,148,102
Ending Total Fund Balances	**$3,013,340**	**$3,968,183**	**$5,154,616**	**$6,148,102**	**$7,170,557**
Target Fund Balances	$1,322,308	$1,350,805	$1,380,310	$1,449,308	$1,480,945

3.2 5-Year Financial Plan Sewer Operating Fund

Table 3-3 displays the five years of proposed revenue adjustments for the Sewer Enterprise based upon the inputs and assumptions in Section 2 and revenue requirements of the enterprise. RFC proposes no adjustment in FY 2016 and 2% adjustments in FY 2017-2020.

Table 3-3: Proposed Sewer Revenue Adjustments

Fiscal Year	Effective Date	Sewer Revenue Adjustments
2016	Aug 1, 2015	0 percent
2017	Aug 1, 2016	2 percent
2018	Aug 1, 2017	2 percent
2019	Aug 1, 2018	2 percent
2020	Aug 1, 2019	2 percent

Figure 3-4 illustrates the Sewer operating financial plan. Note that no reserve funding (red bars) is required in FY 2016 to meet the total revenue requirement. O&M expenses and depreciation funding increases through the Study period which increases the Enterprise's revenue requirement. Revenues under proposed rates (green line) are sufficient to meet the increasing O&M costs (blue bars), depreciation funding of capital R&R (light orange bars) and have sufficient funds for contribution to Operating Reserves (red bars).

Figure 3-4: Sewer Operating Financial Plan

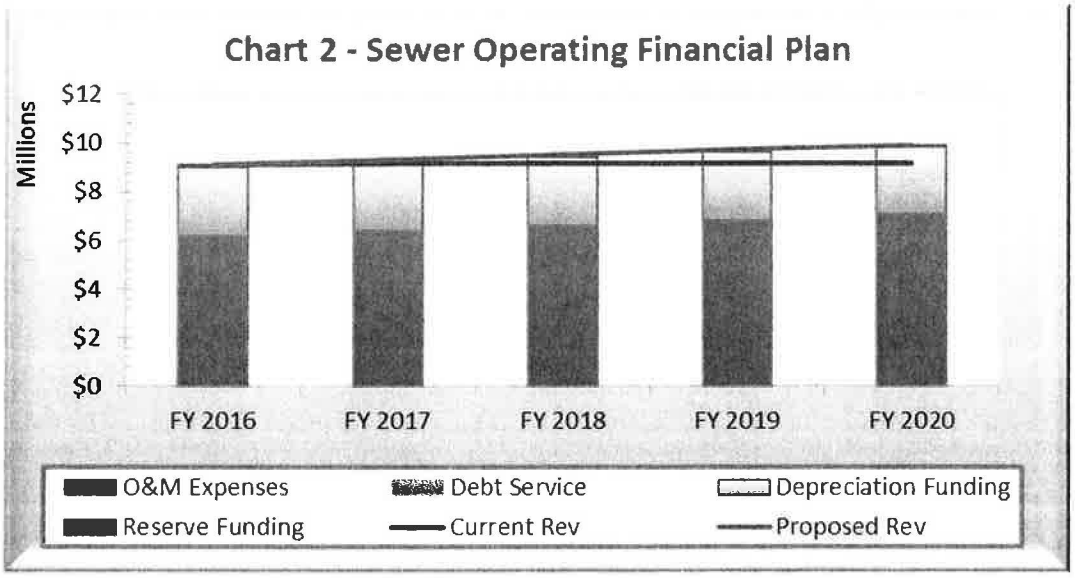


Figure 3-5 shows ending fund balances. Given proposed revenue adjustments, ending fund balances are maintained above target level. The ending balance increases steadily over the Study period from positive net income.

