



TOWN OF YOUNTVILLE

WATER AND WASTEWATER FINANCING PLAN AND RATE STUDY 2010

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EXECUTIVE SUMMARY

BACKGROUND AND OBJECTIVES

The Town of Yountville's (Town) water and wastewater utilities are self-supporting enterprise funds. Revenues are generated primarily from utility service charges and must be adequate to fund the total cost of providing water and wastewater service. Cost of service includes operating and maintenance, personnel services, services and supplies, utilities, water purchases, capital improvement projects, repairs and replacements, debt service, and reserves.

Water and wastewater rates have not increased since 2007. Despite the Town's efforts to control costs, operating expenses have continued to increase each year. Both utilities also need to fund capital improvement programs for necessary system repairs and to comply with State mandates. In August 2010, the Town retained Bartle Wells Associates (BWA) to develop comprehensive rate and fee studies for the water and wastewater enterprises. This report summarizes our findings and recommendations.

WATER RATE STUDY

The Town currently provides water service to 769 accounts, approximately 87% of which are residential customers. This includes single family residential both inside and outside the Town, multi-family, condos/townhouses, and mobile homes. The majority of customers are served by ¾-inch meters. The Town also maintains 7 miles of pipelines

The Town's current water rates are comprised of a bi-monthly service charge and a commodity charge that is applied to the amount of water consumed. The service charge is a fixed charge determined by the size of the water meter. For residential and multi-family customers, the commodity charge consists of four tiers so that the cost of each incremental unit of water increases in steps. The commodity charge for non-residential customers is based on one uniform tier so that all water use is charged the same rate. Customers outside the Town's limits are charged 1.78 times the "within town" rate for the service charge and 1.25 times the "within town" commodity rate.

Summary of Key Findings and Recommendations

- **Financial Overview** - As of July 1, 2010, Town held reserves of nearly \$2.5 million in the water utility. Over \$2 million of the reserves are restricted for the purchase of water at market rates in drought emergencies. The water enterprise has been operating in a deficit mode and has been subsidized by the General Fund for the past decade. Without rate increases or subsidies, this operating deficit will continue to grow and reserves will become depleted. Since 1999, the General Fund has provided approximately \$3 million in subsidies to support the water utility. The water enterprise will need a loan from either the General Fund or Water Drought Reserve Fund over the next few years as the Town transitions the water utility to a fully self-supporting fund by 2015/16.

- **Capital Needs** - The 5-year water capital improvement program from 2010/11 through 2014/15 includes over \$442,000 in necessary improvements.
- **Water Purchases** – The Town’s largest operating expense is water purchases from the Veteran’s Home/State. Since 2006/07, wholesale rates have increased \$250 per acre foot or 50 percent. Due to the uncertainty in estimating future water purchase costs, this study uses two escalation factors – 7.5 percent and 10 percent – to determine the impacts on rates. The Town will utilize the pass through provision allowed in Assembly Bill 3030 to raise rates to recover additional unanticipated wholesale water rate increases.
- **Transfer to Capital Fund/Depreciation** – The water enterprise currently does not have a revenue stream to fund capital projects and other replacement projects. This study proposes to establish an annual funding stream for capital needs based on the water system’s annual depreciation. These funds will be collected through the “Water System Replacement Fee.” This fee will be a separate charge on the bi-monthly bill based on meter size and will be earmarked only for water capital projects.
- **Water Rate Modifications** – This study recommends several modifications to the water rate structure designed to improve rate equity. These modifications include:

Align Fixed Meter Charges with Accepted Meter Ratios

The current ratios for the larger meters are lower than those recommended by the AWWA. BWA recommends aligning the meter charges with standards from the American Water Works Association (AWWA) and the California Public Utilities Commission (CPUC) to better align the cost of service to meter capacity.

Revise Percent Fixed vs. Percent Commodity Revenue Allocation

The Town currently collects roughly 28 percent from the fixed charge and 72 percent of water sales revenue from the commodity charge. This current allocation does not accurately reflect the Town’s proportion of fixed and variable operating costs. This study presents two fixed/variable percentage options for consideration. The first option is 50% fixed / 50% variable with half of all water sales revenues derived from the service charge and the other half from the commodity charge. The second option is a 40% fixed / 60% variable allocation with 40 percent of revenue from the service charge and 60 percent from the commodity charge.

Revise Tiers for Multi-Family Residential Customers

The current rate structure for multi-family customers is unfair and results in most of the multi-family water being charged the Tier 4 rate. BWA proposes to modify the commodity rate structure for multi-family customers to the non-residential rate which is based on one uniform tier so that all non-residential and multi-family water consumption will be charged the same price per unit.

Adjust Rates for Outside Town Customers

Outside town customers are currently assessed a 78 percent surcharge on the service charge and a 25 percent surcharge on the commodity charge. This study recommends increasing the surcharge to 75 percent for both the service charge and commodity rate.

- Water Rate Scenarios** – Based on input from Town staff and the Town Council Ad Hoc Committee, this study presents three rate scenarios for consideration. For all scenarios, the water fund will borrow \$220,000 from the General Fund or Water Drought Reserve Fund which will be repaid in 2015/16 with the objective of phasing out subsidies from the General Fund so the water utility can operate as a self-supporting sustainable enterprise fund. The average single family residential (SFR) bill is based on a ¾” meter consuming 22,000 gallons bi-monthly.

Water Rate Scenario 1

The first scenario assumes a 10 percent annual water escalation factor with rates designed to collect 50 percent from the service charge and 50 percent from the commodity charge.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		18%	18%	18%	18%	18%
Avg SFR Bi-Monthly Bill	\$67.84	\$91.19	\$107.59	\$126.94	\$149.85	\$176.81
\$ Change		\$23.35	\$16.40	\$19.35	\$22.91	\$26.96

Water Rate Scenario 2

The second scenario assumes a 7.5 percent annual water escalation factor with rates designed to collect 50 percent from the service charge and 50 percent from the commodity charge.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		17%	17%	17%	17%	17%
Avg SFR Bi-Monthly Bill	\$67.84	\$90.74	\$106.11	\$124.11	\$145.19	\$169.80
\$ Change		\$22.90	\$15.37	\$18.00	\$21.08	\$24.61

Water Rate Scenario 3

The second scenario assumes a 7.5 percent annual water escalation factor with rates designed to collect 40 percent from the service charge and 60 percent from the commodity charge.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		17%	17%	17%	17%	17%
Avg SFR Bi-Monthly Bill	\$67.84	\$84.37	\$98.74	\$115.62	\$135.28	\$158.30
\$ Change		\$16.53	\$14.37	\$16.88	\$19.66	\$23.02

- **Rate Impacts** – Due to the modifications in rate structure, the rate impacts on customers for the first year will vary and will depend on customer class, meter size, and actual water consumption.
- **Recommendation** – Based on input from the Town Council Ad Hoc Committee, BWA recommends implementing Water Rate Scenario #2 with the 7.5 percent water purchase escalation and 50% fixed/50% variable revenue allocation to minimize the impact on ratepayers while transitioning the water utility into a self-supporting enterprise fund.

WASTEWATER RATE STUDY

The Town currently provides wastewater service to 628 residential accounts (1,153 dwelling units) and to 79 non-residential accounts. Residential customers including multi-family and mobile homes account for approximately 94% of all customers. The Town also maintains 8.75 miles of sewer collection pipeline and 1.5 miles of discharge pipe. Single family residential customers are charged a fixed bi-monthly charge. Multi-family and mobile home customers are charged a fixed charge that is 73 percent of the single family rate. The Wastewater charges for non-residential customers depend on customer type, meter size, and water use. Non-residential customers are classified into three categories – low, medium, and high strength dischargers. Non-residential customers are charged both a fixed charge based on meter size and strength and a volume rate per thousand gallon depending on their strength and load factor.

Summary of Key Findings and Recommendations

- **Financial Overview** - As of July 1, 2010, Town held reserves of nearly \$489,000 in the wastewater utility. The wastewater enterprise has been operating in a deficit for many years while reserves have been depleted. Rate increases are needed to fund operating and capital improvement project needs and to build stable fund reserves.
- **Capital Needs** - The 5-year water capital improvement program from 2010/11 through 2014/15 includes over \$2.2 million in necessary improvements. Several projects are necessary due to regulatory issues which requires the Town to upsize the recycled water distribution pumps, variable frequency drives, and electrical systems by December 1, 2013.
- **Debt** – To fund the capital improvement program, the Town will apply for a loan from the the Clean Water State Revolving Fund (SRF) Loan program. For the wastewater rate scenarios, BWA assumes that the Town will obtain a \$2.4 million SRF loan in 2012/13 (terms: 3%, 20 years) with annual debt service estimated at \$163,000.
- **Transfer to Capital Funds/Depreciation** – The wastewater system makes two annual transfers to the wastewater capital funds, including \$50,000 to the capital improvements fund (Fund 64) and \$37,000 to the joint treatment capital recovery fund (Fund 63). BWA recommends increasing the transfers to the capital funds, using annual depreciation as the funding guideline which will be collected through the “Wastewater System

Replacement Fee.” This fee will be a separate charge on the bi-monthly bill based on meter size and will be earmarked only for wastewater capital projects.

- **Veteran’s Home** – The Veteran’s Home will continue to pay for half of all capital and operating expenses related to the wastewater treatment plant. Additionally, beginning in 2011/12, the Veteran’s Homes will begin to repay the \$315,000 Wastewater Treatment Plant Title 22 project loan from the Town; will share in the costs of depreciation for the wastewater treatment plant; and will pay an appropriate share of the debt service for the capital improvement program.
- **Wastewater Rate Modifications** – This study recommends an adjustment to the non-residential wastewater rate to improve equity:

Modify Non-Residential Wastewater Service Fixed Charge

BWA recommends simplifying the non-residential wastewater service charge structure by charging all non-residential customers (low, medium, and high) the same fixed charge. The service charges will also be aligned to the equivalent meter charges proposed for the water rates. No structural changes are projected for the sewer load factor and strength charges.

- **Wastewater Rate Scenarios** – Based on input from Town staff and the Town Council Ad Hoc Committee, this study presents three wastewater rate scenarios for consideration. All scenarios include the increased transfer for capital projects based on depreciation.

Wastewater Rate Scenario 1

The first scenario assumes that the Town will not borrow money to fund the capital improvement program and that projects will be funded on a pay-as-you-go basis.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		55%	55%	0%	0%	0%
Avg SFR Bi-Monthly Bill	\$41.77	\$64.74	\$100.35	\$100.35	\$100.35	\$100.35
\$ Change		\$22.97	\$35.61	\$0.00	\$0.00	\$0.00

Wastewater Rate Scenario 2

The second scenario assumes that the Town will obtain a \$2.4 million SRF loan with repayment of debt beginning in 2014/15. Scenario 2 includes even annual rate increases through 2015/16.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		16.5%	16.5%	16.5%	16.5%	16.5%
Avg SFR Bi-Monthly Bill	\$41.77	\$48.66	\$56.69	\$66.04	\$76.94	\$89.64
\$ Change		\$6.89	\$8.03	\$9.35	\$10.90	\$12.70

Water Rate Scenario 3

The third scenario assumes that the Town will obtain a \$2.4 million SRF loan with repayment of debt beginning in 2014/15. Scenario 3 includes lower rate increases in 2011/12 and 2012/13 and higher rate increases in 2013/14 and 2014/15.

	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Adjustment %		14.0%	14.0%	19.0%	19.0%	6.0%
Avg SFR Bi-Monthly Bill	\$41.77	\$47.62	\$54.29	\$64.61	\$76.89	\$81.50
\$ Change		\$5.85	\$6.67	\$10.32	\$12.28	\$4.61

- **Rate Impacts** – Due to the modifications in rate structure, the rate impacts on non-residential customers will vary and will depend on customer class, meter size, and actual water consumption.
- **Recommendation** – Based on input from the Town Council Ad Hoc Committee, BWA recommends implementing Wastewater Rate Scenario #2 with a \$2.4 million SRF loan and even annual rate increases to ensure sufficient funding for wastewater operating and capital needs.

1 BACKGROUND & OBJECTIVES

The Town of Yountville (the Town) is an incorporated town in Napa County with a population of approximately 3,260. The Town provides water service to 769 accounts including 35 customers outside of the Town's limits and wastewater service to 704 customer accounts.

The water distribution system includes the Yountville Municipal Well and 6.9 miles of water distribution mains. The Town purchases water from the Rector Reservoir through the California Veteran's Home/State.

The wastewater collection system includes 8 miles of sewer pipelines within the Town, 0.75 miles of force main from the pump station to the Joint Treatment Plant wastewater treatment plant (WWTP), 1.5 miles of gravity discharge piping from the WWTP to the river, and 4 miles of recycled water mains. The Town also operates the Joint Wastewater Treatment Plant which serves the Town's residential and commercial customers as well as the Veteran's Home.

The water and wastewater utilities are self-supporting enterprise funds. Revenues are generated primarily from utility service charges and must be adequate to fund the total cost of providing water and wastewater service. Cost of service includes operating and maintenance, personnel services, services and supplies, utilities, water purchases, capital improvement projects, repairs and replacements, debt service, and reserves.

Water and wastewater rates have not increased since 2007. Despite the Town's efforts to control costs, operating expenses have continued to increase each year. Both utilities also need to fund capital programs for necessary system repairs and to comply with State mandates.

In August 2010, the Town retained Bartle Wells Associates (BWA) to develop comprehensive rate and fee studies for the water and Wastewater enterprises. The 2007 water and wastewater rate study recommended five years of rate increases. However, only one rate increase has been implemented since then. Key objectives of this rate study include:

- Conduct an independent analysis of water and wastewater rates and finances.
- Develop cash flow projections incorporating reasonable estimates of future operating expenses. Coordinate construction and financing capital improvement projects for the water and wastewater enterprise.
- Determine the annual revenue requirement.
- Evaluate water and wastewater rate structure.
- Phase out general fund subsidies over the next five years.
- Recommend rate adjustments for 2011/12 through 2015/16 to support the long-term financial health of the water and wastewater enterprises.

- Phase in rate adjustments over time, to the extent possible, to minimize the annual impact on ratepayers.
- Establish prudent fund reserve targets.
- Calculate impacts on the Town's residential and commercial customers.

This report presents key findings and recommendations of our study. The recommendations were developed with substantial input from Town staff and the Town Council Ad Hoc Committee.

2 WATER RATE STUDY

WATER ENTERPRISE OVERVIEW

Water Customers

The Town currently provides water service to 769 connections, approximately 87% of which are residential customers including single family residential both inside and outside the Town, multi-family, condos/townhouses, and mobile homes. The majority of customers are served by ¾-inch meters. The Town is mostly built out so significant growth is not anticipated in future years. Tables 1 and 2 summarize the Town’s water accounts by customer class and by meter size.

TABLE 1 NO. OF ACCOUNTS BY CUSTOMER CLASS		
Category	No. of Accounts	% of Total
RESIDENTIAL		
Single Family Residential	560	
Single Family Residential - Outside	35	
Condos/Townhouse	21	
Mobile Home Park	4	
<u>Multi-Residential</u>	<u>52</u>	
Subtotal Residential	672	87.4%
NON-RESIDENTIAL/OTHER		
Church/School	9	
Fireline	2	
Hotels/Inns	29	
Multiple Commercial	8	
Other Commercial	17	
Restaurant/Bar	14	
<u>Town Use</u>	<u>18</u>	
Subtotal Non-Residential/Other	97	12.6%
TOTAL WATER ACCOUNTS	769	

TABLE 2 NO. OF ACCOUNTS BY METER SIZE	
Meter Size	# of Accounts
3/4"	639
1"	76
1.5"	11
2"	38
3"	2
4"	2
6"	1
8"	0
Total	769

Water Consumption

BWA analyzed water consumption for 2007/08 through 2009/10 as shown in Table 3. In 2009/10, annual water consumption totaled 142,508,000 gallons, a 4.7 percent decrease from the previous year. Residential consumption, including multi-family, mobile homes, and condos/townhouses, totaled approximately 85,506,000 gallons or 60 percent of all water use. Average bi-monthly residential water use for the past three years is 22,000 gallons.

TABLE 3 TOTAL ANNUAL WATER USE (1,000 gallons unless noted)			
Customer Class	2007/08	2008/09	2009/10
Church/School	8,914	9,671	7,371
Condo Landscape	404	442	209
Condos/Townhouse	4,463	5,570	5,194
Hotels/Inns	23,513	20,881	21,878
Mobile Home Park	14,134	15,272	10,784
Multiple Commercial	9,292	8,068	6,888
Multi-Residential	11,852	10,873	10,479
Other Commercial	1,483	1,549	2,527
Single Family Residential	55,928	55,441	53,775
Single Family Residential - Outside	4,213	4,140	5,065
Restaurant/Bar	10,007	10,127	10,168
Town Use	<u>8,912</u>	<u>7,523</u>	<u>8,170</u>
Total	153,115	149,557	142,508
<i>Percent Change</i>	7.1%	-2.3%	-4.7%
Acre Feet Sold	470	459	437
Acre Feet Purchased	513	507	510
Total Residential Use	90,994	91,738	85,506
<i>% of Total Use</i>	59.4%	61.3%	60.0%
Total Non-Residential Use	62,121	57,819	57,002
<i>% of Total Use</i>	40.6%	38.7%	40.0%

Chart 1 shows a percentage breakdown of total water consumption by customer class for 2009/10.

