



# **CITY OF ATASCADERO CITY COUNCIL AGENDA**

## **\* COVID-19 NOTICE \***

**Consistent with Executive Orders N-25-20 and No. N-29-20 from the Executive Department of the State of California and the San Luis Obispo County Health Official's March 18, 2020 Shelter at Home Order, the City Council Meeting will not be physically open to the public and City Council Members will be teleconferencing into the meeting.**

### **HOW TO OBSERVE THE MEETING:**

To maximize public safety while still maintaining transparency and public access, the meeting will be live-streamed on SLO-SPAN.org, on Spectrum cable Channel 20 in Atascadero, and on KPRL Radio 1230AM. The video recording of the meeting will repeat daily on Channel 20 at 1:00 am, 9:00 am, and 6:00 pm and will be available through the City's website or by visiting <https://slo-span.org/static/meetings-ATASCC.php>.

### **HOW TO SUBMIT PUBLIC COMMENT:**

Members of the public are highly encouraged to call **805-538-2888** to listen and provide public comment via phone, or submit written public comments to [cityclerk@atascadero.org](mailto:cityclerk@atascadero.org) by 5:00 pm on the day of the meeting. Such email **comments must identify the Agenda Item Number in the subject line of the email**. The comments will be read into the record, with a maximum allowance of 3 minutes per individual comment, subject to the Mayor's discretion. All comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time. If a comment is received after the agenda item is heard but before the close of the meeting, the comment will still be included as a part of the record of the meeting but will not be read into the record.

### **AMERICAN DISABILITY ACT ACCOMMODATIONS:**

Any member of the public who needs accommodations should contact the City Clerk's Office at [cityclerk@atascadero.org](mailto:cityclerk@atascadero.org) or by calling 805-470-3400 at least 48 hours prior to the meeting or time when services are needed. The City will use their best efforts to provide reasonable accommodations to afford as much accessibility as possible while also maintaining public safety in accordance with the City procedure for resolving reasonable accommodation requests.

City Council agendas and minutes may be viewed on the City's website: [www.atascadero.org](http://www.atascadero.org).

Copies of the staff reports or other documentation relating to each item of business referred to on the Agenda are on file in the office of the City Clerk and are available for public inspection on our website, [www.atascadero.org](http://www.atascadero.org). Contracts, Resolutions and Ordinances will be allocated a number once they are approved by the City Council. The Minutes of this meeting will reflect these numbers. All documents submitted by the public during Council meetings that are either read into the record or referred to in their statement will be noted in the Minutes and available for review by contacting the City Clerk's office. All documents will be available for public inspection during City Hall business hours once City Hall is open to the public following the termination of the Shelter at Home Order.



# **CITY OF ATASCADERO CITY COUNCIL**

## **SPECIAL MEETING AGENDA**

**Tuesday, April 14, 2020**

**City Hall Council Chambers, 4th floor  
6500 Palma Avenue, Atascadero, California**

**City Council Special Meeting:**

**6:00 P.M.**

**SPECIAL MEETING – CALL TO ORDER: 6:00 P.M.**

**COMMUNITY FORUM:** This portion of the meeting is reserved for persons wanting to address the Council on this Special Meeting Agenda.

### **MANAGEMENT REPORTS:**

#### **1. Proposed Sewer Service Rate Increases**

- Fiscal Impact: Approving staff recommendations will generate an estimated \$400,000 in additional revenue from sewer service charges collected in FY20/21 over FY19/20 amounts.
- Recommendations: Council:
  1. Direct staff to administer the Proposition 218 majority protest process and send out notice of the proposed increases to all property owners connected to the municipal sanitary sewer system.
  2. Cancel the Public Hearing on May 26, 2020 for the City Council's consideration of the proposed wastewater rate increases.
  3. Set a new Public Hearing on June 9, 2020 for the City Council's consideration of the proposed wastewater rate increases. [Public Works]

### **B. ADJOURN**

**Please note:** Should anyone challenge any proposed development entitlement listed on this Agenda in court, that person may be limited to raising those issues addressed at the public hearing described in this notice, or in written correspondence delivered to the City Council at or prior to this public hearing. Correspondence submitted at this public hearing will be distributed to the Council and available for review in the City Clerk's office.



# **Atascadero City Council**

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## **Staff Report - Public Works Department**

### **Proposed Sewer Service Rate Increases**

#### **RECOMMENDATIONS:**

Council:

1. Direct staff to administer the Proposition 218 majority protest process and send out notice of the proposed increases to all property owners connected to the municipal sanitary sewer system.
2. Cancel the Public Hearing on May 26, 2020 for the City Council's consideration of the proposed wastewater rate increases.
3. Set a new Public Hearing on June 9, 2020 for the City Council's consideration of the proposed wastewater rate increases.

#### **REPORT IN BRIEF:**

***This report was presented to City Council on March 24, 2020 at which time the Council directed staff to administer the Proposition 218 majority protest process, set a public hearing for May 26, 2020, and send out notice of the proposed sewer service rate increases and public hearing. Staff drafted a notice, which was sent to the City's printing and mailing vendor, MailStream.net, for distribution. However, the vendor mistakenly printed and distributed the notice they had on file for last year's sewer service rate increase, whereby requiring the City to send a new notice and set a new public hearing date, in order to meet the 45-day minimum written notice requirements of Proposition 218.***

The City is proposing to increase wastewater rates in order to accommodate the costs of providing wastewater services due to a number of key factors including but not limited to rising treatment and energy costs; impacts of regulation and legislation; and past and continued critical upgrades and/or replacement of wastewater facilities and infrastructure. Sanitary sewer rates for Atascadero customers have been increased only three times in nearly 40 years. Increasing wastewater rates must comply with Proposition 218, which requires certain procedures to be followed with regard to "property-related" fee increases imposed by governmental agencies. This report provides the analysis for the rate increases and identifies the procedures to implement the new rates.

## DISCUSSION:

### Background

The City of Atascadero provides wastewater collection and treatment service for most non-residential properties and a portion of the City's residential population serving a combined area consisting of approximately 2,000 acres of the roughly 15,000 acres within the City boundary. Customers of the wastewater collection and treatment system are comprised of approximately 5,000 parcels that include residential, commercial, and light industrial customers. The remainder of the City's population is served by on-site wastewater treatment systems (septic systems).

The City of Atascadero assumed ownership and operation of the wastewater collection and treatment system from the Atascadero County Sanitation District in 1982 shortly after incorporation (1979). While there have been upgrades, modifications, and additions to wastewater treatment facilities, the overall process has not changed significantly since 1982 and is considered a stabilization pond treatment system.

The wastewater collection system (also referred to as the sanitary sewer system) is currently comprised of approximately 63 miles of four to 21-inch diameter gravity sewer pipe, 1,460 manholes, 12 lift stations, 7 miles of four to 16-inch diameter forcemain, and 5,000 sewer service connections. This system has expanded since 1982 but still has original pipes in service from the 1930's.

Utilities that have customer water consumption data customarily use consumption during winter months as a basis for the year-round sewer service charges at a volumetric rate. Customers connected to the City's sanitary sewer system are billed a fixed charge for the City's service to collect and treat the wastewater, which is called a sewer service charge or wastewater service charge. This fixed rate methodology is used since the City is not the water supplier and does not have access to individual customer water consumption data without the customer's consent. The fixed charge used by the City is based upon Equivalent Dwelling Units (EDUs), where one EDU is the basis for a single family residence (SFR) service charge, based upon an estimated average daily flow of 240 gallons of wastewater and wastewater strength provided by the residence. Other connection users are assigned a multiple or fraction of an EDU based upon expected average daily flow and strength of wastewater compared to that of SFR. For example, an apartment or condo is 0.75 EDUs and charged 0.75 times that of a SFR service charge, and a restaurant with less than 40 seats is four EDUs and charged 4 times that of a SFR service charge. The City currently has about 8,400 EDUs in the system.

Sewer service charges are collected by placing a levy each year on the property taxes of individual customers through San Luis Obispo County. The City provides data to the County including the Assessor's Parcel Number (APN) and the associated sewer service charge being levied on the property. The charge is included as a line item on the customer's property tax statements. Revenue from sewer service charges are paid to the City twice each year.

The sewer service charges have been adjusted only three times since 1982. Council adopted the current monthly rate of \$24.01 per EDU last year. Prior to that, the current rates had remained unchanged since 1994.

### Wastewater Rate Analysis

The City is dedicated to keeping rates low by maintaining lean staffing levels, absorbing increasing operational and maintenance costs, and using reserves when necessary. However, much like other utilities and services delivered to homes and businesses, the costs involved to collect and treat wastewater have risen and continue to rise.

As part of the Wastewater Master Plan process, an independent engineering consultant, MKN, assessed and analyzed the capital needs of the wastewater collection and treatment systems. A Capital Improvement Program (CIP) was developed that identified numerous capital facility replacements and upgrades to provide a safe and reliable wastewater system. In addition to other projects, the most significant capital projects identified consist of the Water Reclamation Facility treatment process improvements totaling in excess of \$23 million, and Lift Station No. 13 and Force Main project totaling about \$5.5 million. Both projects are expected to be completed within the next five years. The CIP cost estimates exceed \$52 million over the next ten years.

Tuckfield & Associates, an independent financial consultant, completed a comprehensive wastewater rate study for the City's wastewater enterprise in May 2019 (see attached). This study analyzed the City's wastewater services, wastewater enterprise revenue and revenue requirements, and current rate structure. The study also analyzed and determined the cost of providing wastewater services and their corresponding impacts to customer's bills. This analysis identified a number of key factors that result in the proposed rates. These key factors include, but are not limited to:

- Rising treatment and energy costs
- Impacts of regulation and legislation
- Past and continued critical upgrades and/or replacement of wastewater facilities and infrastructure

The wastewater rate study recommends increasing the current monthly sewer service charge of \$24.01 per SFR (or EDU) by \$4.56 for a total monthly rate of \$28.57. The report further recommends similar percentile increases for each of the following years through FY23/24. The table below shows the current and proposed FY20/21 sewer service charges for the various connection user categories.