Figure 3-5: Projected Sewer Operating Fund Ending Balances

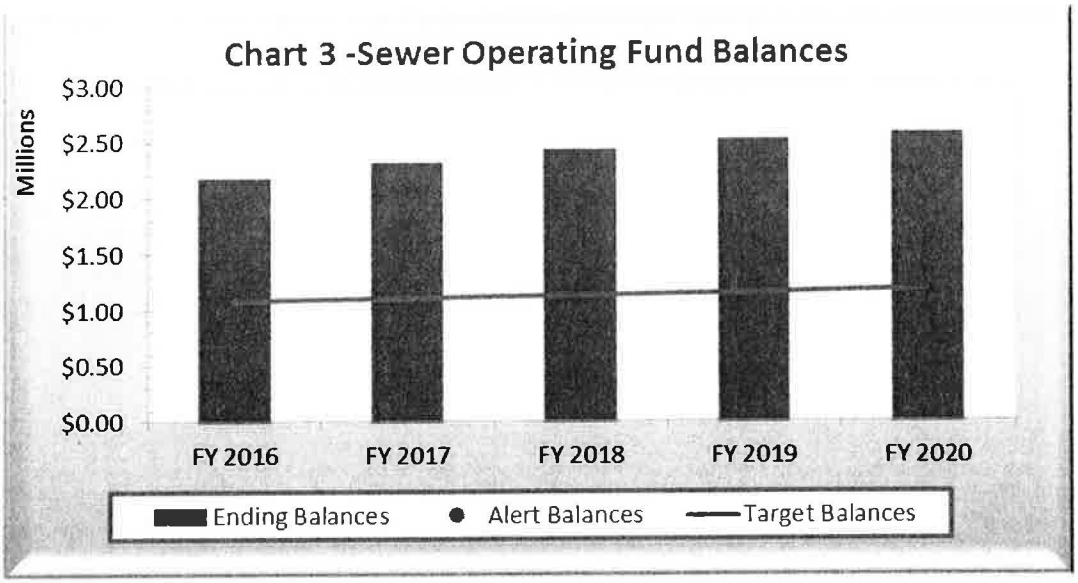


Table 3-4 displays the pro-forma of the Sewer Operating Fund at current sewer billed flows, with proposed revenue adjustments from FY 2016-2020 as shown in Table 3-1.

Revenues generated from proposed rates and other miscellaneous revenues are sufficient to recover the operating expenses of the Sewer Enterprise through 2020. The Net Annual Cash Balance is projected to be negative $70K in FY 2016 due to the one-time transfer to Sewer Depreciation of $250K. In all years other than FY 2016 annual cash is positive to fund reserves.

Table 3-4: Proposed Sewer Operating Fund Proforma

	FY 2016 Budgeted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
REVENUES					
Revenues from Current Rates	$9,102,658	$9,102,658	$9,102,658	$9,102,658	$9,102,658
Revenue Adjustments	$0	$166,882	$352,273	$541,371	$734,252
Other Operating Revenues	$5,000	$5,050	$5,101	$5,152	$5,203
Non-Operating Revenues	$20,240	$69,265	$72,996	$76,052	$78,290
TOTAL REVENUES	**$9,127,898**	**$9,343,855**	**$9,533,027**	**$9,725,233**	**$9,920,404**
OPERATING EXPENSES					
O&M EXPENSES					
471 SEWER ADMINISTRATION	$1,355,100	$1,395,101	$1,436,336	$1,478,845	$1,522,669
472 TREATMENT	$3,065,100	$3,170,294	$3,279,527	$3,392,969	$3,510,798
473 COLLECTION	$1,777,750	$1,834,634	$1,893,566	$1,954,626	$2,017,900
SUBTOTAL O&M EXPENSES	*$6,197,950*	*$6,400,029*	*$6,609,429*	*$6,826,440*	*$7,051,367*
DEPRECIATION FUNDING					
471 SEWER ADMINISTRATION	$30,000	$30,000	$30,000	$30,000	$30,000
472 TREATMENT	$1,080,000	$1,080,000	$1,080,000	$1,080,000	$1,080,000
473 COLLECTION	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
SUBTOTAL DEPRECIATION FUNDING	*$2,810,000*	*$2,810,000*	*$2,810,000*	*$2,810,000*	*$2,810,000*
TOTAL OPERATING EXPENSES	**$9,007,950**	**$9,210,029**	**$9,419,429**	**$9,636,440**	**$9,861,367**
NET INCOME	**$119,948**	**$133,825**	**$113,599**	**$88,793**	**$59,037**
Net Transfers from / (to) Other Funds	**-$190,000**	**$0**	**$0**	**$0**	**$0**
OTHER FUNDS	$60,000	$0	$0	$0	$0
SEWER DEPRECIATION FUND	-$250,000	$0	$0	$0	$0
NET CASH BALANCES	**-$70,052**	**$133,825**	**$113,599**	**$88,793**	**$59,037**
Beginning Operating Fund Balances	$2,244,623	$2,174,571	$2,308,396	$2,421,995	$2,510,788
Ending Operating Fund Balances	**$2,174,571**	**$2,308,396**	**$2,421,995**	**$2,510,788**	**$2,569,825**
Target Fund Balances	$1,080,954	$1,105,204	$1,130,331	$1,156,373	$1,183,364