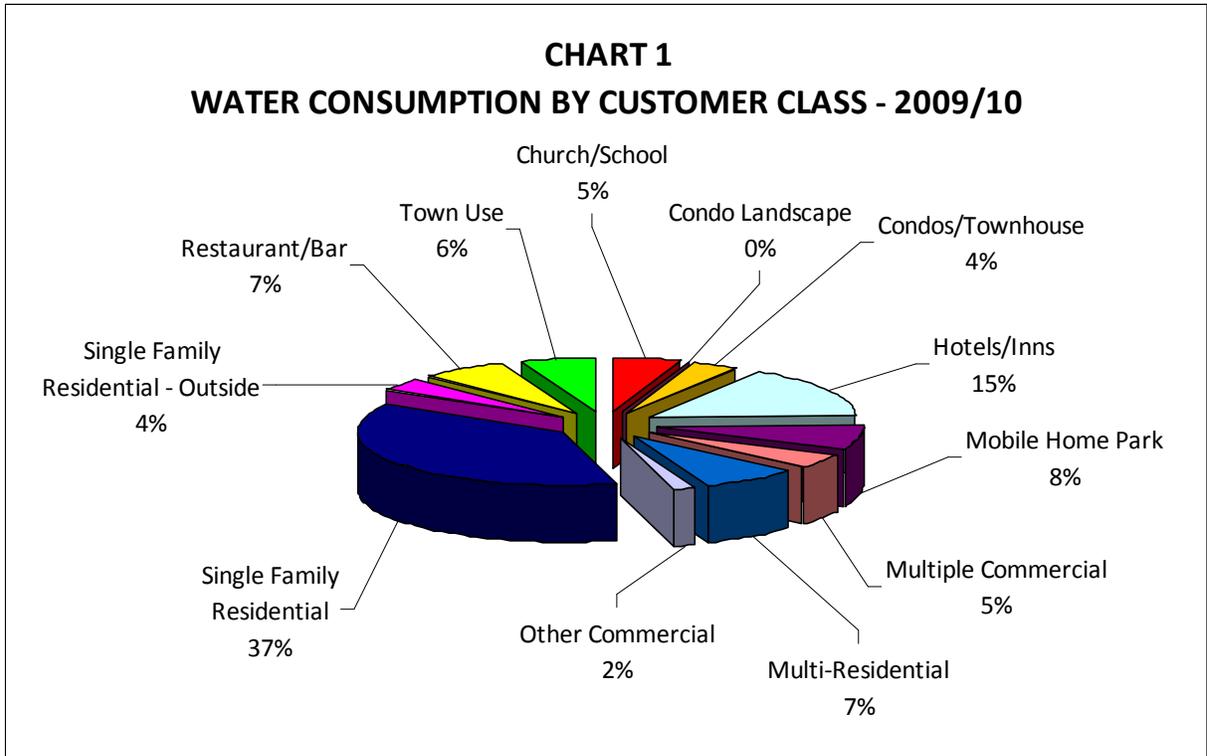


Table 4 shows a breakdown of water consumption by benefit user (BU) tier for the past three years for single family residential customers within and outside the town as well as for multi-family residential customers which includes mobile homes and condos/townhouses.

TABLE 4 RESIDENTIAL WATER USE BY TIER							
Tier	Breakpoints	2007/08		2008/09		2009/10	
		Use	%	Use	%	Use	%
SINGLE FAMILY RESIDENTIAL							
Tier 1	0 - 8 BUs	19,699	35.2%	20,730	37.4%	21,901	40.7%
Tier 2	9 - 20 BUs	17,986	32.2%	17,988	32.4%	17,380	32.3%
Tier 3	21 - 40 BUs	11,685	20.9%	11,293	20.4%	10,053	18.7%
Tier 4	41+ BUs	<u>6,558</u>	<u>11.7%</u>	<u>5,430</u>	<u>9.8%</u>	<u>4,441</u>	<u>8.3%</u>
Total		55,928	100.0%	55,441	100.0%	53,775	100.0%
SINGLE FAMILY RESIDENTIAL - OUTSIDE							
Tier 1	0 - 8 BUs	980	23.3%	1,057	25.5%	1,241	24.5%
Tier 2	9 - 20 BUs	1,008	23.9%	1,008	24.3%	1,225	24.2%
Tier 3	21 - 40 BUs	866	20.6%	823	19.9%	1,066	21.0%
Tier 4	41+ BUs	<u>1,359</u>	<u>32.3%</u>	<u>1,252</u>	<u>30.2%</u>	<u>1,533</u>	<u>30.3%</u>
Total		4,213	100.0%	4,140	100.0%	5,065	100.0%
MULTI-FAMILY RESIDENTIAL (includes mobile homes and condo/townhouse)							
Tier 1	0 - 2 BUs	767	2.5%	793	2.5%	829	3.1%
Tier 2	3 - 14 BUs	4,163	13.5%	4,336	13.5%	4,465	16.7%
Tier 3	15 - 33 BUs	4,018	13.0%	3,771	11.7%	3,777	14.2%
Tier 4	34+ BUs	<u>21,905</u>	<u>71.0%</u>	<u>23,257</u>	<u>72.3%</u>	<u>17,595</u>	<u>66.0%</u>
Total		30,853	100.0%	32,157	100.0%	26,666	100.0%
Total Residential Use		90,994		91,738		85,506	

Water Finances

Fund Reserves

As of July 1, 2010, the Town held reserves of nearly \$2.5 million in water operations, capital, and drought reserve funds as detailed in Table 5. In January 2009, the Town established the Water Drought Reserve Fund from the proceeds of the sale of the Town's North Bay Aqueduct (NBA) and the Kern water rights. These funds are restricted and may be used only for the purchase of additional water in the event of a drought or other emergency situation. The Town currently does not have a minimum operating fund reserve balance policy for the water enterprise.

TABLE 5	
WATER ENTERPRISE RESERVE FUND BALANCES AS OF JULY 1, 2010	
Fund 61 - Water Utility Operating Fund	\$22,575
Fund 57 - Water Drought Reserve Fund	2,009,343
Fund 58 - Water Connection Impact Fee Fund	0
Fund 60 - Water Utility Capital Improvements Fund	<u>441,831</u>
Total Water Utility Fund Balances	\$2,473,749

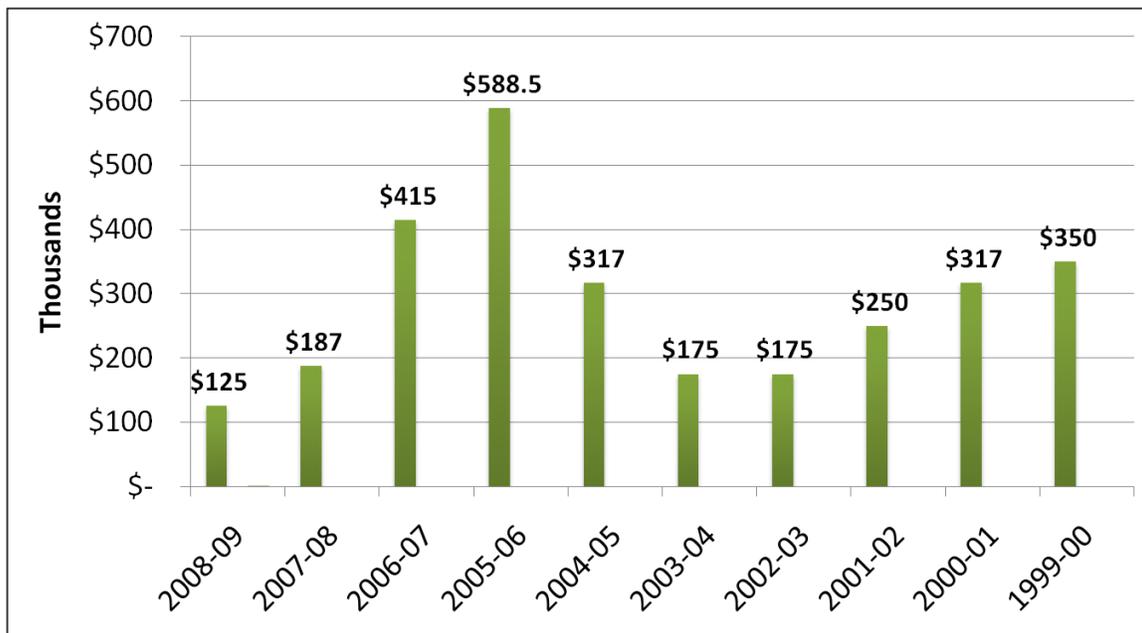
Operating Deficit

The water enterprise has been operating in a deficit mode and has been subsidized by the General Fund for the past decade. The operating deficit for 2009/10 was approximately \$73,700, and the deficit for 2010/11 is projected at \$112,200. Without rate increases or subsidies, this operating deficit will continue to grow and reserves will become depleted.

General Fund Subsidies

Since 1999, the General Fund has provided approximately \$3 million in subsidies to support the water utility as shown in Chart 2. No subsidies are planned for 2009/10 and 2010/11; however the water enterprise will need loans from the General Fund over the next few years as the Town transitions the water utility to a fully self-supporting fund by 2015/16.

CHART 2
GENERAL FUND SUBSIDIES TO THE WATER ENTERPRISE FUND



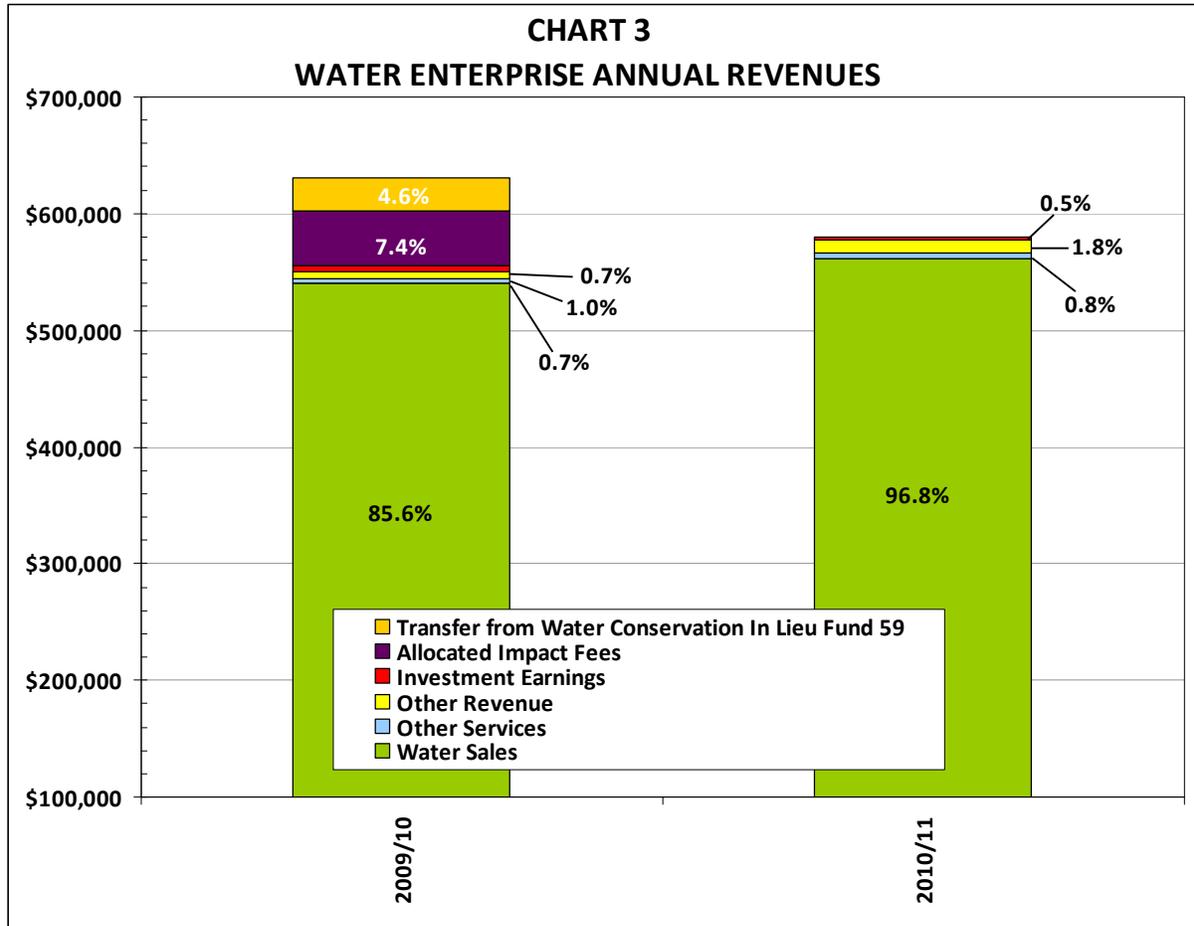
CURRENT WATER RATES

The Town's current water rates are comprised of a bi-monthly service charge and a commodity charge that is applied to the amount of water consumed. The service charge is a fixed charge determined by the size of the water meter. For residential and multi-family customers, the commodity charge consists of four tiers so that the cost of each incremental unit of water increases in steps. The commodity charge for non-residential customers is based on one uniform tier so that all water use is charged the same rate. Customers outside the Town's limits are charged 1.78 times the "within town" rate for the service charge and 1.25 times the "within town" commodity rate. The Town currently collects roughly 28 percent from the fixed charge and 72 percent of water sales revenue from the commodity charge. Table 6 shows the current water rates that have been in effect since March 1, 2007.

TABLE 6				
CURRENT BI-MONTHLY WATER RATES				
SERVICE CHARGE - RESIDENTIAL & NONRESIDENTIAL				
Meter Size	Within Town	Outside Town	Meter Ratios	
3/4"	\$25.76	\$45.95	1.0	
1"	\$40.49	\$72.22	1.6	
1-1/2"	\$77.32	\$137.90	3.0	
2"	\$121.50	\$216.71	4.7	
3"	\$224.61	\$400.59	8.7	
4"	\$371.90	\$663.29	14.4	
6"	\$740.13	\$1,320.02	28.7	
8"	\$1,182.09	\$2,109.85	45.9	
COMMODITY RATE PER 1,000 GALLON BILLING UNIT (\$/BU)				
Classification	Tier	Breakpoints	Within Town	Outside Town
Single Family	Tier 1	0 - 8 BUs	\$1.38	\$1.72
	Tier 2	9 - 20 BUs	\$2.07	\$2.58
	Tier 3	21 - 40 BUs	\$3.10	\$3.87
	Tier 4	41+ BUs	\$6.20	\$7.75
Multi-Family per dwelling unit	Tier 1	0 - 2 BUs	\$1.54	\$1.93
	Tier 2	3 - 14 BUs	\$2.32	\$2.90
	Tier 3	15 - 33 BUs	\$3.48	\$4.35
	Tier 4	34+ BUs	\$6.95	\$8.69
Non-Residential	Uniform	All Usage	\$2.34	\$2.93
Industrial	Tier 1	0 - 40 BUs	\$2.87	\$3.59
	Tier 2	41+ BUs	\$6.54	\$8.18

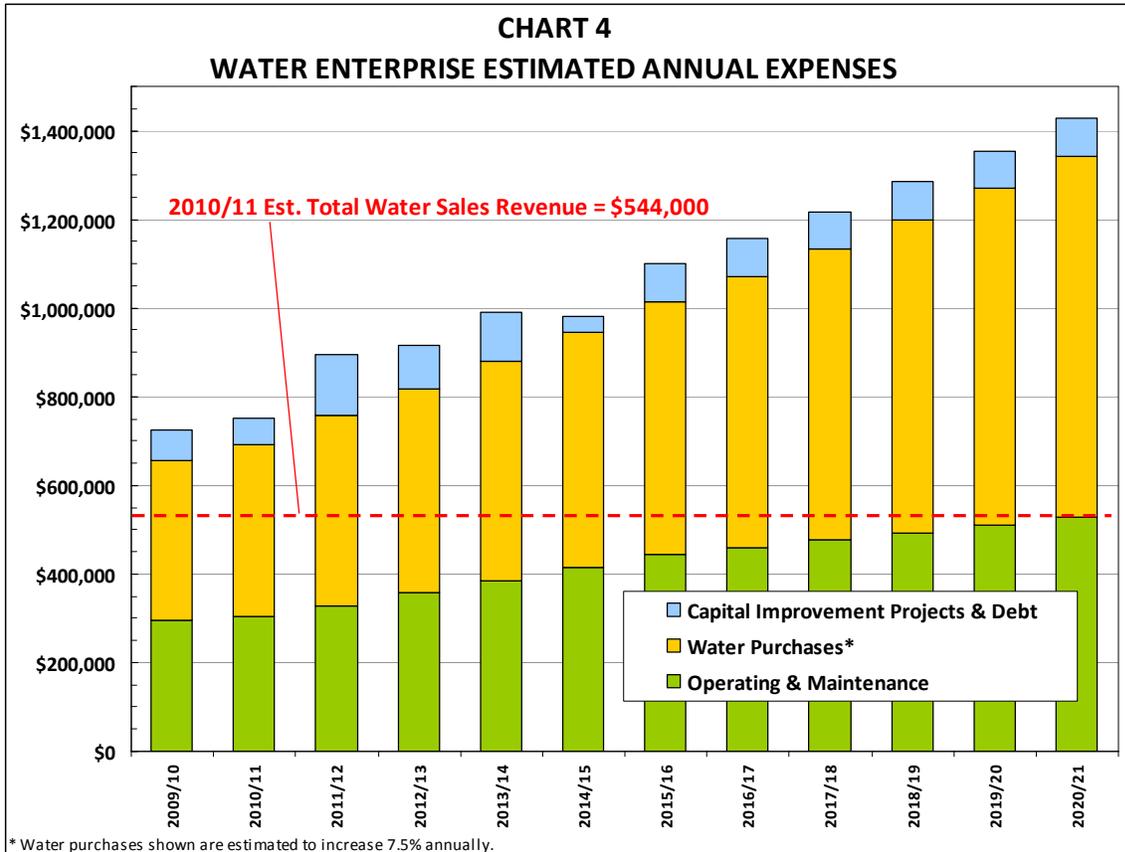
WATER REVENUES

Based on the 2010/11 budget, the Town anticipates collecting total water enterprise revenues of about \$562,000. Total water service sales revenues are projected at \$544,000, equivalent to approximately 97% of all revenues. Residential water sales account for 61 percent of all water revenues. Other revenue sources include interest, firelines, meter sets, refunds and reimbursements, and other miscellaneous fees. Chart 3 shows a breakdown of the water enterprise revenues for 2009/10 and 2010/11.