CURRENT AND PROPOSED MONTHLY SEWER SERVICE CHARGES				
Classification Description	EDU <sup>3</sup> Multiple	Unit of Measure	Monthly Rate	
			Current	Proposed <sup>1</sup>
Residential Fixed Charges				
Single Family	1.00	Dwelling Unit	\$ 24.01	\$ 28.57
Apartment, Condo	0.75	Dwelling Unit	\$ 18.00	\$ 21.43
Mobile Home	0.60	Spaces	\$ 14.41	\$ 17.14
Senior Apartment Unit	0.35	Dwelling Unit	\$ 8.40	\$ 10.00
Non-Residential Fixed Charges				
Financial Institutions	2.00	Unit	\$ 48.03	\$ 57.14
Bars	1.50	Unit	\$ 36.02	\$ 42.86
Carwash	7.50	Unit	\$ 180.11	\$ 214.28
Churches/Meeting Halls				
< 150 seats	1.33	Seats	\$ 31.93	\$ 38.00
150 to 250 seats	2.66	Seats	\$ 63.87	\$ 76.00
> 250 seats	3.00	Seats	\$ 72.15	\$ 85.71
Commercial Unit	1.00	Unit	\$ 24.01	\$ 28.57
Funeral Home	9.00	Unit	\$ 216.13	\$ 257.13
Gas Station	2.00	Unit	\$ 48.02	\$ 57.14
Grocery Store > 10,000 sq. ft.	8.00	1,000 sq. ft.	\$ 192.08	\$ 228.56
Gymnasium	10.00	Unit	\$ 240.11	\$ 285.70
Laundry	9.00	Unit	\$ 216.13	\$ 257.13
Motel (per room)	0.33	Room	\$ 7.93	\$ 9.43
Office Unit	1.00	Unit	\$ 24.01	\$ 28.57
Rest Home (per bed)	0.35	Bed	\$ 8.40	\$ 10.00
Restaurants				
< 40 seats	4.00	Seats	\$ 96.04	\$ 114.28
40 to 60 seats	6.00	Seats	\$ 144.06	\$ 171.42
61 to 100 seats	8.00	Seats	\$ 192.08	\$ 228.56
> 100 seats	10.00	Seats	\$ 240.11	\$ 285.70
Schools (per student on Mar. 1)	0.05	Student	\$ 1.20	\$ 1.43
Theater	4.00	Unit	\$ 96.04	\$ 114.28
Veterinarians	3.00	Unit	\$ 72.04	\$ 85.71
Unlisted Uses <sup>2</sup>	1.00	Unit	\$ 24.01	\$ 28.57

<sup>1</sup> Proposed Rates effective July 1, 2020

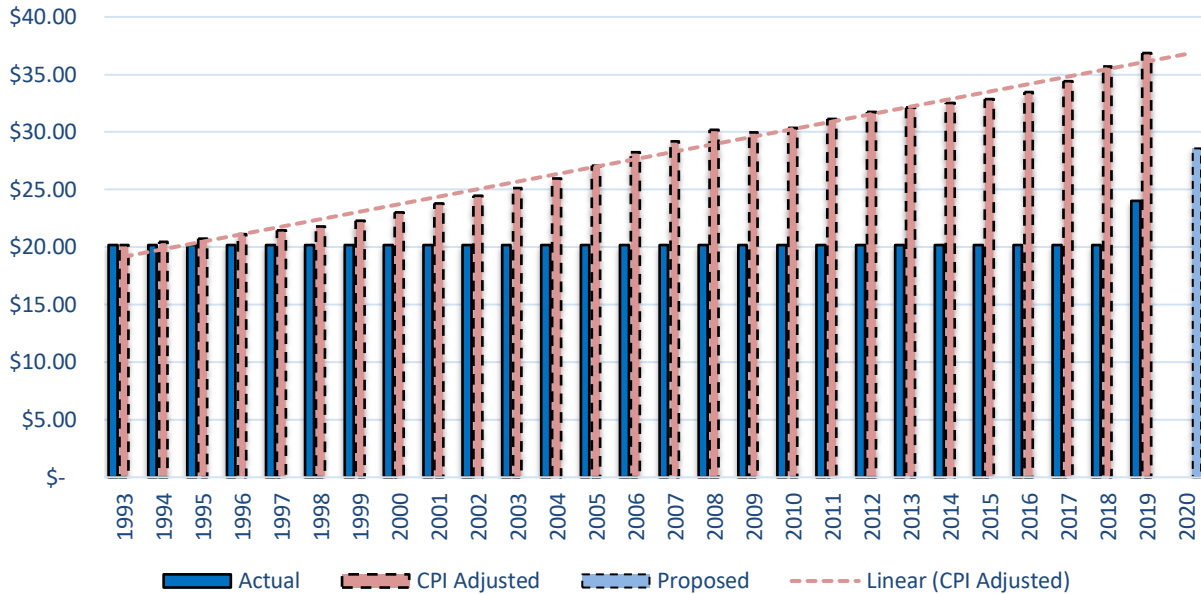
<sup>2</sup> Unlisted uses are determined by use of fixture units from the California Plumbing Code or as by means deemed appropriate by the City Engineer.

<sup>3</sup> EDU = Equivalent Dwelling Unit is the average daily flow of wastewater discharge from a single family residence (240 gallons per day).

Staff analyzed what the current SFR monthly sewer service charge would be if Consumer Price Index (CPI) values were applied each year since the last rate adjustment in 1993. Using the Los Angeles-Long Beach-Anaheim area CPI values, the CPI-adjusted monthly SFR sewer service rate would be \$36.86 on July 1, 2019, an increase of \$12.85 or 54%

higher than the current \$24.01 rate. The following graph compares the actual and CPI-adjusted rates.

### Monthly SFR Sewer Service Charge Comparison (1993 to 2020)



Tuckfield & Associates conducted a wastewater rate survey for neighboring communities to the City of Atascadero. The rate survey includes rate schedules in effect in April 2019. The following chart compares the City's monthly sewer service charge for a SFR to those neighboring communities at the same use for rates in effect February 2020. As the chart depicts, the current and proposed FY20/21 monthly sewer service bill is among the lowest in San Luis Obispo County.

### Comparison of Single-family Residential Monthly Wastewater Bills For Rates in Effect February 2020



The study also analyzed capacity charges, or connection fees, that are one-time charges paid by new customers as a capital contribution for capacity in the wastewater system. These charges are similar to development impact fees and can be assessed to existing wastewater customers requiring increased capacity to serve changes in their development or use occupancy. The proceeds from capacity charges are a financing source for future facilities. The study recommends a capacity charge of \$5,584 per SFR (or EDU) with an annual adjustment based upon the Engineering News Record Construction Cost Index. The City Council adopted new capacity charges on September 24, 2019, which went into effect on November 23, 2019.

The City has updated the customer database and performed a full audit and inventory of all wastewater connection user classifications. The City and its consultants are coordinating with Atascadero Mutual Water Company (AMWC) and utilizing water records to complete a volumetric analysis of the water use patterns of the various groups of connection user classifications. After this process, wastewater rates are recommended to be re-evaluated and established for a four or five-year period, ideally FY21/22 through FY25/26, with built-in CPI adjustments.

#### Proposition 218 Process

Sanitary sewer rate increases must follow the Proposition 218 majority protest process that requires certain procedures be followed with regard to “property-related” fee increases imposed by governmental agencies. Those rate increases are subject to a “majority protest” process that provides if a majority of the parcels subject to the City fee protest the proposed rate increase, the City cannot impose the increase.

Proposition 218 requires that the City provide all properties receiving the sewer service for which the fee is charged with a minimum of 45 days written notice prior to the City Council holding a Public Hearing on a proposed rate increase. The property owners (and record owners) have the ability to “protest” the proposed rate increase until the close of the Public Hearing. If a majority of the parcels file written protests with the City prior to the close of the Public Hearing, the Proposition states that the City cannot implement the proposed increase. If a majority of the parcels do not protest the proposed increase, the City Council has the authority to implement the proposed rate increase.

The majority protest process is part of the California Constitution (Article XIII D) and it is mandatory that the City adhere to this voter-enacted process. As reference, the specific relevant text from Proposition 218 is included below:

#### *ARTICLE 13D (ASSESSMENT AND PROPERTY-RELATED FEE REFORM)*

*SEC. 6. Property Related Fees and Charges. (a) Procedures for New or Increased Fees and Charges. An agency shall follow the procedures pursuant to this section in imposing or increasing any fee or charge as defined pursuant to this article, including, but not limited to, the following:*

*(1) The parcels upon which a fee or charge is proposed for imposition shall be identified. The amount of the fee or charge proposed to be imposed upon each parcel shall be calculated. The agency shall provide written notice by mail of the proposed fee or charge to the record owner of each identified parcel upon which the fee or charge is proposed for imposition, the amount*



*of the fee or charge proposed to be imposed upon each, the basis upon which the amount of the proposed fee or charge was calculated, the reason for the fee or charge, together with the date, time, and location of a public hearing on the proposed fee or charge.*

*(2) The agency shall conduct a public hearing upon the proposed fee or charge not less than 45 days after mailing the notice of the proposed fee or charge to the record owners of each identified parcel upon which the fee or charge is proposed for imposition. At the public hearing, the agency shall consider all protests against the proposed fee or charge. If written protests against the proposed fee or charge are presented by a majority of owners of the identified parcels, the agency shall not impose the fee or charge.*

The Council created a majority protest process on May 14, 2019 (Resolution 2019-033) that establishes procedures for the submission and tabulation of protests in connection with rate hearings conducted pursuant to the requirements of Proposition 218. This provides clarity and transparency in the City's compliance with this process, and could avoid invalidating proposed rate increases from minor technicalities or other challenges.

The City levies the sewer service charges to property taxes and the parcel owner is billed by the County twice annually. Every party listed on the parcel ownership will be mailed a notice. However, the City is only required to count one protest per parcel. Accordingly, even if all parties listed on an individual parcel file a protest, only one protest shall be counted for purposes of determining whether there is a majority protest.

Listed in the table below is the proposed schedule to implement the proposed rates:

April 14, 2020	Direct staff to administer the Proposition 218 process
April 14 - 24, 2020	Obtain current parcel owner data from County, prepare and print Notices, and ready Notices for mailing
April 24 or before	Mail Notices to wastewater parcel (and record) owners
April 25 – June 8, 2020	45 day requirement prior to election
June 9, 2020	Public Hearing and Protest Results; Council adopts New Rates
June 9 or 23, 2020	Council adopts Resolution to levy sewer service charges
July 9, 2020	New rates become effective (30+ days after adoption of new rates)
July 15, 2020	County deadline to levy sewer service charges to property tax rolls

In accordance with Title 7, Chapter 10 of the Municipal Code, the wastewater rates are adopted by resolution. To avoid confusion, the City Attorney's office recommends that the new rates are not effective for 30 days following adoption.