4 Drought Sensitivity Analysis

RFC conducted a sensitivity analysis to estimate the City's susceptibility to drought induced water sales shortages, as well as, permanent demand reduction attributable to behavioral changes from long-term drought conditions. The analysis assumes the 4% revenue adjustments proposed in Table 3-1.

RFC analyzed the enterprise's sensitivity to a 30% reduction in water demand in FY 2016 from prior year (FY 2015) levels and resultant impact to enterprise fund levels. The hypothetical reduction was applied uniformly across all tiers and customer classes. Given the length and extent of the state-wide drought, and recent proclamations from the State capitol and Governor's office mandating at least a 25% reduction, a 30% reduction is a likely prospect for FY 2016.

Table 4-1 displays the year-over-year demand factors and associated potable water sales. Decreased demand is maintained in FY 2017 before increasing 10% per year in FY 2018 and FY 2019. Note that at FY 2020 demand is assumed to be permanently reduced by 10% (i.e. demand only rebounds 20% from the original 30% reduction). The further reduction in potable sales in FY 2017 (roughly 8%) is attributable to the last 490AF of RW conversion and not from decreased demand.

Table 4-1: Assumed Water Sales during Severe Drought

Fiscal Year	Water Demand Factors *(% of prior year sales before RW conversion)*	Potable Water Sales
2016	70 percent	6,266 AF
2017	100 percent	5,776 AF
2018	110 percent	6,354 AF
2019	110 percent	6,989 AF
2020	100 percent	6,989 AF

Figure 4-1 shows the results of reduced water sales on enterprise fund balances. Given reduced water demand of 30%, the subsequent rebound of 20% and, permanent loss of 10% of demand, fund balances fall below target in FY 2017 and remain below target through the study period. These results demonstrate the maximum degree of reduced water sales the enterprise can withstand, while maintaining fiscal solvency. At demand reductions greater than 30% the fund balances fall further below target, and in fact, run the risk of operating without reserves, which could lead to rate spikes.

The uncertainty of prolonged drought conditions and supply shortage, coupled with volatility in water sales revenues, means the enterprise must be pro-active in maintaining healthy fund balances. Given the modest fund targets versus a likely one-third reduction in demand, the City should act conservatively and ensure adequate funds for operations, should large water sales reductions occur.

5 FY 2016 Rates and Customer Impact Analysis

5.1 FY 2016 Rates

RFC recommends that the City retain its existing fixed charge by meter size for all customers and its existing commodity charge structure (as found in Table 2-3), including no tier definition (tier breakpoint) changes for SFR or Irrigation customers. Table 5-1 presents proposed water rates for FY 2016. The monthly service charge is increased by the proposed revenue adjustment in Table 3-1 of 4%. Those customers with the City's most common size meter of 1" will see a $0.65 increase in the fixed charge and modest increases in the commodity rates, particularly in Tier 1.

The increase in service charge is the same for both water and RW meters (4%). The potable commodity rates are also increased by 4% while the RW commodity rate is increased by 5%, consistent with Table 3-1.