TOTAL REVENUE REQUIREMENT - EXPENDITURES

For 2010/11, the total revenue requirement for the water enterprise is about \$779,000 including operating and maintenance, water purchases, capital projects, debt service and reserves. Operating expenses account for 89 percent of the revenue requirement, while loan repayment and capital improvement projects comprise around 3 percent and 8 percent of the total, respectively. These percentages will vary each year based on the water budget and CIP. Chart 4 graphically depicts the Town's estimated annual water expenditures beginning in 2009/10 through 2020/21.



Operating Expenses

Total operating expenses for 2010/11 are projected at approximately \$691,600. Operating expenses include personnel services, supplies and services, facilities maintenance, capital outlay, and water purchases. For this study, all operating expenses, except for personnel services and water purchases, have been escalated by 3 percent each year. Personnel services are escalated by 4 percent yearly. Water purchase costs are escalated by 7.5 percent or 10 percent annually (depending on the water rate scenario). Chart 5 shows a breakdown of the water operating expenses, including water purchases for 2010/11.

**CHART 5
2010/11 WATER OPERATING EXPENSE BREAKDOWN**

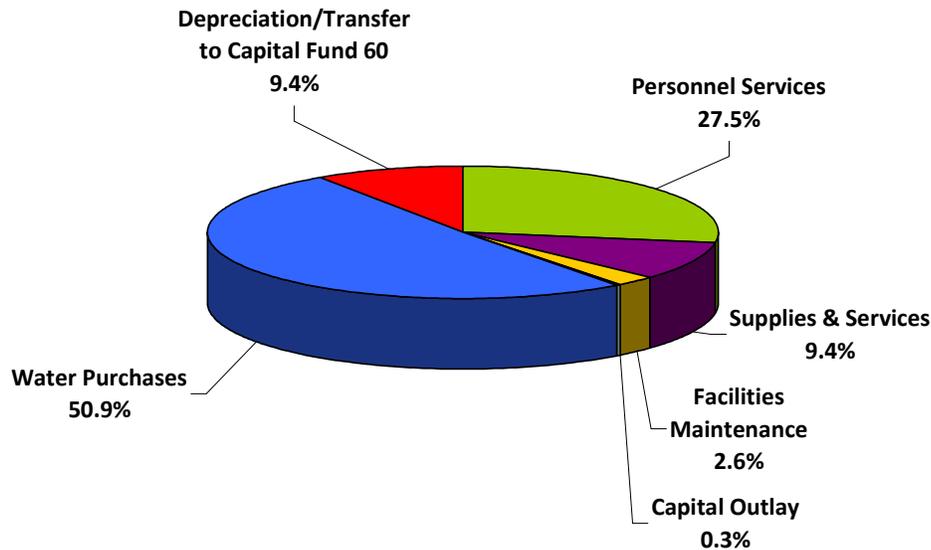


Table 7 details projected water operating expenses not including water purchases for the next 10 years.

TABLE 7 WATER OPERATING EXPENSES - NOT INCLUDING WATER PURCHASES								
Operating Expense	Est. Actual 2009/10	Budget 2010/11	Escalation Factor	Projected				
				2011/12	2012/13	2013/14	2014/15	2015/16
Personnel Services	216,413	209,620	4.0%	218,000	227,000	236,000	245,000	255,000
Supplies & Services	72,326	71,600	3.0%	73,000	75,000	77,000	79,000	81,000
Facilities Maintenance	5,000	20,000	3.0%	21,000	22,000	23,000	24,000	25,000
Capital Outlay	2,000	2,000	3.0%	2,000	2,000	2,000	2,000	2,000
<u>Depreciation/Transfer to Capital Fund 60</u>	<u>15,000</u>	<u>72,000</u>	<u>3.0%</u>	<u>74,000</u>	<u>76,000</u>	<u>78,000</u>	<u>80,000</u>	<u>82,000</u>
Total Operating Expenses	310,739	375,220		388,000	402,000	416,000	430,000	445,000
Percent Change		20.8%		3.4%	3.6%	3.5%	3.4%	3.5%

1 - Depreciation/Transfer to Capital Fund 60 begins in 2011/12. Depreciation shown for 2009/10 and 2010/11 is included in the budget but is a non-cash expense.
2 - Includes \$10,000 each year beginning in 2011/12 for Hydrant Flushing Program

Water Purchases

The Town's largest water operating expense is water purchases from the Veteran's Home/State. In 2009/10 water purchases from the Veteran's Home/State accounted for about 54 percent of all operating and maintenance expenses. In 2010/11 and future years, water purchases are estimated to account for roughly 55 percent of operating expenses. Since 2006/07, wholesale rates have increased \$250 per acre foot or 50 percent. Table 8

shows a history of the total amount of water purchased and the cost per acre foot of water since 2006/07.

TABLE 8			
ANNUAL WATER PURCHASE COSTS			
Fiscal Year	Total Water Purchased (acre feet)	Cost per Acre Foot	Percent Change
2006/07	552	\$500	-
2007/08	513	\$582	16.4%
2008/09	507	\$667	14.6%
2009/10	497	\$728	9.1%
2010/11*	510	\$750	3.0%
Average	516	645	10.8%

* Water purchases and costs for 2010/11 are estimates

The Veteran’s Home/State establishes its wholesale water rates in August or September of the following fiscal year, essentially leaving a 15 month lag period in which the Town is estimating its annual water purchase expenses. This lag period makes it difficult for the Town to accurately budget for water purchases and to set water rates accordingly.

Due to the complexity in estimating future water purchase costs, this study uses two different escalation factors to approximate the cost of water from the Veteran’s Home. One estimate assumes a 7.5 percent annual increase in water purchases and the other projects 10 percent yearly increases. By using different escalation factors, we are able to see the impacts of the water purchase expenditure on water rates.

Pass Through Provision Legislation

Pursuant to Assembly Bill 3030, Government Code Section 53756, the Town may adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water or adjustments for inflation. AB 3030 allows for non-voter approved inflation adjustments and wholesale rate pass-throughs for water provided: (1) they do not apply for more than five years without a new protest hearing, and (2) 30 days notice is given each time the inflation-adjustment or pass-through is implemented, although this can be included in utility bills.

Based on the legislation, the Town has the ability to raise water rates within 30 days without having to complete another Proposition 218 noticing and hearing process should the Veteran’s Home increase its wholesale rates above the increases that the Town has budgeted for.

Water Capital Improvement Plan

The Town's five-year water capital improvement program (CIP) from 2010/11 through 2014/15 includes over \$442,000 in water system improvements. Major projects include the replacement of water meters, the establishment of a main replacement program, pressure pit upgrades, pipes and blow offs, an update to the groundwater management plan, and a fireflow study. The hydrant flushing project has been moved to operating expenses because this project requires the purchase of additional water from the Veterans Home to flush the system. Projects will be funded through the water rates. The CIP will be reviewed and updated annually by Town staff. Table 9 outlines the Town's five year water capital improvement program.

TABLE 9 WATER FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM 2010/11 THROUGH 2014/15								
Program #	Project	Priority	Fiscal Year					Five-Year CIP Total
			2010/11	2011/12	2012/13	2013/14	2014/15	
WA-2011	Replace Water Meters & Orion Electronic Transmitter Program	High	\$10,000	\$31,805	\$33,395	\$35,064	\$36,818	\$147,082
WA-3011	Main & Service Lateral Replacement Program formally (WA-02)	High	15,000	75,000	0	75,000	0	165,000
WA-0001	Pipes & Blow Offs (formally WA-03)	Medium	35,000	0	0	0	0	35,000
WA-0002	Pressure Pit Upgrades at Finnell & Yount and Finnell & Cross Road (formally WA-04)	Medium	0	0	15,000	0	0	15,000
WA-0004	Groundwater Management Plan Update	Medium	0	30,000	0	0	0	30,000
WA-0003	Fire Flow Study	Low	0	0	50,000	0	0	50,000
TOTAL WATER DISTRIBUTION CAPITAL PROJECTS			\$60,000	\$136,805	\$98,395	\$110,064	\$36,818	\$442,082
Projects Moved to Operating Expenses								
WA-4011	Hydrant Flushing Program (to remove sand from system)	Medium	0	0	0	0	0	\$0

Transfer to Capital Fund/Depreciation

In addition to the capital improvement program, the water system requires annual repairs and replacements to maintain the system and provide safe water for the Town's residents. However, the Town currently does not have a consistent revenue stream to fund these rehabilitation projects. BWA proposes establishing an annual revenue stream based on the water system's annual depreciation beginning in 2011/12. The 2010/11 budget calculates depreciation at \$72,000. However, this is currently considered a non-cash expense. BWA recommends funding annual depreciation as an operating expense to pay for future capital expenditures. To minimize the impact on ratepayers, depreciation funding will be phased in over the next five years. Table 10 shows the proposed depreciation funding for capital projects.

TABLE 10 WATER DEPRECIATION FUNDING FOR CAPITAL PROJECTS						
	Budget	Projected				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Full Depreciation	\$72,000	\$74,000	\$76,000	\$78,000	\$80,000	\$82,000
Phase In Over 5 Years	\$72,000	\$14,800	\$30,400	\$46,800	\$64,000	\$82,000

Outstanding Debt

The water enterprise’s only debt is a \$335,000 interfund loan from the Town’s Special Projects Fund to fund the municipal well project in 2006/07. The terms of the loan are 4.0 percent interest for 20 years with annual debt service for 2010/11 at \$23,303. Table 11 details the debt service repayment for the next 10 years.

Issue	Amount	Actual	Budget	Projected									
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Municipal Well - Interfund Loan	\$335,000	\$27,973	\$27,303	\$26,633	\$25,963	\$25,930	\$24,623	\$23,953	\$23,283	\$22,613	\$21,943	\$21,273	\$20,603
<i>Percent Change</i>			-2.4%	-2.5%	-2.5%	-0.1%	-5.0%	-2.7%	-2.8%	-2.9%	-3.0%	-3.1%	-3.1%

Reserve Funds

As of July 1, 2010, the Town held water enterprise reserves of nearly \$2.5 million as shown on Table 5. However, \$2 million of the reserves is held in a restricted drought reserve fund, and the Town cannot use these funds for operations and capital projects. The Town currently does not have a minimum fund reserve balance for the water enterprise. BWA recommends the Town aim to maintain a water enterprise operating fund reserve target equivalent to 30 percent of annual operating and maintenance expenditures. This is an achievable and healthy level of reserves that should provide adequate financial cushion for dealing with annual revenue and expense fluctuations and non-catastrophic emergencies. The fund reserve target will escalate over time as expenses for the water enterprise gradually increase. It is acceptable if reserves fall below the target on a temporary basis, provided action is taken to achieve the target over the longer run.

RECOMMENDED RATE STRUCTURE MODIFICATIONS

Based on an evaluation of the Town’s current rate structure and input provided by Town staff and the Town Council Ad-Hoc Committee, BWA recommends the Town adopt several modifications to the water rate structure. These rate structure modifications include:

Align Fixed Meter Charges with Accepted Meter Ratios

The fixed service charge varies by meter size with higher charges for larger meters. However, the charges are not currently proportional to accepted equivalent meter ratio standards. Customers with larger meters place a greater demand on the water system, and therefore should pay more. BWA recommends the Town align its meter charges with standards established by the American Water Works Association (AWWA) and California Public Utilities Commission (CPUC). Table 12 below compares the Town’s current meter ratios and those based on AWWA/CPUC equivalent meter standards. The change will better align the cost of service to meter capacity.

TABLE 12 EQUIVALENT METER RATIOS		
Meter Size	Current Ratios	Proposed Ratios
3/4"	1.0	1.0
1"	1.6	1.7
1.5"	3.0	3.3
2"	4.7	5.3
3"	8.7	10.0
4"	14.4	16.7
6"	28.7	33.3
8"	45.9	53.3

Revise Percent Fixed vs. Percent Commodity Revenue Allocation

Fixed costs, such as personnel, supplies, equipment, and insurance, are expenses that are necessary regardless of the amount of water consumed. Variable costs are expenditures that fluctuate based on water use and can include water purchases, electricity, and chemicals. The service charge should provide sufficient funding for the fixed costs while the commodity charge should recover variable expenses. Based on the current rate structure, the Town collects about 28 percent of its total water sales revenue from the fixed service charge and 72 percent from the commodity charges. This current allocation does not accurately reflect the Town’s proportion of fixed and variable operating costs. As previously noted, the Town’s largest annual operating expense is water purchases accounting for approximately 55 percent of total operating costs.

BWA proposes to modify the current rate structure to collect more water sales revenue from the service (fixed) charge, providing additional revenue stability for the water enterprise. Based on recommendations from Town staff and the Town Council Ad-Hoc Committee, BWA presents two fixed/variable percentage options for consideration. The first option is 50% fixed / 50% variable with half of all water sales revenues derived from the service charge and the other half from the commodity charge. The second option is a 40% fixed / 60% variable allocation. These options will be further discussed in the “Scenario” section. Adjusting the relationship between the service charge and commodity charge will affect each customer’s bimonthly water bill differently and will vary based on customer class, meter size, and water consumption.

Revise Tiers for Multi-Family Residential Customers

Multi-family customers are currently charged different rates than residential customers. This current structure is unfair and results in most of the multi-family water being charged the Tier 4 rate. BWA proposes to modify the commodity rate structure for multi-family customers to the non-residential rate which is based on one uniform tier so that all non-residential and multi-family water consumption will be charged the same price per unit. The rate for the non-

residential/multi-family tier will be based on the weighted average of the single family residential tiers.

Adjust Rates for Outside Town Customers

The Town presently has 35 water customers outside of the Town’s limits. Outside town customers are currently assessed a 78 percent surcharge on the service charge and a 25 percent surcharge on the commodity charge. A surcharge for customers outside of the Town is common in California. A surcharge is appropriate since:

- These users have not paid annexation costs or connection fees to the Town
- The General Fund has continued to subsidize the water enterprise in the past (\$3 million in the last 10 years)
- Additional costs are incurred to serve outside users as they are located further from the downtown core;
- Outside users are not mandated to connect to the Town’s water system and can disconnect at any time to connect to an alternate water source.

Town Staff and the Town Council Ad Hoc Committee recommends that the surcharged be adjusted to 75 percent for both the service charge and commodity rate.

Add Water System Replacement Fee to Bi-Monthly Bill

As discussed in the “Total Revenue Requirement” section, the Town currently does not generate sufficient revenue to fund necessary capital projects and other system repairs and replacement. BWA recommends establishing an annual revenue stream to fund these projects based on the annual depreciation and collected through the “Water System Replacement Fee.” The system replacement fee will be a separate charge on the bi-monthly bill based on meter size and will be the same for customers within and outside the Town’s limit. The revenue generated from the fee will be earmarked only for capital projects and system repairs. Table 13 shows the proposed water system replacement fee beginning in 2011/12.