### Conclusion

The City has operated the wastewater collection and treatment systems in a very economical manner for nearly 40 years with only three increases to sewer service rates during that time. The sewer service rates have not kept up with the increasing costs of maintaining, operating and replacing the wastewater collection and treatment systems. The 2019 rate study shows that the City will have to continue to incrementally increase the sewer service rates in order to continue operating, and replacing the existing system. As discussed at this time last year, this proposed rate increase is the second of five proposed rate increases intended to phase-in the necessary higher sewer service rates

needed to align revenues and expenses in the wastewater system. Even with this increase, the proposed FY20/21 wastewater rates are much less than that of CPI-adjusted values, and will still be among the lowest in San Luis Obispo County.

### **FISCAL IMPACT:**

Approving staff recommendations will generate an estimated \$400,000 in additional revenue from sewer service charges collected in FY20/21 over FY19/20 amounts. **Costs related to printing and postage for the new notice will be covered by MailStream.net.**

### **ALTERNATIVES:**

1. If the Proposition 218 majority protest process results in a non-majority protest, the Council may reduce the proposed sewer service charge rate increase for FY20/21, but cannot increase the rate over that proposed.
2. Council may direct staff to include proposed rate increases through FY23/24 as described in the study. However, staff recommends waiting until the City has completed the volumetric analysis of the water use patterns of the various groups of connection user classifications (estimated January 2021).
3. Council could take no action.

### **ATTACHMENT:**

Report on Wastewater Rate Study (May 2019)

ITEM NUMBER: 1  
DATE: 04/14/20  
ATTACHMENT: 1



# Report on Wastewater Rate Study

May 2019



Prepared For:  
**City of Atascadero**

6500 Palma Avenue  
Atascadero, CA 93422  
(805) 470-3456

Submitted By:  
**Tuckfield & Associates**

2549 Eastbluff Dr, #450B  
Newport Beach, CA 92660  
(949) 760-9454

[www.tuckfieldassociates.com](http://www.tuckfieldassociates.com)

FINANCIAL CONSULTING  
**TUCKFIELD &  
ASSOCIATES**  
MANAGEMENT CONSULTING

ITEM NUMBER: 1  
DATE: 04/14/20  
ATTACHMENT: 1

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## Tuckfield & Associates

2549 Eastbluff Drive, Suite 450B, Newport Beach, CA 92660  
Phone (949) 760-9454 Fax (949) 760-2725  
Email [ctuckfield@tuckfieldassociates.com](mailto:ctuckfield@tuckfieldassociates.com)

May 10, 2019

Mr. Nick DeBar  
Public Works Director/City Engineer  
City of Atascadero  
6500 Palma Avenue  
Atascadero, CA 93422

Dear Mr. DeBar:

I am pleased to submit this report on the Wastewater Rate Study (Study) for the City of Atascadero (City). The wastewater service charges presented in this report have been developed based on industry methods that result in fair and equitable rates for the users of the wastewater utility in accordance with Proposition 218.

The Study included a review and analysis of the wastewater enterprise revenue and revenue requirements, number of equivalent dwelling units, and current rate structure. This report presents the findings and recommendations for the City's wastewater service charges to meet the on-going operational needs of the wastewater enterprise and the funding of the capital infrastructure requirements. Tables and figures throughout the report are provided to demonstrate the calculations.

It has been a pleasure working with the City on this project. If there are any questions regarding this report, please contact me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield  
President/Project Consultant

ITEM NUMBER: 1  
DATE: 04/14/20  
ATTACHMENT: 1

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# Executive Summary

The City of Atascadero (City) engaged Tuckfield & Associates to conduct a comprehensive Wastewater Rate Study (Study) for its wastewater system (System). This Study includes development of a pro forma statement of revenues and revenue requirements for the wastewater enterprise and design of wastewater service charges for implementation.

The last time that wastewater service charges were increased was in 1994, or about 25 years ago. It is recommended that the City conduct an update to this Study at least every three to five years for prudent rate planning

## Wastewater Financial Plan

Current wastewater charges consist of monthly fixed charges which are collected through the county of San Luis Obispo tax rolls. Fixed charges for all customers are established as a multiple of the single-family residential (SFR) dwelling unit fixed charge. The City currently serves about 8,400 Equivalent Dwelling Units (EDUs) and the number of EDUs is expected to increase by 115 annually.

The City has prepared a five-year capital improvement program (CIP) spending plan for the wastewater utility. The capital expenditures consist of various repair, replacement, and rehabilitation projects in addition to two large projects consisting of Water Reclamation Facility (WRF) Process Improvements and the Lift Station #13 and Force Main Project estimated to cost about \$23.15 million and \$5.8 million respectively. The WRF Process Improvements are planned to be financed with proposed debt issues in FY 2021-22 and in FY 2023-24. The Lift Station #13 and Force Main Project is partially financed with the FY 2021-22 debt issue. Debt service related to the projects is estimated to be \$919,000 beginning in FY 2021-22 and an additional \$707,100 in FY 2023-24.

A forward looking financial plan was created that identifies the revenue and revenue requirements of the wastewater enterprise. Annual revenue includes wastewater service charge revenue and miscellaneous revenue. Annual revenue requirements include operation and maintenance (O&M) expense, annual capital replacement, and new debt service. Future O&M expenses were projected recognizing escalation in expenses as well as changes in operations staffing.

From the analysis of the financial plan, revenue increases are recommended to adequately meet future obligations and cash reserve targets. These proposed revenue adjustments include 19 percent annual increases beginning August 8, 2019 and then on each July 1 for the next four years July 2020 and continuing through July 2023. The wastewater financial plan is presented in Table 7.

## Current Wastewater Service Charges

The City's current wastewater service charges consist of monthly fixed charges to residential and non-residential customers. All customers are charged a fixed charge as a multiple of the single-family residential (SFR) charge. The fixed charge EDU methodology is used since the City is not the public water supplier for Atascadero and does not have access to individual customer's water consumption data.

The wastewater service charge for an SFR dwelling unit is defined as one EDU. One EDU is the sewer flow and strength of a single-family residence stated in terms of maximum discharge flow in gallons per day (gpd) and

strength consisting of bio-chemical oxygen demand (BOD) and suspended solids (SS). Service charges for other customers are based on their proportion of flow and strength relative to the single-family residence. The current wastewater charges are presented in Table 3.

## Proposed Wastewater Service Charges

Table ES-1 presents the wastewater service charges to be implemented by the City to meet future operations and capital spending needs of the System. The current charges are also shown for comparison purposes. The wastewater service charges reflect the forecast of the cost of providing wastewater service presented in this Study.

Where a new wastewater customer does not fit the wastewater classifications identified in Table ES-1, it is recommended that the City reserve the right to calculate the monthly service charge through the use of fixture units using the California Uniform Plumbing Code, or by means deemed appropriate by the City Engineer.

Table ES-1  
Current and Proposed Wastewater Service Charges

Description	Unit of Measure	Current	Date of Increase				
			Aug 8, 2019	July 1, 2020	July 1, 2021	July 1, 2022	July 1, 2023
Residential Fixed Charges							
Single Family	Dwelling Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Apartment, Condo	Dwelling Unit	\$15.13	\$18.00	\$21.43	\$25.50	\$30.34	\$36.11
Mobile Home	Spaces	\$15.13	\$18.00	\$21.43	\$25.50	\$30.34	\$36.11
Senior Apt Unit	Dwelling Unit	\$7.06	\$8.40	\$10.00	\$11.90	\$14.16	\$16.85
Non-Residential Fixed Charges							
Financial Institutions	Unit	\$40.36	\$48.03	\$57.15	\$68.01	\$80.94	\$96.31
Bars	Unit	\$30.27	\$36.02	\$42.87	\$51.01	\$60.70	\$72.23
Carwash	Unit	\$151.35	\$180.11	\$214.33	\$255.05	\$303.51	\$361.17
Churches/Meeting Halls							
< 150 seats	Seats	\$26.83	\$31.93	\$37.99	\$45.21	\$53.80	\$64.03
150 to 250 seats	Seats	\$53.67	\$63.87	\$76.00	\$90.44	\$107.63	\$128.08
> 250 seats	Seats	\$60.63	\$72.15	\$85.86	\$102.17	\$121.58	\$144.68
Commercial Unit	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Funeral Home	Unit	\$181.62	\$216.13	\$257.19	\$306.06	\$364.21	\$433.41
Gas Station	Unit	\$40.35	\$48.02	\$57.14	\$68.00	\$80.92	\$96.29
Grocery Store > 10,000 sf	1,000 sf	\$161.41	\$192.08	\$228.57	\$272.00	\$323.68	\$385.18
Gymnasium	Unit	\$201.77	\$240.11	\$285.73	\$340.01	\$404.62	\$481.49
Laundry	Unit	\$181.62	\$216.13	\$257.19	\$306.06	\$364.21	\$433.41
Motel (per room)	Room	\$6.66	\$7.93	\$9.43	\$11.22	\$13.36	\$15.89
Office Unit	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Rest Home (per bed)	Bed	\$7.06	\$8.40	\$10.00	\$11.90	\$14.16	\$16.85
Restaurants							
< 40 seats	Seats	\$80.71	\$96.04	\$114.29	\$136.01	\$161.85	\$192.60
41 to 60 seats	Seats	\$121.06	\$144.06	\$171.43	\$204.01	\$242.77	\$288.89
61 to 100 seats	Seats	\$161.41	\$192.08	\$228.57	\$272.00	\$323.68	\$385.18
> 100 seats	Seats	\$201.77	\$240.11	\$285.73	\$340.01	\$404.62	\$481.49
School (per student on 3/1)	Student	\$1.01	\$1.20	\$1.43	\$1.70	\$2.03	\$2.41
Theater	Unit	\$80.71	\$96.04	\$114.29	\$136.01	\$161.85	\$192.60
Veterinarians	Unit	\$60.54	\$72.04	\$85.73	\$102.02	\$121.40	\$144.47
Unlisted Uses [1]	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16

[1] Determined by use of fixture units from the California Plumbing Code or as by means deemed appropriate by the City Engineer.

## Wastewater Residential Bill Impacts

Table ES-2 presents the impacts to SFR bills from the implementation of the proposed August 8, 2019 wastewater service charges. The table shows that the wastewater bill of an SFR customer will increase from \$20.18 to \$24.01, an increase of \$3.83, or 19 percent.

**Table ES-2**  
**Comparison of Current Residential Monthly Bill with**  
**Proposed Monthly Bill Using August 2019 Proposed Wastewater Charges**

Residential Classification	Current Bill	Aug 2019 Proposed Bill	Dollar Change	Percent Change
Single Family	\$20.18	\$24.01	\$3.83	19.0%
Apartment, Condo	\$15.13	\$18.00	\$2.87	19.0%
Mobile Home	\$15.13	\$18.00	\$2.87	19.0%
Senior Apt Unit	\$7.06	\$8.40	\$1.34	19.0%

## Wastewater Rate Survey

Chart ES-1 has been prepared to compare the City's SFR wastewater bill with those of other communities at the same consumption where appropriate. The chart indicates that with the implementation of the August 2019 wastewater service charges, an SFR customer will experience a bill that is among the lowest in San Luis Obispo County.