Table 5-1: Proposed Water and Recycled Water Rates effective August 1, 2015

Meter Size	Current	Proposed	$ Change
Monthly Fixed Service Charges by meter size			
⅝ in.	$16.17	**$16.82**	$0.65
¾ in.	$16.17	**$16.82**	$0.65
1 in.	$16.17	**$16.82**	$0.65
1½ in.	$36.35	**$37.81**	$1.46
2 in.	$54.31	**$56.49**	$2.18
3 in.	$105.55	**$109.78**	$4.23
4 in.	$159.45	**$165.83**	$6.38
6 in.	$305.96	**$318.20**	$12.24
Commodity Rates ($ / ccf)			
Residential / Irrigation Potable			
Tier I	$2.65	**$2.76**	$0.11
Tier II	$4.33	**$4.51**	$0.18
Tier III	$9.31	**$9.69**	$0.38
Commercial Potable	$3.71	**$3.86**	$0.15
Recycled Water	$2.15	**$2.26**	$0.11

Proposed sewer rates are presented in Table 5-2. RFC recommends the City retain its existing structure which recovers both fixed revenue and variable revenue, based on water consumption. Table 5-2 presents the proposed sewer rates for FY 2016. As there is no revenue adjustment proposed for the Sewer Enterprise in FY 2016, the current and proposed rates are the same.

Table 5-2: Proposed Sewer Rates effective August 1, 2015

Sewer Rates	Current	Proposed	$ Change
Monthly Fixed Fees by meter size			
⅝ in.	$23.36	**$23.36**	$0
¾ in.	$23.36	**$23.36**	$0
1 in.	$23.36	**$23.36**	$0
1½ in.	$77.06	**$77.06**	$0
2 in.	$123.77	**$123.77**	$0
2½ in.	$256.89	**$256.89**	$0
3 in.	$256.89	**$256.89**	$0
4 in.	$396.99	**$396.99**	$0
5 in.	$777.64	**$777.64**	$0
6 in.	$23.36	**$23.36**	$0
Commodity Rates ($ / ccf)			
Single-family residential	$1.42	**$1.42**	$0
Multi-family residential/ Mobile Home	$1.42	**$1.42**	$0
Low strength commercial/ Schools/ Religious Institutions	$1.94	**$1.94**	$0
Medium strength commercial	$2.53	**$2.53**	$0
Commercial/ residential	$2.56	**$2.56**	$0
Medium high strength commercial	$4.49	**$4.49**	$0
High strength commercial	$6.26	**$6.26**	$0

5.2 Customer Impact Analysis

Upon developing proposed monthly rates for the enterprises, impacts can be calculated for different customer classes under various levels of use. Since rate increases from proposed revenue adjustments are being applied "across-the-board" all customers experience the same percentage increase in their bill. Figure 5-1 illustrates sample bills for SFR customers with a 1" meter, the most common in service. A customer using 15 ccf per month will see an increase in their monthly bill of $2.72. A larger user at 30 ccf will see their bill increase by $7.62.

Figure 5-1: Sample Residential Water Bills

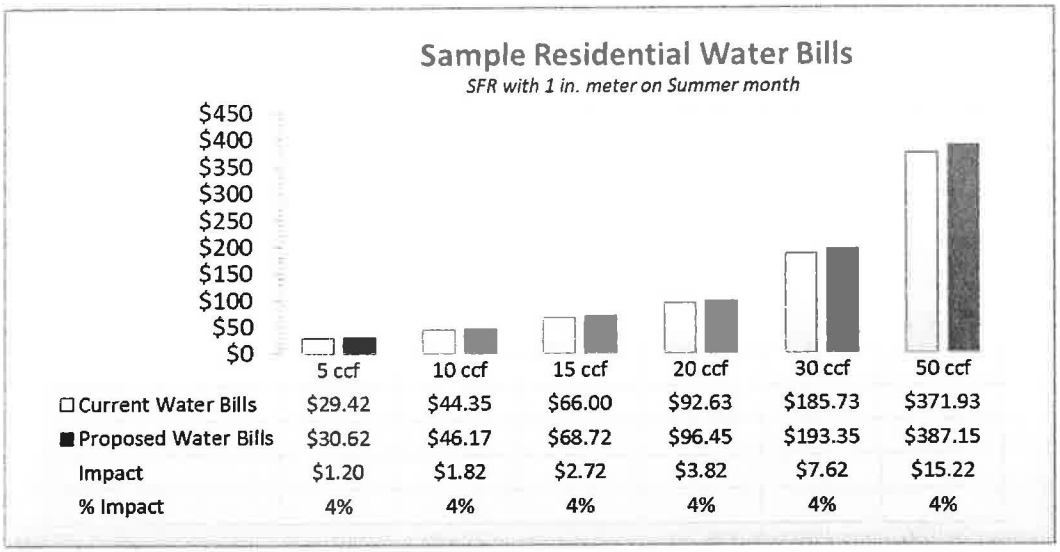


Figure 5-2 illustrates SFR impacts for wastewater bills. Again the increase is across-the-board so the percentage change is the same while the dollar increase depends on customer class, meter size and use. SFR customers will see a 2% increase in their sewer bill in FY 2017 through FY 2020.