TABLE 13						
PROPOSED BI-MONTHLY WATER SYSTEM REPLACEMENT FEE						
		2011/12	2012/13	2013/14	2014/15	2015/16
Meter Size	Meter Ratios					
3/4"	1.0	\$2.26	\$4.64	\$7.15	\$9.78	\$12.53
1"	1.7	\$3.84	\$7.89	\$12.15	\$16.62	\$21.30
1.5"	3.3	\$7.46	\$15.33	\$23.59	\$32.26	\$41.34
2"	5.3	\$11.98	\$24.61	\$37.89	\$51.82	\$66.39
3"	10.0	\$22.61	\$46.44	\$71.49	\$97.77	\$125.27
4"	16.7	\$37.76	\$77.56	\$119.40	\$163.28	\$209.20
6"	33.3	\$75.29	\$154.65	\$238.08	\$325.57	\$417.14
8"	53.3	\$120.51	\$247.53	\$381.06	\$521.11	\$667.67

WATER RATE SCENARIOS

With guidance from Town staff and the Town Council Ad-Hoc Committee, BWA presents three water rate scenarios for consideration. A total of seven water rate scenarios were discussed at length, but the Town Council Ad-Hoc Committee narrowed the scenarios down to three based on varying water purchase escalations and different fixed/variable cost recovery percentages. The objective of all the scenarios is to phase out subsidies from the General Fund by 2015/16 with the ultimate goal of operating the water utility as a fully self-supporting sustainable enterprise fund. In all three scenarios, the water fund will borrow \$220,000 from the General Fund or the Water Drought Reserve Fund in 2011/12 to maintain a positive water fund balance. After implementing four years of rate increases, this loan will be repaid in 2015/16. Additionally, all scenarios include the proposed rate modifications discussed in the previous section and will utilize the pass through wholesale water provision.

Cash Flow Projections

Based on the total revenue requirement, BWA developed 10-year cash projections to evaluate long-term finances and determine rate increases for each scenario. Water rates were developed to cover O&M costs, fund capital projects, and build reserves. Although the projections show rates through 2020/21, the Town will only be adopting 5 years of rate increases beginning in 2011/12 through 2015/16. The cash flows are based on the best information currently available and include a number of conservative assumptions including:

Revenues

- The first rate adjustment will take effect on March 1, 2011. In subsequent years, rate adjustments will take effect on January 1 of each year.
- No significant growth is projected in the next 10 years.
- Interest is estimated at 2 percent each year.
- Annual revenues from the Water System Replacement Fee will be deposited into the water capital improvements fund.

Expenses

- All operating expenses, except for personnel services and water purchases, escalate at the annual rate of 3.0 percent from the 2010/11 budget to account for cost inflation.
- Personnel services are escalated by 4 percent each year.
- Water Purchases are escalated by either 7.5 percent or 10 percent.
- The operating fund will make an annual transfer to the water capital improvements fund based on depreciation.
- Capital project expenditures will be reviewed and updated annually by the Town.

Water Rate Scenario #1: 10% Water Purchase Escalation; 50% Fixed / 50% Variable

The assumptions for Scenario 1 include:

- Water purchase escalation is 10 percent each year.

- Rates are designed to collect 50 percent of water sales revenue from the service (fixed) charge and 50 percent from the commodity (variable) charge.
- Even annual rate increases, although for 2011/12 rate increases will vary due to the rate structure modifications.
- For 2011/12, there will only be a rate adjustment to the service charge. The commodity rates will remain the same except for multi-residential customers who will be charged the non-residential commodity rate. Rate increases for 2012/13 through 2015/16 will be applied to both the service and commodity charges.
- For outside town customers, service charges and commodity charges will be increased beginning in 2011/12 and will be 1.75 times the within town rates.
- \$220,000 loan from the General Fund or Water Drought Reserve Fund will be repaid in 2015/16.
- The wholesale pass through provision will be utilized if water purchase costs escalate over 10 percent annually.

Scenario 1 is the most conservative approach. The advantages of Scenario 1 is that the higher water purchase cost assumption will provides additional safeguard given the uncertainty of future wholesale water costs. The 50% fixed/50% variable allocation ensures stable revenues to cover all of the water utility's fixed costs. The disadvantage is that the rate adjustments and impacts on customers are higher than the other scenarios. The proposed rates for Scenario 1 are shown on Table 14.

TABLE 14						
WATER SCENARIO 1 - PROPOSED BI-MONTHLY WATER RATES						
	Current		Proposed			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
SERVICE CHARGE - RESIDENTIAL AND NON-RESIDENTIAL						
WITHIN TOWN						
Meter Size						
3/4"	\$25.76	\$46.85	\$53.31	\$61.23	\$70.91	\$82.68
1"	\$40.49	\$79.65	\$90.63	\$104.10	\$120.56	\$140.57
1.5"	\$77.32	\$154.60	\$175.90	\$202.06	\$234.01	\$272.86
2"	\$121.50	\$248.30	\$282.52	\$324.52	\$375.82	\$438.23
3"	\$224.61	\$468.49	\$533.06	\$612.32	\$709.13	\$826.87
4"	\$371.90	\$782.38	\$890.21	\$1,022.57	\$1,184.24	\$1,380.87
6"	\$740.13	\$1,560.07	\$1,775.07	\$2,038.99	\$2,361.37	\$2,753.45
8"	\$1,182.09	\$2,497.05	\$2,841.19	\$3,263.63	\$3,779.62	\$4,407.19
OUTSIDE TOWN						
Meter Size						
3/4"	\$45.95	\$83.68	\$96.77	\$112.51	\$131.42	\$154.09
1"	\$72.22	\$142.27	\$164.52	\$191.29	\$223.44	\$261.97
1.5"	\$137.90	\$276.15	\$319.33	\$371.31	\$433.72	\$508.52
2"	\$216.71	\$443.51	\$512.87	\$596.34	\$696.57	\$816.71
3"	\$400.59	\$836.82	\$967.69	\$1,125.18	\$1,314.30	\$1,540.97
4"	\$663.29	\$1,397.49	\$1,616.04	\$1,879.05	\$2,194.89	\$2,573.44
6"	\$1,320.02	\$2,786.59	\$3,222.37	\$3,746.80	\$4,376.59	\$5,131.41
8"	\$2,109.85	\$4,460.22	\$5,157.73	\$5,997.15	\$7,005.18	\$8,213.35
COMMODITY CHARGE						
WITHIN TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.38	\$1.38	\$1.63	\$1.92	\$2.27	\$2.68
Tier 2 9 to 20 BUs	\$2.07	\$2.07	\$2.44	\$2.88	\$3.40	\$4.01
Tier 3 21 to 40 BUs	\$3.10	\$3.10	\$3.66	\$4.32	\$5.10	\$6.02
Tier 4 Over 41 BUs	\$6.20	\$6.20	\$7.32	\$8.64	\$10.20	\$12.04
Multi-Family & Non-Residential (1)						
All Water Use	\$2.34	\$2.34	\$2.76	\$3.26	\$3.85	\$4.54
Industrial						
Tier 1 0 to 40 BUs	\$2.87	\$2.87	\$3.39	\$4.00	\$4.72	\$5.57
Tier 2 41+ BUs	\$6.54	\$6.54	\$7.72	\$9.11	\$10.75	\$12.69
OUTSIDE TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.72	\$2.42	\$2.85	\$3.36	\$3.96	\$4.67
Tier 2 9 to 20 BUs	\$2.58	\$3.62	\$4.27	\$5.04	\$5.95	\$7.02
Tier 3 21 to 40 BUs	\$3.87	\$5.43	\$6.40	\$7.55	\$8.91	\$10.51
Tier 4 Over 41 BUs	\$7.75	\$10.85	\$12.80	\$15.10	\$17.82	\$21.03
Multi-Family & Non-Residential (1)						
All Water Use	\$2.93	\$4.10	\$4.84	\$5.71	\$6.74	\$7.95
Industrial						
Tier 1 0 to 40 BUs	\$3.59	\$5.02	\$5.92	\$6.99	\$8.25	\$9.74
Tier 2 41+ BUs	\$8.18	\$11.45	\$13.51	\$15.94	\$18.81	\$22.20
WATER SYSTEM REPLACEMENT FEE						
Meter Size						
3/4"	n/a	\$2.26	\$4.64	\$7.15	\$9.78	\$12.53
1"	n/a	\$3.84	\$7.89	\$12.15	\$16.62	\$21.30
1.5"	n/a	\$7.46	\$15.33	\$23.59	\$32.26	\$41.34
2"	n/a	\$11.98	\$24.61	\$37.89	\$51.82	\$66.39
3"	n/a	\$22.61	\$46.44	\$71.49	\$97.77	\$125.27
4"	n/a	\$37.76	\$77.56	\$119.40	\$163.28	\$209.20
6"	n/a	\$75.29	\$154.65	\$238.08	\$325.57	\$417.14
8"	n/a	\$120.51	\$247.53	\$381.06	\$521.11	\$667.67
1 - The current commodity rates for Multi-Family Residential is based on a 4-tiered rate structure.						

Table 15 details the cash flow projection through 2015/16 for Scenario 1. A detailed 10-year cash flow projection for Scenario 1 is included in Appendix 1 which shows that the Town will meet its reserve fund target beginning in 2017/18.

TABLE 15 WATER SCENARIO 1 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 61		\$22,575	(\$107,625)	\$4,575	(\$57,825)	(\$59,625)	\$18,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>
Total Beginning Fund Balance		464,406	247,904	218,466	66,109	(22,885)	58,675
Rate Adjustment - %							
Growth - %		0.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)							
Dollar Change (bi-monthly)		\$67.84	\$91.19	\$107.59	\$126.94	\$149.85	\$176.81
			\$23.35	\$16.40	\$19.35	\$22.91	\$26.96
REVENUES							
Operating Revenues (Fund 61)							
Water Sales	539,869	544,000	643,000	759,000	896,000	1,057,000	1,247,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Subtotal Operating Revenues	550,369	559,400	659,000	775,000	912,000	1,073,000	1,263,000
Non-Operating Revenues							
Investment Earnings	2,500	2,000	0	0	0	0	0
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	0
Capital Revenues (Fund 60)							
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000
Allocated Impact Fees	46,948	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000
TOTAL REVENUES	630,677	562,400	900,800	809,400	960,800	1,138,000	1,346,000
EXPENSES							
Operating Expenses (Fund 61)							
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	438,000	481,000	529,000	581,000	639,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>
Subtotal Operating Expenses	655,439	691,600	766,800	837,400	913,800	995,000	1,084,000
Capital Expenses (Fund 60)							
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953
TOTAL EXPENSES	753,305	778,903	930,238	961,758	1,049,794	1,056,441	1,192,953
Net Revenues - Operating Fund	(73,710)	(130,200)	112,200	(62,400)	(1,800)	78,000	179,000
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>
NET REVENUES	(122,628)	(216,503)	(29,438)	(152,358)	(88,994)	81,560	153,048
Ending Fund Balance							
Operating Fund 61	22,575	(107,625)	4,575	(57,825)	(59,625)	18,375	197,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>
Total Ending Fund Balance	464,406	247,904	218,466	66,109	(22,885)	58,675	211,722
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	230,040	251,220	274,140	298,500	325,200
Target Met	no	no	no	no	no	no	no
1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program. 2 - Funding for depreciation/capital projects is phased in over 5 years. 3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.							

Table 16 calculates the impacts of the Scenario 1 rate adjustments for a sample of single family residential customers with ¾ inch meters as well as for other multi-family and non-residential customers. For single family residential customers with ¾” meters within the Town, the rate impact for 2011/12 will be \$23.35. Due to the rate structure modifications to the meter ratios and the fixed/variable allocation, the actual impact of the rate adjustments for 2011/12 will vary based on each customer's class, meter size, and water consumption. In future years, the overall rate impact for all customers is projected to be 18 percent.

**TABLE 16
WATER RATE SCENARIO 1 - BILL IMPACTS**

Customer	Water Use (1,000 gal)	Current Rates	Proposed				
			2011/12	2012/13	2013/14	2014/15	2015/16
<u>Residential Customer with 3/4" Meter</u>							
Tier 1	8	\$36.80	\$60.15	\$70.99	\$83.74	\$98.85	\$116.65
<i>Dollar Change</i>			\$23.35	\$10.84	\$12.75	\$15.11	\$17.80
<i>% Change</i>			63.5%	18.0%	18.0%	18.0%	18.0%
Tier 2	20	\$61.64	\$84.99	\$100.27	\$118.30	\$139.65	\$164.77
<i>Dollar Change</i>			\$48.19	\$15.28	\$18.03	\$21.35	\$25.12
<i>% Change</i>			37.9%	18.0%	18.0%	18.0%	18.0%
Tier 3 (Avg Use)	22	\$67.84	\$91.19	\$107.59	\$126.94	\$149.85	\$176.81
<i>Dollar Change</i>			\$23.35	\$16.40	\$19.35	\$22.91	\$26.96
<i>% Change</i>			34.4%	18.0%	18.0%	18.0%	18.0%
Tier 4	45	\$154.64	\$177.99	\$210.07	\$247.90	\$292.65	\$345.37
<i>Dollar Change</i>			\$23.35	\$32.08	\$37.83	\$44.75	\$52.72
<i>% Change</i>			15.1%	18.0%	18.0%	18.1%	18.0%
<u>Multi-Family</u>							
1" Meter	74	\$422.48	\$256.65	\$302.76	\$357.49	\$422.08	\$497.83
<i>Dollar Change</i>			(\$165.83)	\$46.11	\$54.73	\$64.59	\$75.75
<i>% Change</i>			-39.3%	18.0%	18.1%	18.1%	17.9%
1" Meter	300	\$1,993.18	\$785.49	\$926.52	\$1,094.25	\$1,292.18	\$1,523.87
<i>Dollar Change</i>			(\$1,207.69)	\$141.03	\$167.73	\$197.93	\$231.69
<i>% Change</i>			-60.6%	18.0%	18.1%	18.1%	17.9%
<u>Non-Residential</u>							
1.5" Meter	50	\$194.32	\$279.06	\$329.23	\$388.65	\$458.77	\$541.20
<i>Dollar Change</i>			\$84.74	\$50.17	\$59.42	\$70.12	\$82.43
<i>% Change</i>			43.6%	18.0%	18.0%	18.0%	18.0%
2" Meter	125	\$414.00	\$552.78	\$652.13	\$769.91	\$908.89	\$1,072.12
<i>Dollar Change</i>			\$138.78	\$99.35	\$117.78	\$138.98	\$163.23
<i>% Change</i>			33.5%	18.0%	18.1%	18.1%	18.0%
3" Meter	662	\$1,773.69	\$2,040.18	\$2,406.62	\$2,841.93	\$3,355.60	\$3,957.62
<i>Dollar Change</i>			\$266.49	\$366.44	\$435.31	\$513.67	\$602.02
<i>% Change</i>			15.0%	18.0%	18.1%	18.1%	17.9%
4" Meter	1561	\$4,024.64	\$4,472.88	\$5,276.13	\$6,230.83	\$7,357.37	\$8,677.01
<i>Dollar Change</i>			\$448.24	\$803.25	\$954.70	\$1,126.54	\$1,319.64
<i>% Change</i>			11.1%	18.0%	18.1%	18.1%	17.9%

Water Rate Scenario #2: 7.5% Water Purchase Escalation; 50% Fixed / 50% Variable

The assumptions for Scenario 2 include:

- Water purchase escalation is 7.5 percent each year.
- Rates are designed to collect 50 percent of water sales revenue from the service (fixed) charge and 50 percent from the commodity (variable) charge.
- Even annual rate increases, although for 2011/12 rate increases will vary due to the rate structure modifications.
- For 2011/12, there will only be a rate adjustment to the service charge. The commodity rates will remain the same except for multi-residential customers who will be charged the non-residential commodity rate. Rate increases for 2012/13 through 2015/16 will be applied to both the service and commodity charges.
- For outside town customers, service charges and commodity charges will be increased beginning in 2011/12 and will be 1.75 times the within town rates.
- \$220,000 loan from the General Fund or Water Drought Reserve Fund will be repaid in 2015/16.
- The wholesale pass through provision will be utilized if water purchase costs escalate over 7.5 percent annually.

Scenario 2 assumes that water purchase costs will not be as high as previous years. The advantages of Scenario 2 are the lower annual rate increases and the stability of fixed revenues from the service charge. The disadvantage is that if water purchase costs do exceed the 7.5 percent escalation rate, customers may see an even higher rate increase on their water bills. The proposed rates for Scenario 2 are shown on Table 17.