**Chart ES-1**  
**Comparison of Single-family Residential Monthly Wastewater Bills**  
**For Rates in Effect April 2019**



Note: Above table uses wastewater rates in effect April 2019. City's August 2019 bill is based on the wastewater service charges in Table 8. San Luis Obispo, Cambria, Paso Robles, Arroyo Grande, and Los Osos have a variable wastewater rate component and an average water consumption of 15 HCF and an average winter water use of 7 HCF have been assumed.

## Capacity Charges

Capacity charges, sometimes referred to as connection fees, are one-time charges paid by a new customer connecting to the wastewater system for capacity in the System. Capacity charges are also charged to existing customers that require increased capacity from changes in their development.

The capacity charges determined in this report follow industry standard methods and are based the current value of the City's existing facilities and include the cost of future replacement facilities and future facilities that that serve new development. Capacity charges for implementation by the City are provided in Table 12 of this report and include capacity charges for other residential and non-residential development types.

# Introduction

The City of Atascadero (City) engaged Tuckfield & Associates to conduct a comprehensive Wastewater Rate Study (Study) for its wastewater system (System). This Study includes development of a pro forma statement of revenues and revenue requirements of the wastewater enterprise and design of new wastewater service charges for implementation.

## Background

The City of Atascadero was incorporated in 1979 and is located approximately 15 miles north of the City of San Luis Obispo. The City provides wastewater collection and treatment service to a portion of the City's population serving an area consisting of about 1,900 acres out of the total 5,000 acres within the City limits. Customers of the System include residential, commercial, and light industrial customers.

The wastewater collection system consists of about 63 miles of sewer pipe, 7 miles of sewer force main, and twelve lift stations that conveys wastewater to the City owned wastewater treatment plant. The treatment plant facilities consist of flow metering, headworks, lagoons, ponds, aeration facilities, percolation basins, and sludge drying beds. Facilities also include public works buildings, RV waste receiving station, and an irrigation well to serve a mixture of treated effluent and groundwater to Chalk Mountain Golf Course.

Current wastewater charges consist of monthly fixed charges collected through the county of San Luis Obispo tax rolls. Fixed charges for all customers are established as a multiple of the single-family residential (SFR) dwelling unit fixed charge. For example, a multifamily dwelling unit is charge 0.75 times that of the SFR charge whereas a restaurant with less than 40 seats is charged 4 times the SFR charge.

## Objectives

The objectives of this Study are to (1) review the current and future financial status of the wastewater enterprise, (2) make any adjustments to the revenue being received to ensure that financial obligations are being met now and in the future, including adequate reserves and debt service coverage, and (3) design rates and charges that generate the required revenue while being fair and equitable for its customers. Additionally, the Study also sought to provide the following.

- Revenue sufficiency to fund operating and capital needs
- Appropriate levels of operating and capital reserves
- Rates and charges that are consistent with industry practice
- Stable revenue stream similar to the existing rate structure
- Ease of understanding and administration

## Scope of the Study

This Study includes the findings and recommendations of analyzing the wastewater enterprise financial status and related capital improvement program (CIP) financing of the System. Historical trends were analyzed from data supplied by the City including current year's budget showing revenue and revenue requirements, financial audits, System master plans, and capital improvement plans.

Revenue requirements include operation and maintenance expense, annual replacement, and additions to reserves. Changing conditions such as additional facilities, utility growth, employee additions/reductions, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

The financial plans and rates developed herein are based on funding of the capital improvement plan as stated as well as estimates of operation and maintenance expenses developed from information provided by the City. Deviation from the planning assumptions, financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is recommended that the City conduct an update to the rate study at least every three to five years for prudent rate planning.

# Assumptions

## Planning Factors

Several assumptions and planning factors were used to conduct the Study for the period FY 2019-20 to FY 2023-24. The assumptions include customer growth rates, expense inflation factors, debt terms, and other assumptions. Assumptions and financial planning factors are provided in Table 1.

Table 1  
Assumption and Planning Factors

Description	Value
<b>Account Growth</b>	
Annual Account & Demand growth (EDUs) [1]	115
<b>Interest Earnings Rate</b>	
Interest earnings on fund reserves (annual)	1.5%
<b>Escalation Factors</b>	
Salaries and Wages [2]	5.0%
Benefits, Insurance, Taxes	10.0%
Electrical Power	3.0%
Chemicals	3.0%
All Other Operations and Maintenance	3.0%
Capital	3.0%
<b>New Revenue Bond Debt</b>	
Interest Rate	5.0%
Repayment Period (Term) - years	30
Bond Proceeds as a % of Issue Amount	92.0%
Bond Reserve (1 year's payment)	7.1%
Cost of Issuance	1.5%

[1] Growth in number of Equivalent Dwelling Units (EDUs) is based on October 2014 Wastewater Treatment Plant Master Plan Update.

[2] Escalation in a City personnel position is 5% percent annually.

## City Reserve Policy

A reserve policy provides a basis to deal with unanticipated reductions in revenues, changes in the costs of providing services, fixed asset repair and replacement, natural disaster, and other issues. It also provides guidelines to maintain the financial health and stability of the enterprise fund. The City's goal is to maintain appropriate reserves related to wastewater operations and capital spending developed in this Study. These reserve types and their targets are described below.

**Operating Reserve** – The purpose of the Operating Reserve is to provide working capital to meet cash flow needs during normal operations and support the operation, maintenance and administration of the utility. This reserve ensures that operations can continue should there be significant events that impact cash flows. The target balance to be maintained is 180 days of annual O&M expense. Since O&M expense increases each year, the reserve to be maintained will increase annually also.

**Capital Replacement Reserve** – The Capital Replacement Reserve is used to fund future replacement of assets and capital projects. The City currently provides reserves related to capital spending by earmarking 26 percent of the revenue received from wastewater service charges as capital related, which is available for annual capital spending or accumulation as a capital reserve. This policy is utilized in this Study and the minimum reserve level used is average annual replacement expenditures, excluding the WRF Process Improvements and Lift Station #5 and #13 projects, is estimated at \$1,600,000.

**Capital Emergency Reserve** – The purpose of the emergency capital reserve is to provide protection against catastrophic loss and to provide a cushion for inaccuracy in long range replacement program. The Target reserve is established at 5 percent of the value of current capital fixed asset value. The amount is currently estimated at \$800,000 and will increase as CIP is booked into fixed assets.

## City Beginning Balances

From the City's 2017 – 2019 Budget, the estimated beginning cash balances as of June 30, 2019 is \$10,112,000 shown in Table 2. This amount has been separated into beginning balances by reserve type as stated below. The City has accumulated capital replacement reserves for the specific purpose of their use towards the capital improvements identified in this Study. The operating and capital cash balances are used in the development of the financial plans for the System with the intent to meet the Target Reserves. Target Reserves are also shown below for the first year of the financial plan.

**Table 2**  
**Wastewater Enterprise Reserves**

Reserve Type	Est. Reserve Balance June 30, 2019	Target Reserve
Operating	\$826,000	\$826,000
Capital Replacement	\$8,486,000	\$1,600,000
Capital Emergency	\$800,000	\$800,000
Total [1]	\$10,112,000	\$3,226,000

[1] Estimated Reserve Balance from FY 17-19 Budget, page C-10.

# Wastewater Financial Planning

This section discusses the current wastewater service charges, user classifications, revenues and revenue requirements, planned capital improvement expenditures and associated financing sources, used in developing the wastewater utility financial plan. Revenue adjustments are discussed and proposed to sustain the wastewater enterprise.

## Existing Wastewater Service Charges

The City's current wastewater service charges consist of monthly fixed charges to residential and non-residential customers. All customers are charged a fixed charge as a multiple of the SFR charge. The fixed charges can be adjusted annually and are billed through the San Luis Obispo County tax rolls.

The charge for an SFR dwelling unit is defined as one Equivalent Dwelling Unit (EDU). One EDU is the sewer flow and strength of a single-family residence stated in terms of maximum discharge flow in gallons per day (gpd) and strength consisting of bio-chemical oxygen demand (BOD) and suspended solids (SS). Service charges for other customers are based on their proportion of flow and strength relative to the single-family residence. The current wastewater charges are presented in Table 3.

## Wastewater User Classifications

### Number of Customers

Wastewater customers are currently classified as Residential and Non-Residential. The Residential classification is further separated into single-family residential, multifamily residential (apartment and condo), mobile home, and senior apartment. Non-Residential classifications consist of 18 separate classifications shown in Table 3.

### Number of Equivalent Dwelling Units

The total number of EDUs are deduced from City information. Since each customer classification is charged a multiple of the SFR dwelling unit charge as listed in Table 3, the total number of EDUs can be determined from the revenue received from wastewater service charges and the current SFR dwelling unit charge.

From the City's FY 2017-19 Budget, the City expects to generate wastewater service charge revenue of \$2,038,500 in FY 2019-20. Dividing this revenue by the SFR monthly charge of \$20.18, or \$242.16 annually, the total number of EDUs is about 8,418 EDUs. The number of EDUs are planned to increase by 115 annually following the planning factors shown in Table 1.



Table 3  
Current Monthly Wastewater Service Charges

Description	Current Charge	EDU Multiple	Unit of Measure
<b>Residential Fixed Charges</b>			
Single Family	\$20.18	1.00	Dwelling Unit
Apartment, Condo	\$15.13	0.75	Dwelling Unit
Mobile Home	\$15.13	0.75	Spaces
Senior Apt Unit	\$7.06	0.35	Dwelling Unit
<b>Non-Residential Fixed Charges</b>			
Financial Institutions	\$40.36	2.00	Unit
Bars	\$30.27	1.50	Unit
Carwash	\$151.35	7.50	Unit
Churches/Meeting Halls			
< 150 seats	\$26.83	1.33	Seats
150 to 250 seats	\$53.67	2.66	Seats
> 250 seats	\$60.63	3.00	Seats
Commercial Unit	\$20.18	1.00	Unit
Funeral Home	\$181.62	9.00	Unit
Gas Station	\$40.35	2.00	Unit
Grocery Store > 10,000 sf	\$161.41	8.00	1,000 sf
Gymnasium	\$201.77	10.00	Unit
Laundry	\$181.62	9.00	Unit
Motel (per room)	\$6.66	0.33	Room
Office Unit	\$20.18	1.00	Unit
Rest Home (per bed)	\$7.06	0.35	Bed
Restaurants			
< 40 seats	\$80.71	4.00	Seats
41 to 60 seats	\$121.06	6.00	Seats
61 to 100 seats	\$161.41	8.00	Seats
> 100 seats	\$201.77	10.00	Seats
School (per student on 3/1)	\$1.01	0.05	Student
Theater	\$80.71	4.00	Unit
Veterinarians	\$60.54	3.00	Unit
Unlisted Uses [1]	\$20.18	1.00	Unit

[1] Determined by use of fixture units from the California Plumbing Code or as by means deemed appropriate by the City Engineer.