Figure 5-2: Sample Residential Wastewater Bills

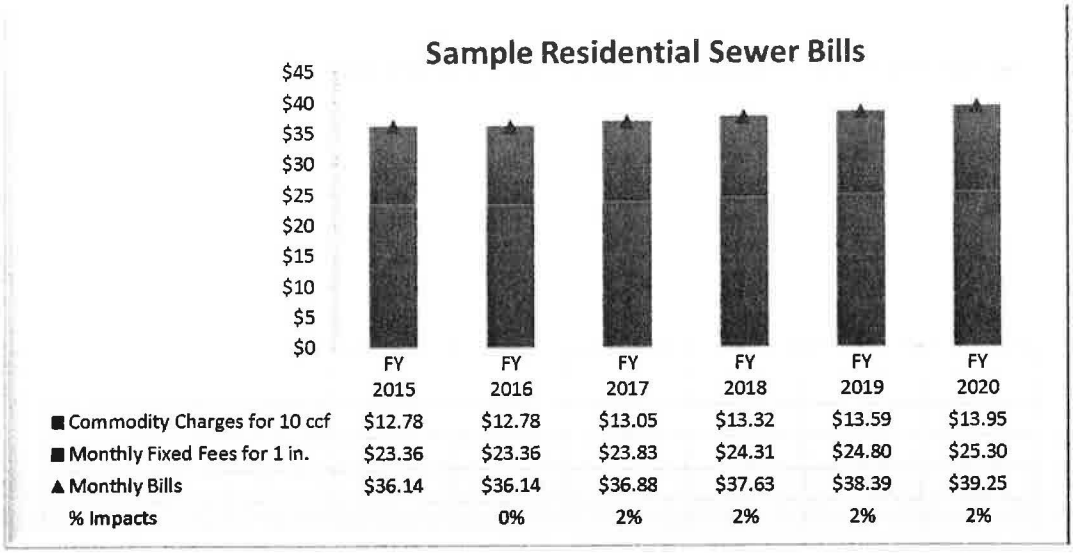
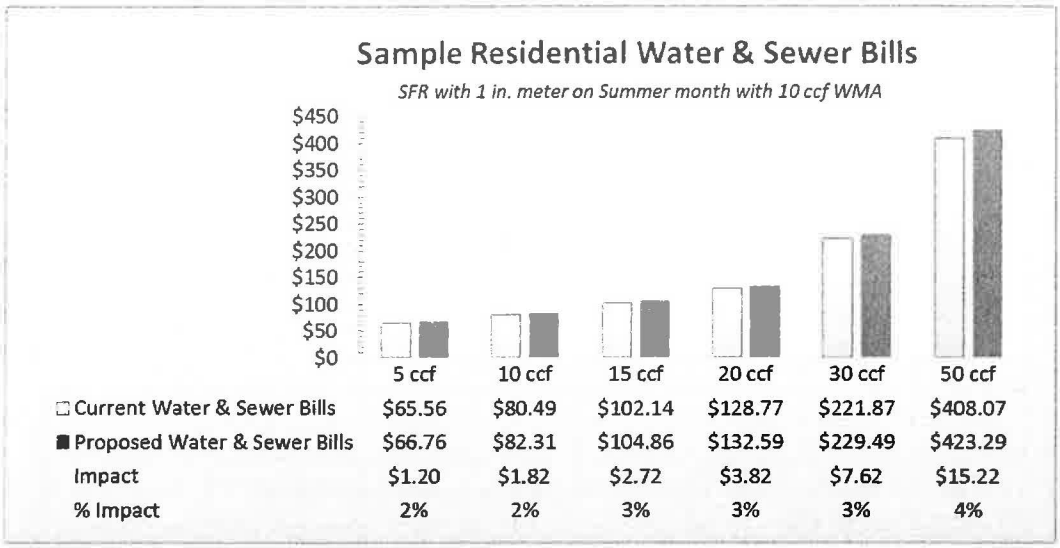


Figure 5-3 shows a combined utility bill with corresponding impacts for the same SFR customer as in Figures 5-1 and 5-2, for FY 2016. Larger users experience the largest increase in combined utility bills while low volume users see a marginal increase in their bill.