TABLE 17						
WATER SCENARIO 2 - PROPOSED BI-MONTHLY WATER RATES						
	Current		Proposed			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
SERVICE CHARGE - RESIDENTIAL AND NON-RESIDENTIAL						
WITHIN TOWN						
Meter Size						
3/4"	\$25.76	\$46.40	\$52.29	\$59.46	\$68.15	\$78.65
1"	\$40.49	\$78.88	\$88.89	\$101.08	\$115.86	\$133.70
1.5"	\$77.32	\$153.12	\$172.55	\$196.23	\$224.93	\$259.57
2"	\$121.50	\$245.92	\$277.13	\$315.15	\$361.24	\$416.89
3"	\$224.61	\$463.99	\$522.88	\$594.61	\$681.57	\$786.56
4"	\$371.90	\$774.86	\$873.21	\$993.00	\$1,138.23	\$1,313.57
6"	\$740.13	\$1,545.09	\$1,741.19	\$1,980.05	\$2,269.64	\$2,619.26
8"	\$1,182.09	\$2,473.07	\$2,786.96	\$3,169.29	\$3,632.80	\$4,192.40
OUTSIDE TOWN						
Meter Size						
3/4"	\$45.95	\$82.90	\$95.00	\$109.43	\$126.62	\$147.06
1"	\$72.22	\$140.92	\$161.48	\$186.01	\$215.23	\$249.96
1.5"	\$137.90	\$273.56	\$313.46	\$361.09	\$417.82	\$485.25
2"	\$216.71	\$439.35	\$503.45	\$579.94	\$671.04	\$779.36
3"	\$400.59	\$828.94	\$949.87	\$1,094.19	\$1,266.08	\$1,470.43
4"	\$663.29	\$1,384.33	\$1,586.29	\$1,827.30	\$2,114.36	\$2,455.64
6"	\$1,320.02	\$2,760.38	\$3,163.08	\$3,643.66	\$4,216.07	\$4,896.58
8"	\$2,109.85	\$4,418.26	\$5,062.83	\$5,832.06	\$6,748.24	\$7,837.47
COMMODITY CHARGE						
WITHIN TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.38	\$1.38	\$1.61	\$1.88	\$2.20	\$2.57
Tier 2 9 to 20 BUs	\$2.07	\$2.07	\$2.42	\$2.83	\$3.31	\$3.87
Tier 3 21 to 40 BUs	\$3.10	\$3.10	\$3.63	\$4.25	\$4.97	\$5.81
Tier 4 Over 41 BUs	\$6.20	\$6.20	\$7.25	\$8.48	\$9.92	\$11.61
Multi-Family & Non-Residential (1)						
All Water Use	\$2.34	\$2.34	\$2.74	\$3.21	\$3.76	\$4.40
Industrial						
Tier 1 0 to 40 BUs	\$2.87	\$2.87	\$3.36	\$3.93	\$4.60	\$5.38
Tier 2 41+ BUs	\$6.54	\$6.54	\$7.65	\$8.95	\$10.47	\$12.25
OUTSIDE TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.72	\$2.42	\$2.83	\$3.31	\$3.87	\$4.53
Tier 2 9 to 20 BUs	\$2.58	\$3.62	\$4.24	\$4.96	\$5.80	\$6.79
Tier 3 21 to 40 BUs	\$3.87	\$5.43	\$6.35	\$7.43	\$8.69	\$10.17
Tier 4 Over 41 BUs	\$7.75	\$10.85	\$12.69	\$14.85	\$17.37	\$20.32
Multi-Family & Non-Residential (1)						
All Water Use	\$2.93	\$4.10	\$4.80	\$5.62	\$6.58	\$7.70
Industrial						
Tier 1 0 to 40 BUs	\$3.59	\$5.02	\$5.87	\$6.87	\$8.04	\$9.41
Tier 2 41+ BUs	\$8.18	\$11.45	\$13.40	\$15.68	\$18.35	\$21.47
WATER SYSTEM REPLACEMENT FEE						
Meter Size						
3/4"	n/a	\$2.26	\$4.64	\$7.15	\$9.78	\$12.53
1"	n/a	\$3.84	\$7.89	\$12.15	\$16.62	\$21.30
1.5"	n/a	\$7.46	\$15.33	\$23.59	\$32.26	\$41.34
2"	n/a	\$11.98	\$24.61	\$37.89	\$51.82	\$66.39
3"	n/a	\$22.61	\$46.44	\$71.49	\$97.77	\$125.27
4"	n/a	\$37.76	\$77.56	\$119.40	\$163.28	\$209.20
6"	n/a	\$75.29	\$154.65	\$238.08	\$325.57	\$417.14
8"	n/a	\$120.51	\$247.53	\$381.06	\$521.11	\$667.67
1 - The current commodity rates for Multi-Family Residential is based on a 4-tiered rate structure.						

Table 18 details the cash flow projection through 2015/16 for Scenario 2. A detailed 10-year cash flow projection for Scenario 2 is included in Appendix 2 which shows that the Town will meet its reserve fund target beginning in 2016/17.

TABLE 18 WATER SCENARIO 2 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 61		\$22,575	(\$107,625)	\$8,575	(\$45,825)	(\$35,625)	\$56,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>
Total Beginning Fund Balance		464,406	247,904	222,466	78,109	1,115	96,675
Rate Adjustment - %							
Growth - %		0.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)		\$67.84	\$90.74	\$106.11	\$124.11	\$145.19	\$169.80
Dollar Change (bi-monthly)			\$22.90	\$15.37	\$18.00	\$21.08	\$24.61
REVENUES							
Operating Revenues (Fund 61)							
Water Sales	539,869	544,000	637,000	746,000	873,000	1,021,000	1,194,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Subtotal Operating Revenues	550,369	559,400	653,000	762,000	889,000	1,037,000	1,210,000
Non-Operating Revenues							
Investment Earnings	2,500	2,000	0	0	0	0	1,000
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	1,000
Capital Revenues (Fund 60)							
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000
Allocated Impact Fees	46,948	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000
TOTAL REVENUES	630,677	562,400	894,800	796,400	937,800	1,102,000	1,294,000
EXPENSES							
Operating Expenses (Fund 61)							
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	428,000	460,000	494,000	531,000	570,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>
Subtotal Operating Expenses	655,439	691,600	756,800	816,400	878,800	945,000	1,015,000
	55%	56%	57%	56%	56%	56%	56%
Capital Expenses (Fund 60)							
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953
TOTAL EXPENSES	753,305	778,903	920,238	940,758	1,014,794	1,006,441	1,123,953
Net Revenues - Operating Fund	(73,710)	(130,200)	116,200	(54,400)	10,200	92,000	196,000
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>
NET REVENUES	(122,628)	(216,503)	(25,438)	(144,358)	(76,994)	95,560	170,048
Ending Fund Balance							
Operating Fund 61	22,575	(107,625)	8,575	(45,825)	(35,625)	56,375	252,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>
Total Ending Fund Balance	464,406	247,904	222,466	78,109	1,115	96,675	266,722
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	227,040	244,920	263,640	283,500	304,500
Target Met	no	no	no	no	no	no	no
1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program. 2 - Funding for depreciation/capital projects is phased in over 5 years. 3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.							

Table 19 calculates the impacts of the Scenario 2 rate adjustments for a sample of single family residential customers with ¾ inch meters as well as for other multi-family and non-residential customers. For single family residential customers with ¾” meters within the Town, the rate impact for 2011/12 will be \$22.90. Due to the rate structure modifications to the meter ratios and the fixed/variable allocation, the actual impact of the rate adjustments for 2011/12 will vary based on each customer's class, meter size, and water consumption. In future years, the overall rate impact for all customers is projected to be 17 percent.

**TABLE 19
WATER RATE SCENARIO 2 - BILL IMPACTS**

Customer	(1,000 gal)	Rates	2011/12	2012/13	2013/14	2014/15	2015/16
<u>Residential Customer with 3/4" Meter</u>							
Tier 1	8	\$36.80	\$59.70	\$69.81	\$81.65	\$95.53	\$111.74
<i>Dollar Change</i>			\$22.90	\$10.11	\$11.84	\$13.88	\$16.21
<i>% Change</i>			62.2%	16.9%	17.0%	17.0%	17.0%
Tier 2	20	\$61.64	\$84.54	\$98.85	\$115.61	\$135.25	\$158.18
<i>Dollar Change</i>			\$22.90	\$14.31	\$16.76	\$19.64	\$22.93
<i>% Change</i>			37.2%	16.9%	17.0%	17.0%	17.0%
Tier 3 (Avg Use)	22	\$67.84	\$90.74	\$106.11	\$124.11	\$145.19	\$169.80
<i>Dollar Change</i>			\$22.90	\$15.37	\$18.00	\$21.08	\$24.61
<i>% Change</i>			33.8%	16.9%	17.0%	17.0%	17.0%
Tier 4	45	\$154.64	\$177.54	\$207.70	\$243.01	\$284.25	\$332.43
<i>Dollar Change</i>			\$22.90	\$30.16	\$35.31	\$41.24	\$48.18
<i>% Change</i>			14.8%	17.0%	17.0%	17.0%	16.9%
<u>Multi-Family</u>							
1" Meter	74	\$422.48	\$255.88	\$299.54	\$350.77	\$410.72	\$480.60
<i>Dollar Change</i>			(\$166.60)	\$43.66	\$51.23	\$59.95	\$69.88
<i>% Change</i>			-39.4%	17.1%	17.1%	17.1%	17.0%
1" Meter	300	\$1,993.18	\$784.72	\$918.78	\$1,076.23	\$1,260.48	\$1,475.00
<i>Dollar Change</i>			(\$1,208.46)	\$134.06	\$157.45	\$184.25	\$214.52
<i>% Change</i>			-60.6%	17.1%	17.1%	17.1%	17.0%
<u>Non-Residential</u>							
1.5" Meter	50	\$194.32	\$277.58	\$324.88	\$380.32	\$445.19	\$520.91
<i>Dollar Change</i>			\$83.26	\$47.30	\$55.44	\$64.87	\$75.72
<i>% Change</i>			42.8%	17.0%	17.1%	17.1%	17.0%
2" Meter	125	\$414.00	\$550.40	\$644.24	\$754.29	\$883.06	\$1,033.28
<i>Dollar Change</i>			\$136.40	\$93.84	\$110.05	\$128.77	\$150.22
<i>% Change</i>			32.9%	17.0%	17.1%	17.1%	17.0%
3" Meter	662	\$1,773.69	\$2,035.68	\$2,383.20	\$2,791.12	\$3,268.46	\$3,824.63
<i>Dollar Change</i>			\$261.99	\$347.52	\$407.92	\$477.34	\$556.17
<i>% Change</i>			14.8%	17.1%	17.1%	17.1%	17.0%
4" Meter	1561	\$4,024.64	\$4,465.36	\$5,227.91	\$6,123.21	\$7,170.87	\$8,391.17
<i>Dollar Change</i>			\$440.72	\$762.55	\$895.30	\$1,047.66	\$1,220.30
<i>% Change</i>			11.0%	17.1%	17.1%	17.1%	17.0%

Water Rate Scenario #3: 7.5% Water Purchase Escalation; 40% Fixed / 60% Variable

The assumptions for Scenario 2 include:

- Water purchase escalation is 7.5 percent each year.
- Rates are designed to collect 40 percent of water sales revenue from the service (fixed) charge and 60 percent from the commodity (variable) charge.
- Even annual rate increases, although for 2011/12 rate increases will vary due to the rate structure modifications.
- The rate adjustments will apply to both the service charge and commodity rates beginning in 2011/12.
- For outside town customers, service charges and commodity charges will be increased will be 1.75 times the within town rates.
- \$220,000 loan from the General Fund or Water Drought Reserve Fund will be repaid in 2015/16.
- The wholesale pass through provision will be utilized if water purchase costs escalate over 7.5 percent annually.

Scenario 3 also assumes that cost of purchasing water will not increase as high as previous years. The advantages of Scenario 3 are the lower annual rate increases. Although the overall rate increases are the same as Scenario 2, the impact to ratepayers is lower for 2011/12 because the rate increase is applied to both the service and commodity charge. Therefore, the overall annual impact for each ratepayer will depend on actual water use. The disadvantage of Scenario 3 is the variability in total water sales collected. This scenario only collects 40 percent of water sale revenue from the fixed charge which leaves a greater burden on the commodity charge revenue which can fluctuate from year to year based on the amount of water sold and weather conditions, such as a drought. The proposed rates for Scenario 3 are shown on Table 20.

TABLE 20 WATER SCENARIO 3 - PROPOSED BI-MONTHLY WATER RATES						
	Current		Proposed			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
SERVICE CHARGE - RESIDENTIAL AND NON-RESIDENTIAL						
WITHIN TOWN						
Meter Size						
3/4"	\$25.76	\$36.66	\$40.90	\$46.13	\$52.56	\$60.41
1"	\$40.49	\$62.32	\$69.52	\$78.42	\$89.35	\$102.68
1.5"	\$77.32	\$120.98	\$134.94	\$152.23	\$173.45	\$199.34
2"	\$121.50	\$194.30	\$216.74	\$244.49	\$278.56	\$320.15
3"	\$224.61	\$366.59	\$408.92	\$461.28	\$525.57	\$604.04
4"	\$371.90	\$612.20	\$682.89	\$770.33	\$877.70	\$1,008.75
6"	\$740.13	\$1,220.75	\$1,361.72	\$1,536.07	\$1,750.19	\$2,011.50
8"	\$1,182.09	\$1,953.93	\$2,179.56	\$2,458.64	\$2,801.34	\$3,219.60
OUTSIDE TOWN						
Meter Size						
3/4"	\$45.95	\$65.85	\$75.05	\$86.09	\$99.31	\$115.11
1"	\$72.22	\$111.94	\$127.57	\$146.34	\$168.81	\$195.65
1.5"	\$137.90	\$217.31	\$247.65	\$284.10	\$327.74	\$379.86
2"	\$216.71	\$349.01	\$397.75	\$456.27	\$526.35	\$610.07
3"	\$400.59	\$658.49	\$750.45	\$860.87	\$993.09	\$1,151.04
4"	\$663.29	\$1,099.67	\$1,253.23	\$1,437.62	\$1,658.43	\$1,922.20
6"	\$1,320.02	\$2,192.78	\$2,498.99	\$2,866.68	\$3,307.00	\$3,832.97
8"	\$2,109.85	\$3,509.76	\$3,999.89	\$4,588.42	\$5,293.18	\$6,135.05
COMMODITY CHARGE						
WITHIN TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.38	\$1.49	\$1.74	\$2.04	\$2.39	\$2.80
Tier 2 9 to 20 BUs	\$2.07	\$2.24	\$2.62	\$3.07	\$3.59	\$4.20
Tier 3 21 to 40 BUs	\$3.10	\$3.35	\$3.92	\$4.59	\$5.37	\$6.28
Tier 4 Over 41 BUs	\$6.20	\$6.70	\$7.83	\$9.16	\$10.72	\$12.54
Multi-Family & Non-Residential (1)						
All Water Use	\$2.34	\$2.51	\$2.94	\$3.44	\$4.02	\$4.70
Industrial						
Tier 1 0 to 40 BUs	\$2.87	\$3.07	\$3.59	\$4.20	\$4.91	\$5.74
Tier 2 41+ BUs	\$6.54	\$7.00	\$8.19	\$9.58	\$11.21	\$13.12
OUTSIDE TOWN						
Residential						
Tier 1 0 to 8 BUs	\$1.72	\$2.61	\$3.05	\$3.57	\$4.18	\$4.89
Tier 2 9 to 20 BUs	\$2.58	\$3.91	\$4.58	\$5.36	\$6.27	\$7.34
Tier 3 21 to 40 BUs	\$3.87	\$5.86	\$6.86	\$8.03	\$9.40	\$11.00
Tier 4 Over 41 BUs	\$7.75	\$11.72	\$13.71	\$16.04	\$18.77	\$21.96
Multi-Family & Non-Residential (1)						
All Water Use	\$2.93	\$4.39	\$5.14	\$6.01	\$7.03	\$8.23
Industrial						
Tier 1 0 to 40 BUs	\$3.59	\$5.37	\$6.28	\$7.35	\$8.60	\$10.06
Tier 2 41+ BUs	\$8.18	\$12.25	\$14.33	\$16.77	\$19.62	\$22.96
WATER SYSTEM REPLACEMENT FEE						
Meter Size						
3/4"	n/a	\$2.26	\$4.64	\$7.15	\$9.78	\$12.53
1"	n/a	\$3.84	\$7.89	\$12.15	\$16.62	\$21.30
1.5"	n/a	\$7.46	\$15.33	\$23.59	\$32.26	\$41.34
2"	n/a	\$11.98	\$24.61	\$37.89	\$51.82	\$66.39
3"	n/a	\$22.61	\$46.44	\$71.49	\$97.77	\$125.27
4"	n/a	\$37.76	\$77.56	\$119.40	\$163.28	\$209.20
6"	n/a	\$75.29	\$154.65	\$238.08	\$325.57	\$417.14
8"	n/a	\$120.51	\$247.53	\$381.06	\$521.11	\$667.67

1 - The current commodity rates for Multi-Family Residential is based on a 4-tiered rate structure.

Table 21 details the cash flow projection for Scenario 3. A detailed 10-year cash flow projection for Scenario 2 is included in Appendix 3 which shows that the Town will meet its reserve fund target beginning in 2016/17.