## Revenues

The City receives revenue from wastewater service charges and miscellaneous revenues. Table 4 presents the projected revenue from current wastewater service charges of the wastewater utility. The revenue is projected by applying the current wastewater charges from Table 3 to the projected number of EDUs.

Table 4  
Projected Wastewater Service Charge Revenues Using Existing Charges

Description	Estimated	Projected			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Service Charge Revenues</b>					
Number of EDUs	8,418	8,533	8,648	8,763	8,878
Charge per EDU	\$20.18	\$20.18	\$20.18	\$20.18	\$20.18
<b>Total Service Charge Revenues</b>	<b>\$2,038,500</b>	<b>\$2,066,400</b>	<b>\$2,094,200</b>	<b>\$2,122,000</b>	<b>\$2,149,900</b>

In addition to revenue from wastewater service charges, the City receives miscellaneous revenue from several sources including sewer connection fees, sewer extension fees, tap-in fees, permit and inspection fees, and other miscellaneous revenue. Table 5 provides the estimated and projected revenue from miscellaneous sources.

Table 5  
Projected Miscellaneous Revenues

Description	Budget	Projected			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Miscellaneous Revenues [1]</b>					
Permits and Inspections	\$5,200	\$5,400	\$5,600	\$5,800	\$6,000
Sewer Extension Fees [2]	138,000	144,900	152,100	159,700	167,700
Sewer Connection Fees [2]	642,000	642,000	642,000	642,000	642,000
Well Water	40,000	40,000	40,000	40,000	40,000
Tap-in Fees	5,500	5,500	5,500	5,500	5,500
Total Miscellaneous Revenues	\$830,700	\$837,800	\$845,200	\$853,000	\$861,200

[1] Interest income is included in Table 8.

[2] FY 2019-20 includes revised Sewer Connection Fees from Table 11.

## Revenue Requirements

Revenue requirements of the wastewater utility include operation and maintenance expense and annual replacement capital spending. Additionally, new debt is proposed to meet the capital improvement spending that is planned by the City. Each of these items are discussed below.

### Operation and Maintenance Expense

Operation and maintenance (O&M) expenses are an on-going obligation of the wastewater utility and such costs are normally met from wastewater service revenue. O&M expenses include the cost to operate and maintain the wastewater collection system, lift stations, and wastewater treatment facilities. Costs also include technical services and other general and administrative expenses.

O&M expense for FY 2019-20 is provided from the City's Budget. Future O&M expense has been projected recognizing the major expense categories of personnel services, electricity, chemicals, and all other expenses. Personnel costs consist of salaries and benefits expense of those personnel directly involved with providing wastewater service. Cost inflation for personnel services costs are projected to increase by 5 percent annually beginning in FY 2020-21.

Annual escalation in electricity, chemicals, and all other expense is projected to increase by 3 percent based on expectations of future expense inflation. Table 6 below summarizes projected O&M expense for the wastewater utility. Table A-1 in Appendix A provides the detailed projections of historical and projected wastewater O&M expense.

### Annual Replacement

The City provides for annual capital replacement by allocating 26 percent of wastewater service charge revenue for this purpose. This amount is spent annually towards replacement, identified in the capital improvement plan discussed below, or is accumulated in the capital reserve for future replacement spending.

Table 6  
Summary of Projected Operation and Maintenance Expense

Description	Budget	Projected			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Operation and Maintenance Expense</b>					
Collection	\$270,400	\$281,300	\$292,600	\$304,400	\$316,600
Treatment	288,100	301,500	315,600	330,200	345,400
General Operations [1]	1,182,600	1,270,500	1,476,700	1,571,100	1,910,300
Total Projected O&M Expense	\$1,741,100	\$1,853,300	\$2,084,900	\$2,205,700	\$2,572,300

[1] Salaries & wages are included in General Operations costs. Includes new Wastewater Operator positions in FY 2021-22 and new Operator and Maintenance worker (1 and 1/2 positions) in FY 2023-24.

## Debt Service

The City does not currently have any outstanding debt. However, new debt is proposed to partially finance certain capital improvements as discussed below. The debt service payments associated with the proposed debt is paid from revenues and is a revenue requirement of the utility. Future debt service payments are expected to include \$919,000 beginning in FY 2021-22 and an additional \$707,100 in FY 2023-24. The debt issue in FY 2021-22 is planned to provide \$13 million in proceeds while the debt issue in FY 2023-24 is expected to provide \$10 million in proceeds. The debt payments assume an interest rate of 5 percent, term of 30 years, 2 percent issuance costs, and a debt service reserve. While the City may be able to secure less expensive financing from other sources, traditional loan financing is assumed for this debt issue to ensure sufficient funds are provided at the appropriate time.

## Wastewater Capital Improvement Program

The City has developed a CIP plan that lists capital expenditures for FY 2019-20 through FY 2028-29. The first five years of the CIP plan is summarized in Table 7 however the complete listing of projects is provided in Appendix A-2. Both tables include 3 percent annual inflation in the project costs to the year of expenditure. The CIP plan consists of various repair, replacement and rehabilitation projects with the largest project consisting of the Water Reclamation Facility (WRF) Process Improvements totaling \$23.15 million in inflated dollars.

Table 7  
Summary of Capital Improvement Program Expenditures and Sources of Funding

Description	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total Capital Improvement Spending [1]	\$3,079,000	\$4,044,100	\$8,321,600	\$10,065,600	\$10,622,000
<b>Sources and Uses of Capital Funds</b>					
Beginning Year Balance [2]	\$9,286,000	\$7,479,700	\$4,838,400	\$11,076,400	\$2,759,200
Transfer In Annual Capital Replacement	630,700	760,800	917,600	1,106,400	1,334,000
Transfer In Sewer Connection Fees	642,000	642,000	642,000	642,000	642,000
New Bond Proceeds (net of issuance costs)	-	-	13,000,000	-	10,000,000
CIP Project Expenditures	(3,079,000)	(4,044,100)	(8,321,600)	(10,065,600)	(10,622,000)
<b>Sources Less Uses</b>	<b>\$7,479,700</b>	<b>\$4,838,400</b>	<b>\$11,076,400</b>	<b>\$2,759,200</b>	<b>\$4,113,200</b>
Target Capital and Emergency Reserve [3]	2,400,000	2,500,000	2,900,000	3,400,000	3,800,000

[1] Entire list of CIP projects is provided in Appendix A-2.

[2] FY 2019-20 beginning balance includes all sources of available cash except operating reserve of 6 months of annual O&M expense.

[3] Includes Capital Reserve Target equal to average annual replacement and Emergency Capital Reserve equal to 5% of fixed asset value.

Funding provided for the CIP includes capital reserves, annual replacement revenue from wastewater service charges, sewer connection fee revenue, and new debt proceeds. Construction of the WRF Process Improvements is planned to be partially financed with a proposed debt issue providing proceeds as stated above. The capital financing plan in Appendix A-2 shows the funding of future CIP that includes the debt proceeds as well as ending cash balances for a 10-year period.

## Wastewater Financial Plan

The financial plan provides the means of analyzing the impacts of projected revenue and revenue requirements on funding on-going O&M expense and annual capital infrastructure requirements, as well as the impact on reserves. The financial plan includes the revenues, O&M expense, annual replacement, and debt service that were identified above. The plan also incorporates specific financial planning goals to provide guidance to maintain the health of the wastewater utility on an on-going basis. The goals included the following.

- Generate positive levels of income in each year of the Study period
- Maintain operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required, estimated at 125%
- Meet annual capital replacement spending from the annual provision from wastewater service revenue

## Proposed Revenue Adjustments

Table 8 shows the pro forma statement of revenue and revenue requirements for the wastewater utility. The table also includes proposed annual revenue increases recommended to meet the financial planning goals for the Study period. The proposed revenue adjustments include annual increases of 19 percent beginning August 8, 2019 and then on each July 1 for the next four years July 2020 and continuing through July 2023. The proposed adjustments are planned to increase revenue over the next five years to fund O&M expense, annual replacement, debt service, and reserves for the Study period.

The combined operating and capital reserve balance initially increases, then decreases with the beginning of the debt service payments from the proposed debt. The combined operating and capital reserve balance remains above the Target Reserve level in all years of the study period. Additionally, Table 8 also shows that the calculated debt service coverage ratio is met in all years.

This Study also proposes increases in sewer connection fees discussed in a later section of this report. Table 8 shows that revenue received from new connection fees is increased from the update to the charges. The revenue received from connection fees can only be spent on capital projects for which the fees were collected. Therefore, the connection fee revenue received is shown as a transfer out in Table 8 to be spent on capital projects where it is shown as a source of funds in Table 7.