Figure 5-3: Sample Residential Water & Sewer Bills for FY 2016

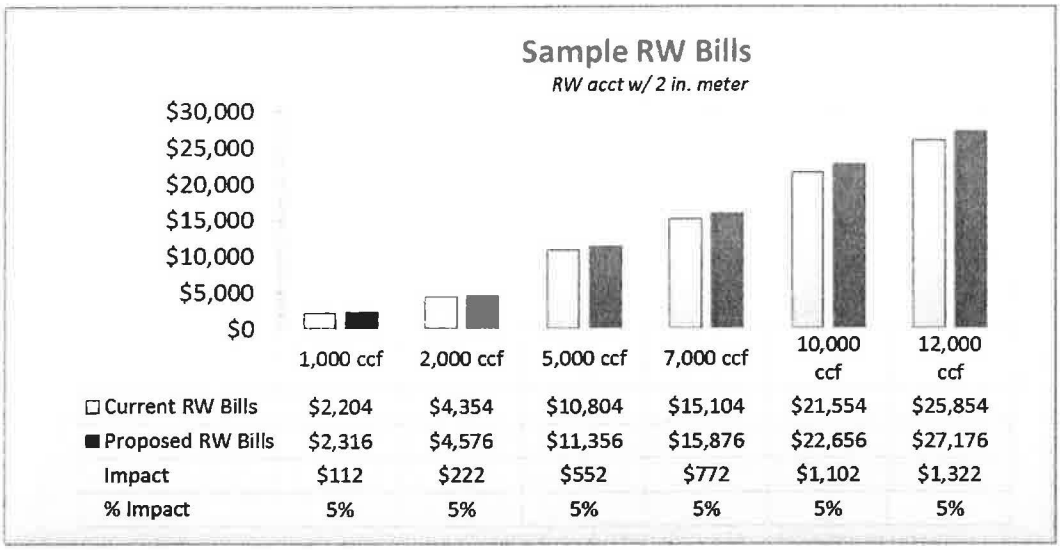


	5 ccf	10 ccf	15 ccf	20 ccf	30 ccf	50 ccf
Current Water & Sewer Bills	$65.56	$80.49	$102.14	$128.77	$221.87	$408.07
Proposed Water & Sewer Bills	$66.76	$82.31	$104.86	$132.59	$229.49	$423.29
Impact	$1.20	$1.82	$2.72	$3.82	$7.62	$15.22
% Impact	2%	2%	3%	3%	3%	4%

Figure 5-4 presents a FY 2016 sample bill and impacts for a RW customer. Again the proposed RW increase is across-the-board so customer impacts are relative to use, with low volume users experiencing smaller impacts than larger users, in absolute dollars.

RW bills have two different increases: 4 percent on the service charge- which is the same as potable users- and 5 percent on the commodity rate. Since RW users are generally large volume consumers, the overall increase approximates the commodity rate increase of 5 percent.

Figure 5-4: Sample RW Bills[13]



	1,000 ccf	2,000 ccf	5,000 ccf	7,000 ccf	10,000 ccf	12,000 ccf
Current RW Bills	$2,204	$4,354	$10,804	$15,104	$21,554	$25,854
Proposed RW Bills	$2,316	$4,576	$11,356	$15,876	$22,656	$27,176
Impact	$112	$222	$552	$772	$1,102	$1,322
% Impact	5%	5%	5%	5%	5%	5%

[13]Rates are rounded up to the nearest whole penny. For example, the current RW commodity rate of $2.15 per ccf, increased by 5 percent, is equal to $2.2575 and rounded up to $2.26. The increase is therefore slightly more than 5 percent on the bill.