TABLE 21 WATER RATE SCENARIO 3 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 61		\$22,575	(\$107,625)	\$8,575	(\$45,825)	(\$35,625)	\$56,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>
Total Beginning Fund Balance		464,406	247,904	222,466	78,109	1,115	96,675
Rate Adjustment - %		0.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)		\$67.84	\$84.37	\$98.74	\$115.62	\$135.28	\$158.30
Dollar Change (bi-monthly)			\$16.53	\$14.37	\$16.88	\$19.66	\$23.02
REVENUES							
Operating Revenues (Fund 61)							
Water Sales	539,869	544,000	637,000	746,000	873,000	1,021,000	1,194,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Subtotal Operating Revenues	550,369	559,400	653,000	762,000	889,000	1,037,000	1,210,000
Non-Operating Revenues							
Investment Earnings	2,500	2,000	0	0	0	0	1,000
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	1,000
Capital Revenues (Fund 60)							
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000
Allocated Impact Fees	46,948	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>						
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000
TOTAL REVENUES	630,677	562,400	894,800	796,400	937,800	1,102,000	1,294,000
EXPENSES							
Operating Expenses (Fund 61)							
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	428,000	460,000	494,000	531,000	570,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>
Subtotal Operating Expenses	655,439	691,600	756,800	816,400	878,800	945,000	1,015,000
Capital Expenses (Fund 60)							
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953
TOTAL EXPENSES	753,305	778,903	920,238	940,758	1,014,794	1,006,441	1,123,953
Net Revenues - Operating Fund	(73,710)	(130,200)	116,200	(54,400)	10,200	92,000	196,000
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>
NET REVENUES	(122,628)	(216,503)	(25,438)	(144,358)	(76,994)	95,560	170,048
Ending Fund Balance							
Operating Fund 61	22,575	(107,625)	8,575	(45,825)	(35,625)	56,375	252,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>
Total Ending Fund Balance	464,406	247,904	222,466	78,109	1,115	96,675	266,722
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	227,040	244,920	263,640	283,500	304,500
Target Met	no						
1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program. 2 - Funding for depreciation/capital projects is phased in over 5 years. 3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.							

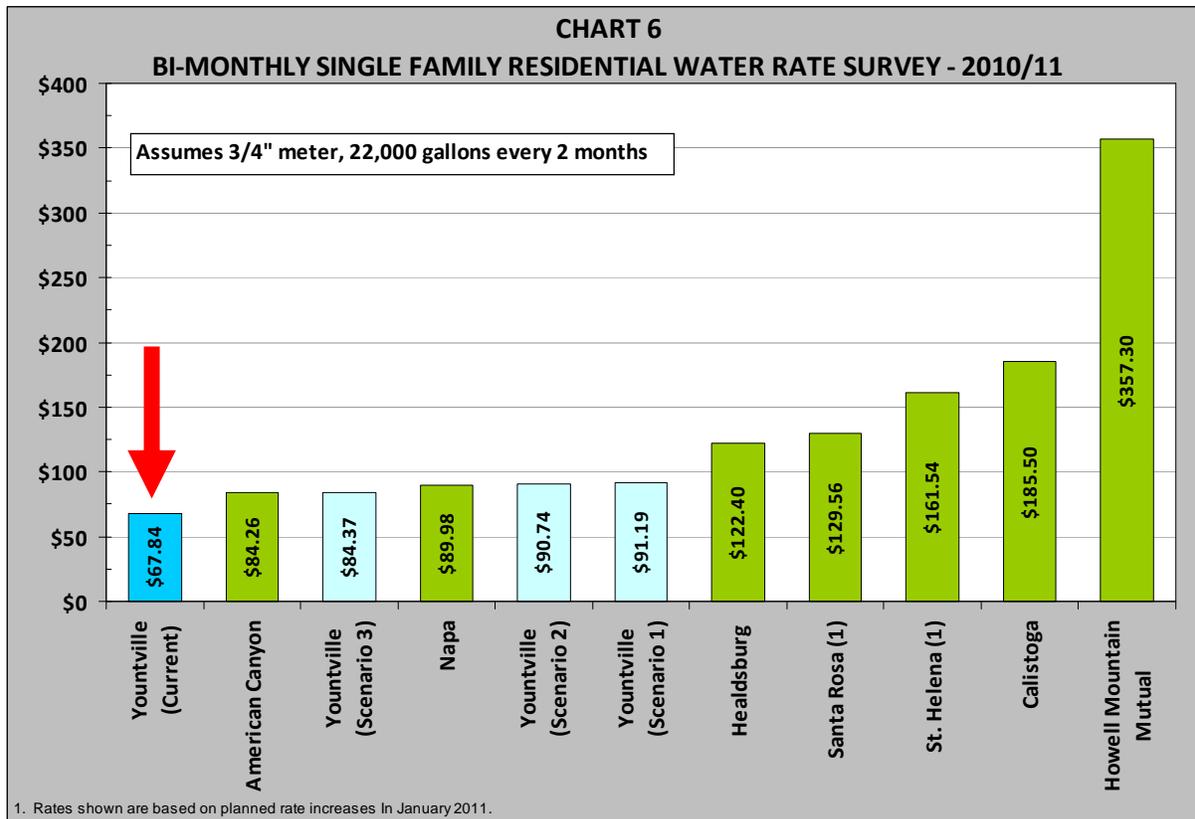
Table 21 calculates the impacts of the Scenario 3 rate adjustments for a sample of single family residential customers with ¾ inch meters as well as for other multi-family and non-residential customers. Due to the rate structure modifications to the meter ratios and the fixed/variable allocation, the actual impact of the rate adjustments for 2011/12 will vary based on each customer's class, meter size, and water consumption. In future years, the overall rate impact for all customers is projected to be 17 percent.

**TABLE 22
WATER RATE SCENARIO 3 - BILL IMPACTS**

Customer	(1,000 gal)	Rates	2011/12	2012/13	2013/14	2014/15	2015/16
<u>Residential Customer with 3/4" Meter</u>							
Tier 1	8	\$36.80	\$50.84	\$59.46	\$69.60	\$81.46	\$95.34
<i>Dollar Change</i>			\$14.04	\$8.62	\$10.14	\$11.86	\$13.88
<i>% Change</i>			38.2%	17.0%	17.1%	17.0%	17.0%
Tier 2	20	\$61.64	\$77.67	\$90.90	\$106.44	\$124.54	\$145.74
<i>Dollar Change</i>			\$16.03	\$13.23	\$15.54	\$18.10	\$21.20
<i>% Change</i>			26.0%	17.0%	17.1%	17.0%	17.0%
Tier 3 (Avg Use)	22	\$67.84	\$84.37	\$98.74	\$115.62	\$135.28	\$158.30
<i>Dollar Change</i>			\$16.53	\$14.37	\$16.88	\$19.66	\$23.02
<i>% Change</i>			24.4%	17.0%	17.1%	17.0%	17.0%
Tier 4	45	\$154.64	\$178.11	\$208.45	\$244.04	\$285.54	\$334.04
<i>Dollar Change</i>			\$23.47	\$30.34	\$35.59	\$41.50	\$48.50
<i>% Change</i>			15.2%	17.0%	17.1%	17.0%	17.0%
<u>Multi-Family</u>							
1" Meter	74	\$422.48	\$251.90	\$294.97	\$345.13	\$403.45	\$471.78
<i>Dollar Change</i>			(\$170.58)	\$43.07	\$50.16	\$58.32	\$68.33
<i>% Change</i>			-40.4%	17.1%	17.0%	16.9%	16.9%
1" Meter	300	\$1,993.18	\$819.16	\$959.41	\$1,122.57	\$1,311.97	\$1,533.98
<i>Dollar Change</i>			(\$1,174.02)	\$140.25	\$163.16	\$189.40	\$222.01
<i>% Change</i>			-58.9%	17.1%	17.0%	16.9%	16.9%
<u>Non-Residential</u>							
1.5" Meter	50	\$194.32	\$253.94	\$297.27	\$347.82	\$406.71	\$475.68
<i>Dollar Change</i>			\$59.62	\$43.33	\$50.55	\$58.89	\$68.97
<i>% Change</i>			30.7%	17.1%	17.0%	16.9%	17.0%
2" Meter	125	\$414.00	\$520.03	\$608.85	\$712.38	\$832.88	\$974.04
<i>Dollar Change</i>			\$106.03	\$88.82	\$103.53	\$120.50	\$141.16
<i>% Change</i>			25.6%	17.1%	17.0%	16.9%	16.9%
3" Meter	662	\$1,773.69	\$2,050.82	\$2,401.64	\$2,810.05	\$3,284.58	\$3,840.71
<i>Dollar Change</i>			\$277.13	\$350.82	\$408.41	\$474.53	\$556.13
<i>% Change</i>			15.6%	17.1%	17.0%	16.9%	16.9%
4" Meter	1561	\$4,024.64	\$4,568.07	\$5,349.79	\$6,259.57	\$7,316.20	\$8,554.65
<i>Dollar Change</i>			\$543.43	\$781.72	\$909.78	\$1,056.63	\$1,238.45
<i>% Change</i>			13.5%	17.1%	17.0%	16.9%	16.9%

WATER RATE SURVEY

Chart 6 shows a bi-monthly rate survey of the surrounding area for single family residential customers with a ¾" meter using 22,000 gallon in a two month period. The survey compares the Town's current and proposed water rates effective March 1, 2011 for each scenario. The survey is for general informational purposes only. Each agency's water system's operating and capital needs vary, and rates are set accordingly. Future rate increases for many agencies are unknown.



RECOMMENDATION

Based on input from the Town Council Ad Hoc Committee, BWA recommends implementing Water Rate Scenario #2 with the 7.5 percent water purchase escalation and 50% fixed/50% variable revenue allocation. Tables 17 through 19 show the proposed rates, cash flow projections, and bill impacts for Scenario 2. The rate increases and structural modifications will enable the water enterprise to gradually operate as a self-supporting fund while minimizing the impact on Town ratepayers. The Town will utilize the wholesale pass through provision if wholesale water rates increase above 7.5 percent annually. For single family residential customers within the town, the bi-monthly rate increase for 2011/12 will be \$22.90.

3 WASTEWATER RATE STUDY

WASTEWATER ENTERPRISE OVERVIEW

Wastewater Customers

The Town currently provides wastewater service to 628 residential accounts (1,153 dwelling units) and to 79 non-residential accounts. Residential customers including multi-family and mobile homes account for approximately 94% of all customers. Single family residential customers comprise approximately 46 percent of all customers. Mobile homes account for 26 percent of customers, and multi-family comprise of roughly 22 percent of all customers. The Town is mostly built out so significant growth is not anticipated in future years. Table 1 lists the Town’s wastewater accounts by customer class.

TABLE 1 SEWER CUSTOMERS					
<u>RESIDENTIAL</u>					
	<u># of Accts</u>	<u># of Dwelling Units</u>			<u>% of Total</u>
Single Family	560	560			45.6%
Multi Family	66	273			22.2%
Mobile Home	<u>2</u>	<u>320</u>			<u>26.1%</u>
Total	628	1,153			93.8%
<u>NON-RESIDENTIAL</u>					
Meter Size	Low	Medium	High	Total	
3/4"	12	9	6	27	0.7%
1"	3	4	5	12	0.3%
1.5"	1	5	0	6	0.4%
2"	9	16	5	30	1.3%
3"	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0.1%</u>
Total	25	35	16	76	2.8%
<u>TOTALS</u>					
	<u># of Accts</u>	<u># of Dwelling Units + Accounts</u>			<u>% of Total</u>
Residential	628	1,153			93.8%
Non-Residential	<u>76</u>	<u>76</u>			<u>6.2%</u>
Total	704	1,229			100.0%

Wastewater Finances

Fund Reserves

As of July 1, 2009, the Town held reserves of nearly \$489,000 in wastewater operations, capital, and joint wastewater treatment plant reserves as shown on Table 2. The Joint

Wastewater Treatment Plant Capital Improvement Fund currently has a negative fund balance of approximately \$571,000 because the fund had insufficient funds to pay for the \$1.2 million wastewater treatment plant Title 22 Upgrade project in 2009. The shortfall of \$630,000 was borrowed from the Wastewater Capital Fund with the Town and Veteran’s Home both responsible for equal shares of \$315,000. The Veteran’s Home portion will be repaid over the next eight years beginning in 2010/11. The Town currently does not have a minimum operating fund reserve balance policy for the wastewater enterprise. Table 2 lists the wastewater fund balances at the beginning of 2010/11 fiscal year.

TABLE 2	
WASTEWATER ENTERPRISE RESERVE FUND BALANCES AS OF JULY 1, 2010	
Fund 62 - Wastewater Utility Operating Fund	\$61,917
Fund 64 - Wastewater Utility Capital Improvements Fund	997,876
Fund 63 - Joint Treatment Capital Recovery Fund	(570,970)
Fund 65 - Sewer Connection Impact Fee Fund	<u>0</u>
Total Water Utility Fund Balances	\$488,823

Operating Deficit

The wastewater enterprise has been operating in a deficit for many years. The operating deficit for 2009/10 was approximately \$20,900, and the deficit for 2010/11 is projected at \$84,365. Without rate increases, this operating deficit will continue to grow and reserves will become depleted.

CURRENT WASTEWATER RATES

Table 3 details the current sewer service charges. Single family residential customers are charged a fixed bi-monthly charge. Multi-family and mobile home customers are charged a fixed charge that is 73 percent of the single family rate. On average, winter water use for multi-family and mobile home customers is lower than single family residential customers; therefore multi-family customers are charged a lower rate.

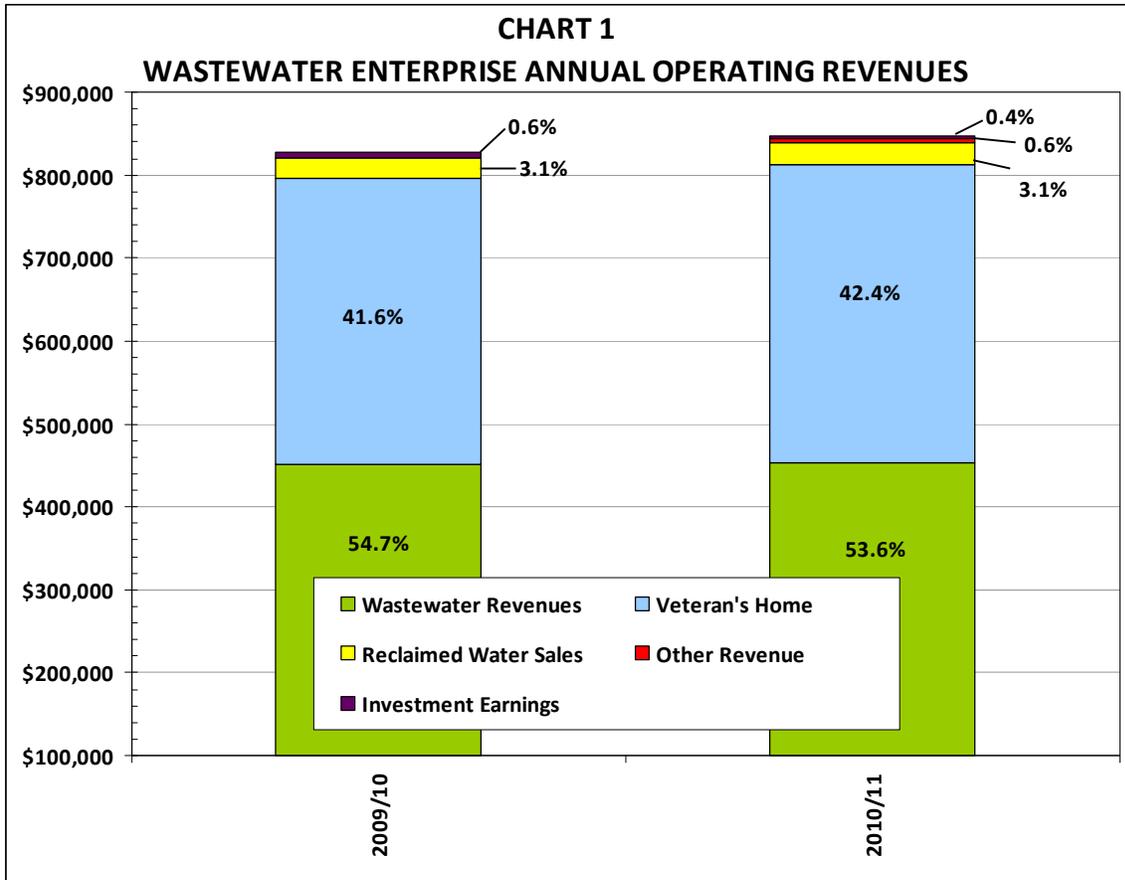
The sewer charges for non-residential customers depend on customer type, meter size, and water use. Non-residential customers are classified into three categories – low, medium, and high strength dischargers. A summary of commercial businesses and their strength categories is shown on Table 4. Non-residential customers are charged a fixed charge based on meter size and strength and are also billed a volume rate per thousand gallon depending on their strength and load factor.