Table 8  
Wastewater Financial Plan

Description	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
<b>Proposed Rate Increase (Aug 8)</b>	<b>19.0%</b>				
<b>Proposed Rate Increase (July 1)</b>		<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>
<b>Operating Revenues</b>					
Service Charge Revenues, Existing Rates [1]	\$2,038,500	\$2,066,400	\$2,094,200	\$2,122,000	\$2,149,900
Additional Revenue from Rate Adjustments [2]	355,000	859,800	1,434,900	2,133,400	2,980,700
Miscellaneous Revenues [3]	830,700	837,800	845,200	853,000	861,200
Interest Earnings [4]	140,700	114,800	145,300	132,800	82,000
<b>Total Operating Revenues</b>	<b>\$3,364,900</b>	<b>\$3,878,800</b>	<b>\$4,519,600</b>	<b>\$5,241,200</b>	<b>\$6,073,800</b>
<b>Operating Expenses</b>					
Operation and Maintenance Expense	\$1,740,500	\$1,853,300	\$2,084,900	\$2,205,700	\$2,572,300
New Bond Debt Service [5]	0	0	919,300	919,300	1,626,400
Annual Replacement [6]	622,300	760,800	917,600	1,106,400	1,334,000
Transfer Sewer Connection Fees to Capital	642,000	642,000	642,000	642,000	642,000
<b>Total Operating Expenses</b>	<b>\$3,004,800</b>	<b>\$3,256,100</b>	<b>\$4,563,800</b>	<b>\$4,873,400</b>	<b>\$6,174,700</b>
<b>Net Balance From Operations</b>	<b>\$360,100</b>	<b>\$622,700</b>	<b>(\$44,200)</b>	<b>\$367,800</b>	<b>(\$100,900)</b>
<b>Annual Debt Service Coverage</b>					
Net Revenues [7]	\$1,624,400	\$2,025,500	\$2,434,700	\$3,035,500	\$3,501,500
Total Annual Debt Service	\$0	\$0	\$919,300	\$919,300	\$1,626,400
Coverage	n/a	n/a	265%	330%	215%
<b>Combined Operating and Capital Reserves</b>					
Beginning Available Reserves	\$10,112,000	\$8,657,400	\$6,638,800	\$12,832,600	\$4,883,200
Increase (Decrease) Reserve	(1,454,600)	(2,018,600)	6,193,800	(7,949,400)	1,253,100
Ending Available Reserves	\$8,657,400	\$6,638,800	\$12,832,600	\$4,883,200	\$6,136,300
Target Operating and Capital Reserves	\$3,270,000	\$3,427,000	\$3,942,000	\$4,503,000	\$5,086,000
Above (below) Target	\$5,387,400	\$3,211,800	\$8,890,600	\$380,200	\$1,050,300

- [1] Projected using the existing wastewater rates. Changes in rate based revenues are due to customer and demand growth.  
[2] FY 2019-20 increase effective Aug 8. All other increases are effective July 1.  
[3] Miscellaneous revenue includes Permits and Inspections, Sewer Extension Fees, Sewer Connection Fees, Well Water, and Tap-in Fees.  
[4] Interest earnings on the average fund balance calculated at 1.50%.  
[5] Debt service related to new bond proceeds listed in Table 7. Assumes interest rate of 5.0%, 30 year term, and issuance expenses.  
[6] Equal to 26% of sewer service charge revenue and additional revenue from rate adjustments.  
[7] Includes revenue from rates, interest earnings, and miscellaneous revenues less operation and maintenance expense.

## Wastewater Rate Design

This section describes how wastewater service charges are designed and also provides the proposed schedule of wastewater rates for implementation.

### EDU Wastewater Flow

The City's Wastewater Treatment Plant (WWTP) Master Plan provides a residential wastewater flow of 70 gallons per capita per day (gpcd) with a peaking factor of 1.3. Using this information and a persons-per-household (PPH) value of 2.65 from the City's General Plan, a flow estimate for an SFR customer can be calculated. Multiplying 70 gpcd by 2.65 PPH and by the peaking factor of 1.3, results in a flow estimate of 240 gallon per day (gpd) representing maximum month flow. This is the same flow used by the existing wastewater service charge schedule. Therefore, the EDU multiples for each customer classification shown in Table 2 are assumed to be reasonable and will be used to establish the future wastewater service charges for existing customers.

## Strength Factor and EDU Multiple

As discussed in the Existing Wastewater Service Charges section, one EDU is the sewer flow and strength of a single-family residence, stated in terms of maximum discharge flow in gallons per day (gpd) and strength consisting of bio-chemical oxygen demand (BOD) and suspended solids (SS). A Strength Factor can be developed whereby a customer's proportion of BOD and SS strength relative to the SFR dwelling unit can be calculated and stated separately. The Equivalent Dwelling Unit is the product of the customer's flow in relation to the SFR flow, multiplied by the Strength Factor. Service charges for wastewater customers are calculated as follows.

$$\text{Wastewater Service Charge} = (\text{Customer Flow/SFR Flow}) \times \text{Strength Factor} \times \text{SFR Service Charge}$$

$$= \text{EDU Multiple} \times \text{SFR Service Charge}$$

Therefore, wastewater service charges for various user groups can be calculated from their estimated flow and Strength Factor which are proportional to the SFR wastewater service charge.

## Proposed Wastewater Service Charges

The revenue increases outlined in Table 8 are applied to the SFR dwelling unit fixed charge to determine the proposed charges in future years. Applying the EDU multiples from the current wastewater service charge schedule shown in Table 3, to the SFR charge provides the wastewater service charges for other residential and non-residential customers. The proposed wastewater service charges are shown in Table 9.

Table 9  
Current and Proposed Wastewater Service Charges

Description	EDU Multiple	Unit of Measure	Current	Date of Increase				
				Aug 8, 2019	July 1, 2020	July 1, 2021	July 1, 2022	July 1, 2023
Residential Fixed Charges								
Single Family	1.00	Dwelling Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Apartment, Condo	0.75	Dwelling Unit	\$15.13	\$18.00	\$21.43	\$25.50	\$30.34	\$36.11
Mobile Home	0.75	Spaces	\$15.13	\$18.00	\$21.43	\$25.50	\$30.34	\$36.11
Senior Apt Unit	0.35	Dwelling Unit	\$7.06	\$8.40	\$10.00	\$11.90	\$14.16	\$16.85
Non-Residential Fixed Charges								
Financial Institutions	2.00	Unit	\$40.36	\$48.03	\$57.15	\$68.01	\$80.94	\$96.31
Bars	1.50	Unit	\$30.27	\$36.02	\$42.87	\$51.01	\$60.70	\$72.23
Carwash	7.50	Unit	\$151.35	\$180.11	\$214.33	\$255.05	\$303.51	\$361.17
Churches/Meeting Halls								
< 150 seats	1.33	Seats	\$26.83	\$31.93	\$37.99	\$45.21	\$53.80	\$64.03
150 to 250 seats	2.66	Seats	\$53.67	\$63.87	\$76.00	\$90.44	\$107.63	\$128.08
> 250 seats	3.00	Seats	\$60.63	\$72.15	\$85.86	\$102.17	\$121.58	\$144.68
Commercial Unit	1.00	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Funeral Home	9.00	Unit	\$181.62	\$216.13	\$257.19	\$306.06	\$364.21	\$433.41
Gas Station	2.00	Unit	\$40.35	\$48.02	\$57.14	\$68.00	\$80.92	\$96.29
Grocery Store > 10,000 sf	8.00	1,000 sf	\$161.41	\$192.08	\$228.57	\$272.00	\$323.68	\$385.18
Gymnasium	10.00	Unit	\$201.77	\$240.11	\$285.73	\$340.01	\$404.62	\$481.49
Laundry	9.00	Unit	\$181.62	\$216.13	\$257.19	\$306.06	\$364.21	\$433.41
Motel (per room)	0.33	Room	\$6.66	\$7.93	\$9.43	\$11.22	\$13.36	\$15.89
Office Unit	1.00	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16
Rest Home (per bed)	0.35	Bed	\$7.06	\$8.40	\$10.00	\$11.90	\$14.16	\$16.85
Restaurants								
< 40 seats	4.00	Seats	\$80.71	\$96.04	\$114.29	\$136.01	\$161.85	\$192.60
41 to 60 seats	6.00	Seats	\$121.06	\$144.06	\$171.43	\$204.01	\$242.77	\$288.89
61 to 100 seats	8.00	Seats	\$161.41	\$192.08	\$228.57	\$272.00	\$323.68	\$385.18
> 100 seats	10.00	Seats	\$201.77	\$240.11	\$285.73	\$340.01	\$404.62	\$481.49
School (per student on 3/1)	0.05	Student	\$1.01	\$1.20	\$1.43	\$1.70	\$2.03	\$2.41
Theater	4.00	Unit	\$80.71	\$96.04	\$114.29	\$136.01	\$161.85	\$192.60
Veterinarians	3.00	Unit	\$60.54	\$72.04	\$85.73	\$102.02	\$121.40	\$144.47
Unlisted Uses [1]	1.00	Unit	\$20.18	\$24.01	\$28.58	\$34.01	\$40.47	\$48.16

[1] Determined by use of fixture units from the California Plumbing Code or as by means deemed appropriate by the City Engineer.

## Service Charge Variances

It is suggested that the City reserve the right to determine a new wastewater customer's monthly charge by estimating the wastewater flow through the use of fixture units according to the California Plumbing Code or other methods deemed appropriate by the City Engineer. The resulting wastewater flow would be applied to the formula provided in a previous section. A new wastewater customer classification may be created that is not listed in Table 9.

# Wastewater Bill Impact Analysis

The impact to the single-family customer bill that would occur from the implementation of the proposed wastewater service charges for the August 2019 increase is provided in Table 10 below. The table shows that the wastewater bill of an SFR customer will increase from \$20.18 to \$24.01, an increase of \$3.83, or 19 percent.

**Table 10**  
**Comparison of Current Residential Monthly Wastewater Bill with**  
**Proposed Monthly Bill Using August 2019 Wastewater Service Charges**

Residential Classification	Current Bill	Aug 2019 Proposed Bill	Dollar Change	Percent Change
Single Family	\$20.18	\$24.01	\$3.83	19.0%
Apartment, Condo	\$15.13	\$18.00	\$2.87	19.0%
Mobile Home	\$15.13	\$18.00	\$2.87	19.0%
Senior Apt Unit	\$7.06	\$8.40	\$1.34	19.0%

## Wastewater Rate Survey

A wastewater rate survey was conducted for neighboring communities to the City of Atascadero. Chart 1 compares the City's SFR monthly wastewater bill with those of neighboring communities at the same use. Wastewater bills were calculated assuming a 5/8" meter or 3/4" meter where that is the smallest size available, and a monthly use of 15 hundred cubic feet (HCF) and an average winter water use of 7 HCF where applicable. The rate survey includes rate schedules in effect April 2019 and provides wastewater bills for the City using the current service charges and for the proposed service charges from Table 9 for implementation August 8, 2019.

From reviewing Chart 1, the City's proposed August 8, 2019 SFR monthly wastewater bill is among the lowest in San Luis Obispo County.

**Chart 1**  
**Comparison of Single-family Residential Monthly Wastewater Bills**  
For Rates in Effect April 2019



Note: Above table uses wastewater rates in effect April 2019. City's August 2019 bill is based on the wastewater service charges in Table 9. San Luis Obispo, Cambria, Paso Robles, Arroyo Grande, and Los Osos have a variable wastewater rate component and an average water consumption of 15 HCF and an average winter water use of 7 HCF have been assumed.

## Capacity Charges

Capacity charges, sometimes referred to as connection fees, are one-time charges paid by new customers as a capital contribution for capacity in the wastewater system. These charges can also be assessed to customers requiring increased capacity requirements to serve changes in their development. Proceeds from capacity charges are to be placed into an account separate from all other accounts and are to be used to finance the development of growth related infrastructure. The proceeds are a financing source for future facilities.

Capacity charges are calculated recognizing EDU multiples of the different customer classifications stated in the wastewater service charge schedule in Tables 9. The calculation of the capacity charge is proposed as follows.

$$\begin{aligned} \text{Capacity Charge} &= (\text{Customer Flow} / \text{SFR Flow}) \times \text{Strength Factor} \times \text{SFR Capacity Charge} \\ &= \text{EDU Multiple} \times \text{SFR Capacity Charge} \end{aligned}$$

The SFR capacity charge is calculated following standard methods by identifying the existing fixed asset value, in terms of replacement cost less depreciation, and the CIP value that is related to replacement and to serving future growth. Table 11 provides a summary of the calculations used to determine the capacity charge for an SFR dwelling unit. The capacity charges have been developed using the combination methodology, a combination of the buy-in and incremental cost methodology whereby the charges are based on the value of existing capacity and value of CIP replacement and growth-related projects.



Table 11  
Development of Single-family Residential Capacity Charge

Line No.	Description	RCLD Value	Contributions/ Debt Principal	Asset Value	Capacity gpd	Capacity Charge \$/gpd
<b>Existing Plant Investment</b>						
1	Collection	\$15,743,199	(\$12,226,755)	\$3,516,444		
2	Pumping and Lift Stations	2,429,453	-	2,429,453		
3	Treatment	7,123,338	-	7,123,338		
4	General Plant	3,068,790	-	3,068,790		
5	<b>Total Existing Plant Investment</b>	<b>\$28,364,780</b>	<b>(\$12,226,755)</b>	<b>\$16,138,025</b>	<b>2,280,000</b>	<b>\$7.08</b>
<b>Capital Improvements (CIP)</b>						
6	Replacement Related	\$39,300,150	(\$22,900,000)	\$16,400,150	2,280,000	\$7.19
7	Growth Related Improvements	\$7,611,850	(5,100,000)	2,511,850	510,000	\$4.93
9	<b>Total CIP</b>	<b>\$46,912,000</b>	<b>(\$28,000,000)</b>	<b>\$18,912,000</b>		
<b>Adjustments</b>						
10	Capital Cash Balance	\$9,286,000		\$9,286,000	2,280,000	\$4.07
11	<b>Total Value</b>	<b>\$84,562,780</b>		<b>\$44,336,025</b>		
12	Unit Valuation of Existing Wastewater System (\$/gpd)					\$23.269
13	Single-family Residential Demand (gpd)					240
14	Connection Fee (Replacement) ((line 5 + line 7 + line 10) * line 13)					\$4,403
15	Connection Fee (Growth-Related) (line 8 * line 13)					\$1,182
16	<b>Single-family Residential Capacity Charge</b>					<b>\$5,584</b>

Using the capacity charge for the SFR dwelling unit and the formula described above, a capacity charge schedule is developed as shown in Table 12 for existing development types. The capacity charges provided in Table 12 should be adjusted annually by the percentage increase in the Engineering News Record Construction Cost Index (ENR-CCI).

Table 12  
Schedule of Capacity Charges

Development Type	EDU Multiple	Unit of Measure	Capacity Charge
<b>Residential</b>			
Single Family	1.00	Dwelling Unit	\$5,584
Apartment, Condo	0.75	Dwelling Unit	\$4,186
Mobile Home	0.75	Spaces	\$4,186
Senior Apt Unit	0.35	Dwelling Unit	\$1,953
<b>Non-Residential</b>			
Financial Institutions	2.00	Unit	\$11,168
Bars	1.50	Unit	\$8,376
Carwash	7.50	Unit	\$41,880
Churches/Meeting Halls			
< 150 seats	1.33	Seats	\$7,426
150 to 250 seats	2.66	Seats	\$14,853
> 250 seats	3.00	Seats	\$16,752
Commercial Unit	1.00	Unit	\$5,584
Funeral Home	9.00	Unit	\$50,256
Gas Station	2.00	Unit	\$11,168
Grocery Store > 10,000 sf	8.00	1,000 sf	\$44,672
Gymnasium	10.00	Unit	\$55,840
Laundry	9.00	Unit	\$50,256
Motel (per room)	0.33	Room	\$1,842
Office Unit	1.00	Unit	\$5,584
Rest Home (per bed)	0.35	Bed	\$1,954
Restaurants			
< 40 seats	4.00	Seats	\$22,336
41 to 60 seats	6.00	Seats	\$33,504
61 to 100 seats	8.00	Seats	\$44,672
> 100 seats	10.00	Seats	\$55,840
School (per student on 3/1)	0.05	Student	\$279
Theater	4.00	Unit	\$22,336
Veterinarians	3.00	Unit	\$16,752
Unlisted Uses	1.00	Unit	\$5,584

### Capacity Charge Variances

For any new wastewater customer, the City may reserve the right to charge the customer using estimated flow based on fixture units according to the California Plumbing Code, or other method deemed appropriate by the City's engineer. The capacity charge may be calculated using the formula provided above.

# Appendix A

## Wastewater Technical Appendices

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Wastewater Historical and Projected Operation and Maintenance Expense, Capital Improvement Program with Sources and Uses Funding, and the Wastewater Financial Plan are detailed in Appendix A.

Appendix A-1  
Historical and Projected Operation and Maintenance Expense

	Inflationary	Historical				Budget	Projected [1]									
Description	Escalation	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
COLLECTION																
Electricity	3% [1]	\$64,418	\$67,310	\$76,842	\$78,762	\$68,000	\$71,921	\$76,016	\$80,292	\$84,757	\$89,417	\$94,280	\$99,355	\$104,649	\$110,172	\$115,932
Chemicals	3% [1]	19,777	21,035	33,644	28,427	30,000	31,730	33,537	35,424	37,394	39,450	41,596	43,835	46,171	48,608	51,149
Operating Supplies	3%	16,400	9,291	4,130	7,008	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439
Vehicle & Equip Supp & Repair	3%	9,092	49,270	38,232	27,197	75,000	77,250	79,568	81,955	84,413	86,946	89,554	92,241	95,008	97,858	100,794
Contract Services	3%	104,065	101,009	45,777	39,100	70,350	72,461	74,634	76,873	79,180	81,555	84,002	86,522	89,117	91,791	94,545
Other	3%	5,209	5,255	5,989	6,315	6,500	6,709	6,924	7,147	7,376	7,612	7,856	8,108	8,369	8,638	8,915
Total Collection Expense		\$218,962	\$253,170	\$204,614	\$186,809	\$259,850	\$270,371	\$281,288	\$292,618	\$304,375	\$316,573	\$329,229	\$342,360	\$355,982	\$370,115	\$384,774
TREATMENT																
Electricity	3% [1]	\$162,906	\$162,468	\$172,653	\$174,898	\$170,000	\$179,803	\$190,042	\$200,733	\$211,895	\$223,546	\$235,705	\$248,392	\$261,628	\$275,435	\$289,835
Operating Supplies	3%	26,899	26,777	22,426	32,206	37,000	38,110	39,253	40,431	41,644	42,893	44,180	45,505	46,870	48,277	49,725
Vehicle & Equip Supp & Repair	3%	7,303	7,542	16,693	8,321	13,000	13,390	13,792	14,205	14,632	15,071	15,523	15,988	16,468	16,962	17,471
Contract Services	3%	42,444	44,845	46,309	52,325	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239	67,196
Other	3%	4,518	5,078	5,271	4,962	5,100	5,253	5,411	5,574	5,740	5,912	6,089	6,273	6,461	6,654	6,854
Total Treatment Expense		\$244,070	\$246,709	\$263,352	\$272,712	\$275,100	\$288,056	\$301,543	\$315,579	\$330,186	\$345,386	\$361,200	\$377,652	\$394,766	\$412,567	\$431,081
GENERAL OPERATIONS																
Salaries and Wages	5% [2]	\$335,262	\$344,379	\$358,567	\$378,829	\$374,145	\$396,905	\$433,473	\$527,672	\$554,059	\$717,394	\$753,262	\$790,924	\$830,472	\$872,002	\$915,602
Benefits	10%	175,224	195,165	209,180	231,496	242,231	274,703	302,172	387,786	426,566	569,772	626,748	689,427	758,370	834,207	917,626
Insurance	3%	(5,503)	15,806	16,451	21,956	16,050	16,532	17,027	17,538	18,064	18,606	19,165	19,739	20,332	20,942	21,570
Operating Supplies	3%	23,482	22,661	42,224	27,381	26,000	26,780	27,583	28,411	29,263	30,141	31,045	31,977	32,936	33,924	34,942
Vehicle & Equipment Repairs	3%	23,688	24,943	22,605	38,333	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,275	45,604	46,972	48,381
Contract Services	3%	10,702	1,495	4,515	680	11,500	11,845	12,200	12,566	12,943	13,332	13,732	14,144	14,568	15,005	15,455
Franchise Fees		35,865	37,121	38,251	38,636	51,850	48,516	58,524	70,582	85,108	102,612	109,132	116,058	123,396	131,182	139,436
Departmental Service Allocation	3%	79,510	67,240	74,160	72,410	72,320	74,490	76,724	79,026	81,397	83,839	86,354	88,944	91,613	94,361	97,192
Administrative Services	3%	118,340	199,130	202,650	217,520	221,960	228,619	235,477	242,542	249,818	257,312	265,032	272,983	281,172	289,607	298,296
Contingency Reserve	3%	0	0	0	0	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439
Other	3%	45,038	44,305	59,583	33,535	55,180	56,834	58,543	60,297	62,107	63,968	65,886	67,864	69,899	71,997	74,156
Total G&A Expenses		\$841,608	\$952,245	\$1,028,186	\$1,060,776	\$1,117,236	\$1,182,604	\$1,270,524	\$1,476,685	\$1,571,098	\$1,910,303	\$2,025,283	\$2,148,634	\$2,281,030	\$2,423,247	\$2,576,095
Total O&M Expenses		\$1,304,640	\$1,452,124	\$1,496,152	\$1,520,297	\$1,652,186	\$1,741,031	\$1,853,355	\$2,084,882	\$2,205,659	\$2,572,262	\$2,715,712	\$2,868,646	\$3,031,778	\$3,205,929	\$3,391,950

[1] Expense increases from additional wastewater flow due to growth as well as cost escalation.

[2] Includes a new Wastewater Operator position occurring in year FY 2021-22 and FY 2023-24, and an allocation of a 0.5 FTE in FY 2023-24.