TABLE 3			
CURRENT BI-MONTHLY WASTEWATER RATES			
<u>RESIDENTIAL SEWER SERVICE CHARGE</u>			
Classification	Per Dwelling Unit		
Single Family	\$41.77		
Multi-Family	\$30.58		
Mobile Homes	\$30.58		
<u>NON-RESIDENTIAL SEWER RATES</u>			
BIMONTHLY SEWER SERVICE CHARGE			
Meter Size	Low	Medium	High
3/4"	\$55.60	\$49.52	\$83.58
1"	\$84.94	\$77.45	\$134.15
1.5"	\$158.28	\$147.27	\$260.57
2"	\$246.29	\$231.06	\$412.27
3"	\$451.64	\$426.57	\$766.25
4"	\$745.01	\$705.87	\$1,271.93
6"	\$1,478.42	\$1,404.12	\$2,563.13
8"	\$2,365.47	\$2,246.59	\$4,101.01
<u>SEWER LOAD FACTOR & STRENGTH CHARGE RATES</u>			
	Low	Medium	High
Load Factor (% of water use)	51%	85%	85%
Strength Charge	\$1.326	\$1.872	\$4.867

TABLE 4	
NON-RESIDENTIAL STRENGTH CATEGORIES	
<u>Category</u>	<u>Customer Type</u>
Low Strength	Church, Schools, Group Homes, Town Use, Office, Barber Shop
Medium Strength	Hotels/Inns, Multi-Commercial, Bars
High Strength	Restaurants, Tasting Rooms

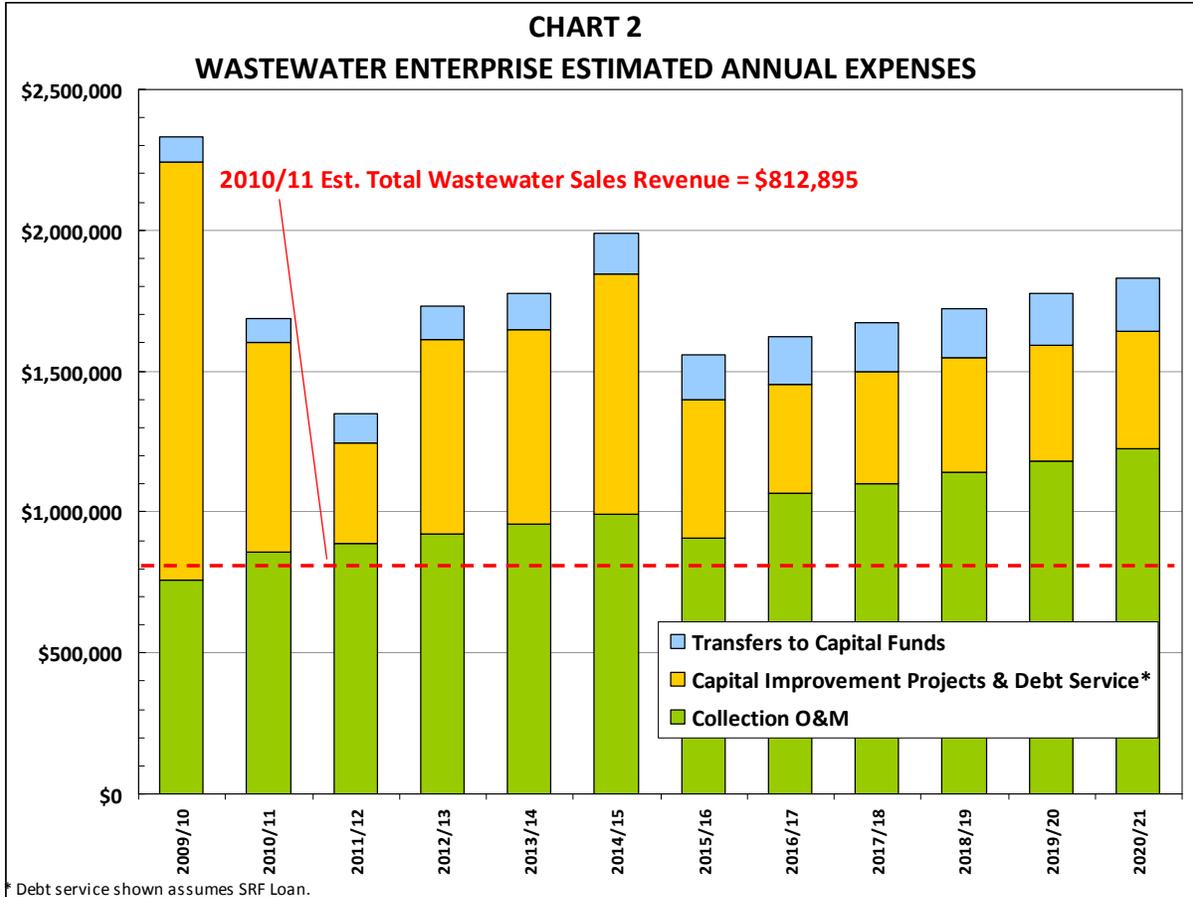
REVENUES

Based on the 2010/11 budget, the Town anticipates collecting total wastewater operating revenues of about \$867,000. Wastewater service revenues, including the Veteran's Home, are projected at \$813,000, accounting for approximately 96% of all operating revenues. Other operating revenue sources include reclaimed water sales, interest, and other revenue. Chart 1 shows a breakdown of the operating revenues for the wastewater enterprise for 2009/10 and 2010/11.



TOTAL REVENUE REQUIREMENT - EXPENDITURES

For 2010/11, the total wastewater revenue requirement including operating expenses, transfers, debt service and capital projects, is approximately \$1.69 million. Collection system and treatment plant account for 9 and 42 percent of the revenue requirement, respectively. Transfers to the wastewater capital fund and to the joint treatment plant capital fund comprise 5 percent of the total. Capital expenses, including \$630,000 for a Title 22 treatment plant upgrade, account for 44 percent of all expenditures. These percentages will vary each year based on the wastewater budget and CIP. Chart 2 graphically depicts the Town’s estimated annual expenditures beginning in 2009/10 through 2020/21.



Operating Expenses

Total operating expenses for 2010/11 are projected at approximately \$945,250, including transfers to capital funds. Operating expenses are divided between the collection system and the joint treatment plant and include personnel services, supplies and services, facilities maintenance, and capital outlay. Operating expenses also include a \$50,000 transfer to the wastewater capital improvements fund and a \$37,000 transfer to the joint treatment capital recovery fund to finance capital improvement projects. All operating expenses, except for personnel services and transfers, have been escalated by 3 percent each year. Personnel services are escalated by 3 percent yearly.

CHART 3
2010/11 WASTEWATER OPERATING EXPENSE BREAKDOWN

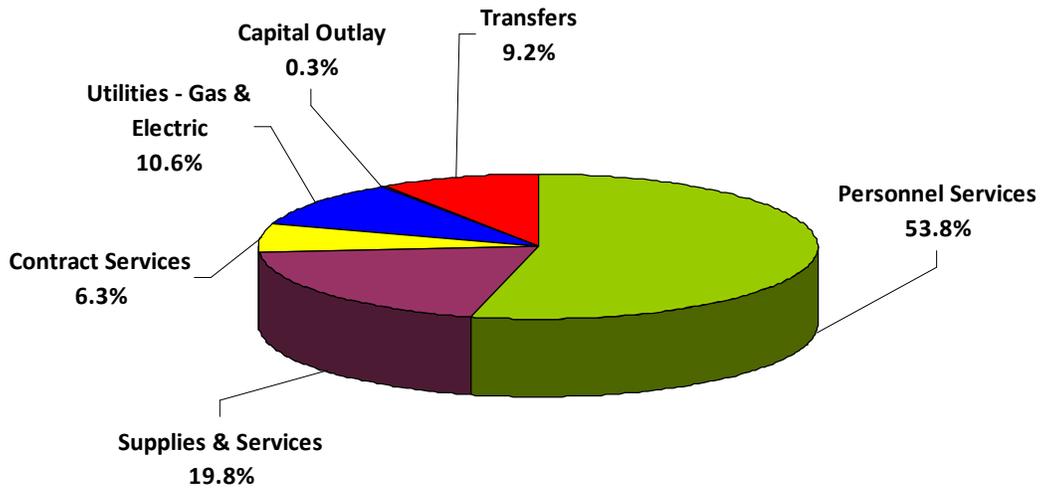


Table 7 details projected water operating expenses not including water purchases for the next 10 years.

TABLE 5 WASTEWATER OPERATING EXPENSES								
	Est. Actual	Budget	Escalation	Projected				
	2009/10	2010/11	Factor	2011/12	2012/13	2013/14	2014/15	2015/16
Collection Operating Expenses - Fund 62 (4510)								
Personnel Services	\$87,555	\$85,110	4.0%	\$89,000	\$93,000	\$97,000	\$101,000	\$105,000
Supplies & Services	38,717	38,960	3.0%	40,000	41,000	42,000	43,000	44,000
Contract Services	4,750	0	3.0%	0	0	0	0	0
Utilities - Gas & Electric	19,000	20,000	3.0%	21,000	22,000	23,000	24,000	25,000
<u>Capital Outlay</u>	<u>0</u>	<u>2,500</u>	<u>3.0%</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Subtotal Operations & Distribution	150,022	146,570		153,000	159,000	165,000	171,000	177,000
<i>Percent Change</i>		-2.3%		4.4%	3.9%	3.8%	3.6%	3.5%
Treatment Operating Expenses - Fund 62 (4515)								
Personnel Services	357,462	423,520	4.0%	440,000	458,000	476,000	495,000	515,000
Supplies & Services	105,045	148,150	3.0%	153,000	158,000	163,000	168,000	173,000
Contract Services	70,000	60,000	3.0%	62,000	64,000	66,000	68,000	70,000
Utilities - Gas & Electric	78,000	80,000	3.0%	82,000	84,000	87,000	90,000	93,000
<u>Capital Outlay</u>	<u>0</u>	<u>0</u>	<u>3.0%</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Purchases & Conservation	610,507	711,670		737,000	764,000	792,000	821,000	851,000
<i>Percent Change</i>		16.6%		3.6%	3.7%	3.7%	3.7%	3.7%
Transfers								
Transfer to Wastewater CIP (64)	50,000	50,000	0.0%	56,800	63,600	70,400	77,200	84,000
<u>Transfer to Joint Treatment CIP (63) (Town's Share)</u>	<u>37,000</u>	<u>37,000</u>	<u>0.0%</u>	<u>44,800</u>	<u>52,600</u>	<u>60,400</u>	<u>68,200</u>	<u>76,000</u>
Subtotal Transfers	87,000	87,000		101,600	116,200	130,800	145,400	160,000
Total Operating Expenses								
Personnel Services	445,017	508,630	4.0%	529,000	551,000	573,000	596,000	620,000
Supplies & Services	143,762	187,110	3.0%	193,000	199,000	205,000	211,000	217,000
Contract Services	74,750	60,000	3.0%	62,000	64,000	66,000	68,000	70,000
Utilities - Gas & Electric	97,000	100,000	3.0%	103,000	106,000	110,000	114,000	118,000
Capital Outlay	0	2,500	3.0%	3,000	3,000	3,000	3,000	3,000
<u>Transfers</u>	<u>87,000</u>	<u>87,000</u>	<u>0.0%</u>	<u>101,600</u>	<u>116,200</u>	<u>130,800</u>	<u>145,400</u>	<u>160,000</u>
Total Operating Expenses	847,529	945,240		991,600	1,039,200	1,087,800	1,137,400	1,188,000
<i>Percent Change</i>		11.5%		4.9%	4.8%	4.7%	4.6%	4.4%

Wastewater Capital Improvement Plan

The Town's five-year wastewater capital improvement program (CIP) from 2010/11 through 2014/15 includes over \$2.2 million in wastewater system improvements. Several projects are necessary due to regulatory issues. The current National Pollutant Discharge Elimination System (NPDES) Permits issued by the California Regional Water Quality Control Board (RWQCB) requires that the Town strive to eliminate any effluent from the treatment plant into the Napa River. The new NPDES Permit for the treatment plant requires the Town to upsize the recycled water distribution pumps, variable frequency drives, and electrical systems by December 1, 2013.

Other projects include the inflow and infiltration reduction program, the main and lateral replacement program, and the dredging of the wastewater ponds. The CIP will be reviewed and updated annually by Town staff. Table 6 outlines the Town's five year wastewater capital improvement program. The Town proposes to finance the wastewater CIP with a low cost loan through the Clean Water State Revolving Fund (SRF) Loan program. As a conservative estimate and to adjust for inflation, this study estimates that the Town will need to borrow a

total of \$2.4 million in 2012/13 to fund these projects. Details regarding the SRF loan program and debt repayment are included in the “Outstanding Debt” section.

TABLE 6 WASTEWATER FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM 2010/11 THROUGH 2014/15								
Program #	Project	Priority	Fiscal Year					Five-Year CIP Total
			2010/11	2011/12	2012/13	2013/14	2014/15	
Collection System, Pump Station, and Water Reclamation Projects (Capital Improvements Fund 64)								
WW-2011	Inflow & Infiltration Reduction Program Transmitter Program	Medium	\$40,000	\$42,000	\$44,100	\$46,305	\$48,620	\$221,025
WW-3011	Main & Lateral Replacement Program	Medium	0	75,000	75,000	75,000	75,000	300,000
WW-0002	Upsize Reclaimed Waterline from WWTP to Mondavi (21,000')	High	0	50,000	100,000	1,000,000	0	1,150,000
WW-0005	Dredge Wastewater Ponds (formally WW-33)	Medium	0	82,500	0	0	0	82,500
WW-4011	JTP Equipment Replacement Program	Medium	0	100,000	100,000	100,000	100,000	400,000
WW-0003	Upgrade WWTP Recycled Water System town	Medium	0	0	0	100,000	0	100,000
WW-0004	Wastewater Treatment Plant Upgrade Phase 2 for SCADA town	Medium	0	0	40,000	110,000	0	150,000
Subtotal Collection System, Pump Station, and Water Reclamation Projects			\$40,000	\$349,500	\$319,100	\$1,221,305	\$223,620	\$2,153,525
Joint Treatment Plant Projects (Joint Treatment Capital Recovery Fund 43)								
WW-0001	Replace Fuel Tank at JTP	High	65,000	0	0	0	0	65,000
Subtotal Joint Treatment Plant Projects			65,000	0	0	0	0	65,000
TOTAL WASTEWATER AND WATER RECLAMATION CAPITAL PROJECTS			\$105,000	\$349,500	\$319,100	\$1,221,305	\$223,620	\$2,218,525

Transfers to Capital Funds/Depreciation

The wastewater system makes two annual transfers to the wastewater capital funds. The first transfer is to the capital improvements fund (Fund 64) for \$50,000. The second transfer of \$37,000 is to the joint treatment capital recovery fund (Fund 63). The Veteran’s Home/State also makes a \$37,000 yearly payment to the joint treatment fund. These annual transfers have funded many capital projects; however the current level of funding is inadequate to pay for the five-year capital improvement program.

Depreciation is included in the 2010/11 wastewater budget but is considered a non-cash expense. Depreciation for the collection system and treatment plant is valued at \$73,400 and \$132,000, respectively. Beginning in 2011/12, BWA recommends increasing the transfers to the capital funds, using annual depreciation as the funding guideline. Table 7 shows the proposed depreciation funding for both the collection system and the treatment plant. The Town and Veteran’s Home/State will each pay equal shares for the treatment plant capital transfer. To minimize the impact on ratepayers, depreciation funding will be phased in over the next five years.

TABLE 7 WASTEWATER DEPRECIATION FOR CAPITAL FUNDING						
	Budget	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<u>COLLECTION CAPITAL RECOVERY (Fund 64)</u>						
Full Depreciation	\$73,600	\$76,000	\$78,000	\$80,000	\$82,000	\$84,000
Phased-In Depreciation	\$0	\$56,800	\$63,600	\$70,400	\$77,200	\$84,000
Town's Transfer to Capital Fund 64	\$50,000	\$56,800	\$63,600	\$70,400	\$77,200	\$84,000
<u>JOINT TREATMENT CAPITAL RECOVERY (Fund 63)</u>						
Full Depreciation	\$132,300	\$136,000	\$140,000	\$144,000	\$148,000	\$152,000
Phased-In Depreciation	\$0	\$89,600	\$105,200	\$120,800	\$136,400	\$152,000
Town's Transfer to Fund 63	\$37,000	\$44,800	\$52,600	\$60,400	\$68,200	\$76,000
<u>Veteran's Transfer to Fund 63</u>	<u>\$39,375</u>	<u>\$44,800</u>	<u>\$52,600</u>	<u>\$60,400</u>	<u>\$68,200</u>	<u>\$76,000</u>
Total Capital Funding for Joint Treatment Plant	\$76,375	\$89,600	\$105,200	\$120,800	\$136,400	\$152,000

Outstanding Debt

The wastewater enterprise presently only has one outstanding debt issues for an energy efficiency grant with annual debt service at \$6,520. To fund the capital improvement program, the Town is considering various low cost options including grants and other State funded loan programs, including the Clean Water State Revolving Fund (SRF) Loan program. The SRF Loan program is administered by the State Water Resources Control Board and offers 20-year fixed-rate loans for eligible wastewater projects. The program can currently be used to fund up to \$50 million of projects per year. The interest rate is set at roughly one half of the state's general obligation bond rate; current interest rates are around 2.6%. Another big advantage of the SRF Loan program is that the first debt service payment is not due until one year after the project is completed, giving agencies more time to get their rates in place to support debt repayment. The program does not fund the replacement of facilities that were previously grant-funded. Debt repayment is typically secured by an agency's legal pledge to raise rates and fees as needed to repay debt service. Before loans are awarded, agencies need to complete a credit check process which includes a thorough review of the enterprise's finances. Rates also need to be adopted and in place before the loan will be awarded.