Table A-2  
Capital Improvement Program With Sources and Uses of Funds

Description	Estimated		Projected							
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Current Capital Improvement Projects (CIP) [1]</b>										
<b>Wastewater Treatment Plant</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WRF Process Improvements and Upgrades	-	309,000	3,026,700	9,759,700	10,052,500	-	-	-	-	-
Percolation Basin Capacity Evaluation	-	36,100	-	-	-	-	-	-	-	-
Dredge Pipe Replacement	-	-	-	38,200	-	-	-	-	-	-
Aerator Replacement Program	19,000	19,600	20,200	-	-	-	-	-	-	-
<b>Lift Stations</b>	-	-	-	-	-	-	-	-	-	-
Lift Station No. 2 Replacement	1,332,000	-	-	-	-	-	-	-	-	-
Lift Station No. 5 and Force Main Replacement	-	-	-	-	-	1,233,500	7,193,000	-	-	-
Lift Station No. 6 and Force Main Upgrades	-	-	-	-	164,300	955,200	-	-	-	-
Lift Station 4, 7, 9 11, 14, 15 Rehabilitation Projects	473,000	-	-	-	-	-	-	-	-	-
Lift Station No. 13 and Force Main Replacement	-	848,700	4,951,200	-	-	-	-	-	-	-
<b>Collection</b>	-	-	-	-	-	-	-	-	-	-
Highway 41 and El Camino Real Sewer Improvements	-	-	-	-	-	-	-	-	281,200	1,641,400
Traffic Way Sewer Improvements	389,000	2,269,100	-	-	-	-	-	-	-	-
Various Locations Sewer Condition Improvements	456,000	-	-	-	-	1,496,600	-	1,587,800	-	-
4x4 Loader	-	-	159,100	-	-	-	-	-	-	-
Asset Management Program and Work Order System	-	103,000	-	-	-	-	-	-	-	-
CCTV Truck	200,000	-	-	-	-	-	-	-	-	-
Combo Truck Storage Structure	15,000	-	-	-	-	-	-	-	-	-
Inflow and Infiltration Study	-	30,900	-	-	33,800	-	-	36,900	-	-
Portable Bypass Pump	-	77,300	-	-	-	-	119,400	-	-	-
Portable Generator (Total of 2)	-	97,900	-	-	-	-	-	123,000	-	-
Service Vehicle Replacement (Total of 6)	35,000	36,100	-	38,200	-	40,600	-	43,000	-	45,700
Skip and Drag	-	97,900	-	-	-	-	-	-	-	-
Annual GIS Maintenance & Modeling Support	15,000	15,500	15,900	16,400	16,900	17,400	17,900	18,400	19,000	19,600
Manhole Rehabilitation & Sewer Line Repairs	100,000	103,000	132,600	136,600	168,800	173,900	209,000	215,200	253,400	261,000
Sewer System Management Plan Audit	15,000	-	15,900	-	16,900	-	17,900	-	19,000	-
Wastewater Fee Study	-	-	-	54,600	-	-	-	61,500	-	-
Wastewater Customer Database Review	-	-	-	21,900	-	-	-	24,600	-	-
Sewer System Management Plan Update	30,000	-	-	-	-	34,800	-	-	-	-
Wastewater Master Plan Update	-	-	-	-	168,800	-	-	-	-	-
<b>Total</b>	<b>\$3,079,000</b>	<b>\$4,044,100</b>	<b>\$8,321,600</b>	<b>\$10,065,600</b>	<b>\$10,622,000</b>	<b>\$3,952,000</b>	<b>\$7,557,200</b>	<b>\$2,110,400</b>	<b>\$572,600</b>	<b>\$1,967,700</b>
<b>Sources and Uses of Capital Funds</b>										
Beginning Year Balance [2]	\$9,286,000	\$7,479,700	\$4,838,400	\$11,076,400	\$2,759,200	\$4,113,200	\$2,221,900	\$1,815,500	\$1,951,200	\$3,726,000
Transfer In Annual Capital Replacement	630,700	760,800	917,600	1,106,400	1,334,000	1,418,700	1,508,800	1,604,100	1,705,400	1,812,700
Transfer In Sewer Connection Fees	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000
Additional Funding from Net Operating Revenues	-	-	-	-	-	-	-	-	-	-
<b>New Bond Proceeds (net of issuance costs)</b>	<b>-</b>	<b>-</b>	<b>13,000,000</b>	<b>-</b>	<b>10,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
CIP Project Expenditures	(\$3,079,000)	(\$4,044,100)	(\$8,321,600)	(\$10,065,600)	(\$10,622,000)	(\$3,952,000)	(\$7,557,200)	(\$2,110,400)	(\$572,600)	(\$1,967,700)
<b>Sources Less Uses</b>	<b>\$7,479,700</b>	<b>\$4,838,400</b>	<b>\$11,076,400</b>	<b>\$2,759,200</b>	<b>\$4,113,200</b>	<b>\$2,221,900</b>	<b>\$1,815,500</b>	<b>\$1,951,200</b>	<b>\$3,726,000</b>	<b>\$4,213,000</b>
<b>Target Capital and Emergency Reserve</b>	<b>\$2,400,000</b>	<b>\$2,500,000</b>	<b>\$2,900,000</b>	<b>\$3,400,000</b>	<b>\$3,800,000</b>	<b>\$4,000,000</b>	<b>\$4,300,000</b>	<b>\$4,300,000</b>	<b>\$4,200,000</b>	<b>\$4,200,000</b>

[1] CIP Source: CIP Project list provided by the City.

[2] The available cash balance reflects the City's FY 2019-20 Budget less Operating Reserve.

## Appendix A-3 Wastewater Financial Plan

Description	Projected									
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Proposed Rate Increase (Aug 8)</b>	<b>19.0%</b>									
<b>Proposed Rate Increase (July 1)</b>		<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Operating Revenues</b>										
Service Charge Revenues, Existing Rates [1]	\$2,038,500	\$2,066,400	\$2,094,200	\$2,122,000	\$2,149,900	\$2,177,700	\$2,205,600	\$2,233,400	\$2,261,300	\$2,289,100
Additional Revenue from Rate Adjustments [2]	355,000	859,800	1,434,900	2,133,400	2,980,700	3,278,900	3,597,300	3,936,400	4,297,800	4,682,700
Miscellaneous Revenues [3]	830,700	837,800	845,200	853,000	861,200	869,800	878,800	888,200	898,100	908,500
Interest Earnings [4]	140,700	114,800	145,300	132,800	82,000	77,800	58,400	53,600	66,800	84,800
<b>Total Operating Revenues</b>	<b>\$3,364,900</b>	<b>\$3,878,800</b>	<b>\$4,519,600</b>	<b>\$5,241,200</b>	<b>\$6,073,800</b>	<b>\$6,404,200</b>	<b>\$6,740,100</b>	<b>\$7,111,600</b>	<b>\$7,524,000</b>	<b>\$7,965,100</b>
<b>Operating Expenses</b>										
Operation and Maintenance Expense	\$1,740,500	\$1,853,300	\$2,084,900	\$2,205,700	\$2,572,300	\$2,715,700	\$2,868,700	\$3,031,800	\$3,205,900	\$3,392,000
New Bond Debt Service [5]	0	0	919,300	919,300	1,626,400	1,626,400	1,980,000	1,980,000	1,980,000	1,980,000
Annual Replacement [6]	622,300	760,800	917,600	1,106,400	1,334,000	1,418,700	1,508,800	1,604,100	1,705,400	1,812,700
Transfer Sewer Connection Fees to Capital	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000	642,000
<b>Total Operating Expenses</b>	<b>\$3,004,800</b>	<b>\$3,256,100</b>	<b>\$4,563,800</b>	<b>\$4,873,400</b>	<b>\$6,174,700</b>	<b>\$6,402,800</b>	<b>\$6,999,500</b>	<b>\$7,257,900</b>	<b>\$7,533,300</b>	<b>\$7,826,700</b>
<b>Net Balance From Operations</b>	<b>\$360,100</b>	<b>\$622,700</b>	<b>(\$44,200)</b>	<b>\$367,800</b>	<b>(\$100,900)</b>	<b>\$1,400</b>	<b>(\$259,400)</b>	<b>(\$146,300)</b>	<b>(\$9,300)</b>	<b>\$138,400</b>
<b>Annual Debt Service Coverage</b>										
Net Revenues [7]	\$1,624,400	\$2,025,500	\$2,434,700	\$3,035,500	\$3,501,500	\$3,688,500	\$3,871,400	\$4,079,800	\$4,318,100	\$4,573,100
Total Annual Debt Service Coverage	\$0	\$0	\$919,300	\$919,300	\$1,626,400	\$1,626,400	\$1,980,000	\$1,980,000	\$1,980,000	\$1,980,000
	n/a	n/a	265%	330%	215%	227%	196%	206%	218%	231%
<b>Combined Operating and Capital Reserves</b>										
Beginning Available Reserves	\$10,112,000	\$8,657,400	\$6,638,800	\$12,832,600	\$4,883,200	\$6,136,300	\$4,246,400	\$3,580,600	\$3,570,000	\$5,335,500
Increase (Decrease) Reserve	(1,454,600)	(2,018,600)	6,193,800	(7,949,400)	1,253,100	(1,889,900)	(665,800)	(10,600)	1,765,500	625,400
Ending Available Reserves	\$8,657,400	\$6,638,800	\$12,832,600	\$4,883,200	\$6,136,300	\$4,246,400	\$3,580,600	\$3,570,000	\$5,335,500	\$5,960,900
Target Operating and Capital Reserves	\$3,270,000	\$3,427,000	\$3,942,000	\$4,503,000	\$5,086,000	\$5,358,000	\$5,734,000	\$5,816,000	\$5,803,000	\$5,896,000
Above (below) Target	\$5,387,400	\$3,211,800	\$8,890,600	\$380,200	\$1,050,300	(\$1,111,600)	(\$2,153,400)	(\$2,246,000)	(\$467,500)	\$64,900

[1] Projected using the existing wastewater rates. Changes in rate based revenues are due to customer and demand growth.

[2] FY 2019-20 increase effective Aug 8. All other increases are effective July 1.

[3] Miscellaneous revenue includes Permits and Inspections, Sewer Extension Fees, Sewer Connection Fees, Well Water, and Tap-in Fees.

[4] Interest earnings on the average fund balance calculated at 1.50%.

[5] Debt service related to new bond proceeds listed in Table 7. Assumes interest rate of 5.0%, 30 year term, and issuance expenses.

[6] Equal to 26% of sewer service charge revenue and additional revenue from rate adjustments.

[7] Includes revenue from rates, interest earnings, and miscellaneous revenues less operation and maintenance expense.