To obtain the SRF loan, the Town has to legally abide the debt covenants designed to ensure adequate repayment security. The debt service covenant requirement requires the Town to maintain a debt service coverage ratio of 120 percent on income from all revenues. Therefore, rates must be designed to ensure adequate coverage.

For the wastewater rate scenarios, BWA assumes that the Town will obtain a \$2.4 million loan in 2012/13 with terms of 3 percent for 20 years. Annual debt service for the SRF loan is estimated at \$163,000 each year. Table 8 shows projected debt service based on the \$2.4 million SRF loan.

TABLE 8 WASTEWATER ENTERPRISE - DEBT SERVICE												
Issue	Amount	Budget		Projected								
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Energy Efficient Grant	\$0	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520	\$6,520
Future Debt - 2012/13 SRF Loan, 3%, 20 yrs	2,400,000	0	0	0	0	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Total Wastewater Enterprise Debt Service		6,520	6,520	6,520	6,520	169,520	169,520	169,520	169,520	169,520	169,520	169,520
Percent Change		100.0%	0.0%	0.0%	0.0%	2500.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Reserve Funds

As of July 1, 2010, the Town held wastewater enterprise reserves of nearly \$489,000 as shown on Table 1. The Town currently does not have a minimum operating fund reserve balance policy for the wastewater enterprise. BWA recommends the Town aim to maintain a wastewater enterprise operating fund reserve target equivalent to 30 percent of annual operating and maintenance expenditures. This is an achievable and healthy level of reserves that should provide adequate financial cushion for dealing with annual revenue and expense fluctuations and non-catastrophic emergencies. The fund reserve target will escalate over time as expenses for the water enterprise gradually increase. It is acceptable if reserves fall below the target on a temporary basis, provided action is taken to achieve the target over the longer run.

VETERAN'S HOME

The Veteran's Home/State pays for half of all capital and operating expenses related to the wastewater treatment plant. For 2010/11, the Veteran's Home share of expenses is \$359,095, not including capital transfers or depreciation. The Veteran's Home also pays \$37,000 each year to the joint treatment capital recovery fund.

Beginning in 2010/11, the Veteran's Home/State will begin to repay their share of the Title 22 wastewater treatment plant upgrade project. Annual payments to repay the \$315,000 loan are \$39,375 for the next eight years. Going forward, the Veteran's Home/State will also be charged half of the depreciation costs for the treatment plant. The current capital payment of \$37,000 will increase to \$44,800 in 2011/12 and will continue to increase based on the depreciation schedule shown on Table 9. Additionally, the Veteran's Home/State will also be charged 10% of the debt service related to the five-year wastewater capital improvement program. Table 9 details the Veteran's Home share of treatment plant expenditures for the next 5 years assuming that the Town's obtains a \$2.4 million SRF loan.

TABLE 9 VETERAN'S HOME SHARE OF WASTEWATER TREATMENT EXPENDITURE								
	Est. Actual	Budget	Projected					
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	
Treatment Operating Cost (50% of total costs not incl. depreciation)	\$343,808	\$359,095	\$371,760	\$385,260	\$443,510	\$502,260	\$517,260	
Capital Recovery for Joint Capital Fund 63 (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375	
Depreciation/Transfer to Joint Capital Fund 63	0	0	44,800	52,600	60,400	68,200	76,000	
Debt Service (10% of total debt service)	0	0	0	0	0	16,300	16,300	
Total Veteran's Home Expenses	\$380,808	\$398,470	\$455,935	\$477,235	\$543,285	\$626,135	\$648,935	
Percent Change		4.6%	14.4%	4.7%	13.8%	15.2%	3.6%	

RECOMMENDED RATE STRUCTURE MODIFICATIONS

Based on an evaluation of the Town’s current rate structure and input provided by Town staff and the Town Council Ad-Hoc Committee, BWA recommends the Town adopt several modifications to the wastewater rate structure. These rate structure modifications include:

Modify Non-Residential Sewer Service Fixed Charge

The current sewer service fixed charges for non-residential customers varies by customer type (low, medium, and high) and by meter size. However, the current fees are disproportionate because medium customers are charged less than both low and high customers. This inequity was addressed in the 2007 rate study and was supposed to be revised within five years with the planned rate increases, but only one rate increase was implemented. BWA recommends simplifying the non-residential sewer service charge structure by charging all non-residential customers (low, medium, and high) the same fixed charge. The service charges will also be aligned to the proposed equivalent meter charges discussed in the Water Rate Study to be consistent with the meter standards used in the water rates. No changes are proposed to the sewer load factor and strength charges.

Add Wastewater System Replacement Fee to Bi-Monthly Bill

As discussed in the “Total Revenue Requirement” section, the Town currently makes two annual transfers to the wastewater capital funds to pay for capital projects. BWA recommends using depreciation as the basis for the transfers which can be collected separately through the “Wastewater System Replacement Fee.” The system replacement fee will be a separate charge on the bi-monthly bill based on meter size. The revenue generated from the fee will be earmarked only for capital projects and system repairs. Table 10 shows the proposed wastewater system replacement fee beginning in 2011/12.

TABLE 10 PROPOSED BI-MONTHLY WASTEWATER SYSTEM REPLACEMENT FEE						
		2011/12	2012/13	2013/14	2014/15	2015/16
Meter Size	Meter Ratios					
3/4"	1.0	\$12.19	\$13.94	\$15.69	\$17.44	\$19.20
1"	1.7	\$20.72	\$23.70	\$26.67	\$29.65	\$32.64
1.5"	3.3	\$40.23	\$46.00	\$51.78	\$57.55	\$63.36
2"	5.3	\$64.61	\$73.88	\$83.16	\$92.43	\$101.76
3"	10.0	\$121.90	\$139.40	\$156.90	\$174.40	\$192.00
4"	16.7	\$203.57	\$232.80	\$262.02	\$291.25	\$320.64
6"	33.3	\$405.93	\$464.20	\$522.48	\$580.75	\$639.36
8"	53.3	\$649.73	\$743.00	\$836.28	\$929.55	\$1,023.36

WASTEWATER RATE SCENARIOS

With guidance from Town staff and the Town Council Ad-Hoc Committee, BWA presents three wastewater rate scenarios for consideration. All three scenarios include the increased transfer for capital projects based on depreciation and the proposed rate structure modifications. The first scenario assumes no debt funding for the capital improvement projects. Scenarios 2 and 3 assume a \$2.4 million SRF loan in 2012/13 to pay for the capital improvement program.

Cash Flow Projections

Based on the total revenue requirement, BWA developed 10-year cash projections to evaluate long-term finances and determine rate increases for each scenario. Wastewater rates were developed to cover O&M costs, fund capital projects, build reserves, and provide adequate debt service coverage. Although the projections show rates through 2020/21, the Town will only be adopting 5 years of rate increases beginning in 2011/12 through 2015/16. The cash flows are based on the best information currently available and include a number of conservative assumptions including:

Revenues

- The first rate adjustment will take effect on March 1, 2011. In subsequent years, rate adjustments will take effect on Jan 1 of each year.
- No significant growth is projected in the next 10 years.
- Interest is estimated at 2 percent each year.
- Annual revenues from the Wastewater System Replacement Fee will be deposited into the wastewater capital improvements fund and the joint treatment capital recovery fund.

Expenses

- All operating expenses, except for personnel services and water purchases, escalate at the annual rate of 3.0 percent from the 2010/11 budget to account for cost inflation.
- Personnel services are escalated by 4 percent each year.
- The operating fund will make two annual transfers to the wastewater capital improvements fund and the joint treatment capital recovery fund based on depreciation.
- Capital project expenditures will be reviewed and updated annual by the Town.

Wastewater Rate Scenario #1: No Debt, CIP Funded with Pay-As-You-Go

The assumptions for Scenario 1 include:

- The Town will not borrow money to fund the capital improvement program. Projects will be funded by rates.

The advantage of Scenario 1 is that the Town will not have to borrow money for capital projects and that no rate increases are projected after 2012/13. The disadvantage is that customers will have to pay for the \$2.4 million in projects from their rates. These projects need to be completed in the next few years so rates will increase significantly beginning in 2011/12. The proposed rates for Scenario 1 are shown on Table 11.

TABLE 11							
WASTEWATER SCENARIO 1 - PROPOSED BI-MONTHLY WASTEWATER RATES							
		Current		Proposed			
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
RESIDENTIAL							
SEWER SERVICE CHARGE							
Single Family		\$41.77	\$52.55	\$86.41	\$84.66	\$82.91	\$81.15
Multi Family		\$30.58	\$35.21	\$59.53	\$57.78	\$56.03	\$54.27
Mobile Home		\$30.58	\$35.21	\$59.53	\$57.78	\$56.03	\$54.27
NON-RESIDENTIAL							
SEWER SERVICE CHARGE (All Non-Residential Customers)							
Meter Size							
3/4"	varies		\$73.99	\$119.64	\$117.89	\$116.14	\$114.38
1"			\$125.78	\$203.38	\$200.40	\$197.42	\$194.45
1.5"			\$244.17	\$394.80	\$389.02	\$383.24	\$377.46
2"			\$392.15	\$634.08	\$624.80	\$615.51	\$606.23
3"			\$739.91	\$1,196.38	\$1,178.86	\$1,161.35	\$1,143.83
4"			\$1,235.64	\$1,997.95	\$1,968.70	\$1,939.45	\$1,910.20
6"			\$2,463.89	\$3,983.94	\$3,925.61	\$3,867.28	\$3,808.95
8"			\$3,943.70	\$6,376.70	\$6,283.34	\$6,189.98	\$6,096.61
VOLUME CHARGE							
	Load Factor						
Strength	(% of water use)						
Low	51%	\$1.326	\$2.055	\$3.185	\$3.185	\$3.185	\$3.185
Medium	85%	\$1.872	\$2.902	\$4.498	\$4.498	\$4.498	\$4.498
High	85%	\$4.867	\$7.544	\$11.693	\$11.693	\$11.693	\$11.693
WASTEWATER SYSTEM REPLACEMENT FEE (RESIDENTIAL & NON-RESIDENTIAL)							
Meter Size							
3/4"		n/a	\$12.19	\$13.94	\$15.69	\$17.44	\$19.20
1"		n/a	\$20.72	\$23.70	\$26.67	\$29.65	\$32.64
1.5"		n/a	\$40.23	\$46.00	\$51.78	\$57.55	\$63.36
2"		n/a	\$64.61	\$73.88	\$83.16	\$92.43	\$101.76
3"		n/a	\$121.90	\$139.40	\$156.90	\$174.40	\$192.00
4"		n/a	\$203.57	\$232.80	\$262.02	\$291.25	\$320.64
6"		n/a	\$405.93	\$464.20	\$522.48	\$580.75	\$639.36
8"		n/a	\$649.73	\$743.00	\$836.28	\$929.55	\$1,023.36

Table 12 details the cash flow projection for Scenario 1 through 2015/16. A detailed 10-year cash flow projection for Scenario 1 is included in Appendix 4 which shows that the Town will meet its reserve fund target beginning in 2017/18.

TABLE 12 WASTEWATER SCENARIO 1 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 62		\$61,917	(\$42,448)	(\$226,508)	(\$384,868)	(\$526,778)	(\$652,738)
Capital Fund 64		997,876	397,876	405,876	413,876	421,876	429,876
<u>Joint Treatment Capital Recovery Fund 63</u>		<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>
Total Beginning Fund Balance		488,823	425,833	379,748	377,963	411,228	479,043
Rate Adjustment - %		0.0%	55.0%	55.0%	0.0%	0.0%	0.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge		\$41.77	\$64.74	\$100.35	\$100.35	\$100.35	\$100.35
Dollar Change (bi-monthly)			\$22.97	\$35.61	\$0.00	\$0.00	\$0.00
REVENUES							
Operating Revenues (Fund 62)							
Residential Wastewater Sales	246,800	248,800	386,000	598,000	598,000	598,000	598,000
Commercial Wastewater Sales	205,000	205,000	318,000	493,000	493,000	493,000	493,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	0
Transfer	0	0	0	0	0	0	0
Subtotal Operating Revenues	826,608	847,395	1,106,760	1,507,260	1,565,510	1,624,260	1,639,260
Capital Fund Revenues (Fund 64) (2)							
Investment Earnings	20,000	20,000	8,000	8,000	8,000	8,000	9,000
Transfer from Operating Fund 62/Depreciation	50,000	50,000	349,500	683,500	683,500	683,500	84,000
Allocated Impact Fees	101,765	0	0	0	0	0	0
<u>Debt/Bond Proceeds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	171,765	70,000	357,500	691,500	691,500	691,500	93,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)							
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000
<u>Transfer from Capital Fund 62</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375
TOTAL REVENUES	1,075,373	1,623,770	1,594,235	2,347,335	2,424,185	2,501,535	1,937,635
EXPENSES							
Operating Expenses (Fund 62)							
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	349,500	683,500	683,500	683,500	84,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000
<u>Debt Service</u>	<u>0</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>
Subtotal Operating Expenses	847,529	951,760	1,290,820	1,665,620	1,707,420	1,750,220	1,076,520
Capital Fund Expenses (Fund 64)							
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000
<u>Transfer to Joint Treatment Capital Recovery Fund 63</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)							
<u>WWTP Capital Projects (1)</u>	<u>1,280,000</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000
TOTAL EXPENSES	2,328,975	1,686,760	1,640,320	2,349,120	2,390,920	2,433,720	1,396,520
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(184,060)	(158,360)	(141,910)	(125,960)	562,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	8,000	8,000	8,000	8,000	(207,000)
<u>Net Revenues - Joint Treatment Capital Recovery Fund 63</u>	<u>(1,203,000)</u>	<u>641,375</u>	<u>129,975</u>	<u>148,575</u>	<u>167,175</u>	<u>185,775</u>	<u>185,375</u>
NET REVENUES	(1,253,602)	(62,990)	(46,085)	(1,785)	33,265	67,815	541,115
Ending Fund Balance							
Operating Fund 62	61,917	(42,448)	(226,508)	(384,868)	(526,778)	(652,738)	(89,998)
Capital Fund 64	997,876	397,876	405,876	413,876	421,876	429,876	222,876
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>
Total Ending Fund Balance	488,823	425,833	379,748	377,963	411,228	479,043	1,020,158
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	387,246	499,686	512,226	525,066	322,956
Target Met	no	no	no	no	no	no	no
1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).							

Table 13 calculates the impacts of the Scenario 1 rate adjustments for residential customers, and table 14 shows the bill impacts for a sampling of non-residential customers. For 2011/12, residential customers will see a 55 percent increase in their bi-monthly sewer bills. The impacts for non-residential customers will vary based on customer type, meter size, and water consumption.

TABLE 13						
WASTEWATER SCENARIO 1 - RESIDENTIAL RATE IMPACTS						
	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Single Family Residential						
Sewer Service Charge	\$41.77	\$52.55	\$86.41	\$84.66	\$82.91	\$81.15
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$41.77	\$64.74	\$100.35	\$100.35	\$100.35	\$100.35
<i>Percent Change</i>		55.0%	55.0%	0.0%	0.0%	0.0%
<i>Dollar Change</i>		\$22.97	\$35.61	\$0.00	\$0.00	\$0.00
Multi-Family/Mobile Homes						
Sewer Service Charge	\$30.58	\$35.21	\$59.53	\$57.78	\$56.03	\$54.27
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$30.58	\$47.40	\$73.47	\$73.47	\$73.47	\$73.47
<i>Percent Change</i>		55.0%	55.0%	0.0%	0.0%	0.0%
<i>Dollar Change</i>		\$16.82	\$26.07	\$0.00	\$0.00	\$0.00

**TABLE 14
WASTEWATER RATE SCENARIO 1 - NON-RESIDENTIAL BILL IMPACTS**

Customer	Total	Load	Current Rates	Proposed				
	Water Use (1,000 gal)	Water Use (1,000 gal)		2011/12	2012/13	2013/14	2014/15	2015/16
<u>Low Strength</u>								
3/4" Meter	20	10	\$68.86	\$106.73	\$165.43	\$165.43	\$165.43	\$165.43
<i>Dollar Change</i>				\$37.87	\$58.70	\$0.00	\$0.00	\$0.00
<i>% Change</i>				55.0%	55.0%	0.0%	0.0%	0.0%
1" Meter	95	48	\$148.59	\$245.15	\$379.96	\$379.96	\$379.96	\$379.96
<i>Dollar Change</i>				\$96.56	\$134.81	\$0.00	\$0.00	\$0.00
<i>% Change</i>				65.0%	55.0%	0.0%	0.0%	0.0%
2" Meter	60	31	\$287.40	\$520.46	\$806.71	\$806.71	\$806.71	\$806.71
<i>Dollar Change</i>				\$233.06	\$286.25	\$0.00	\$0.00	\$0.00
<i>% Change</i>				81.1%	55.0%	0.0%	0.0%	0.0%
<u>Medium Strength</u>								
3/4" Meter	30	26	\$98.19	\$161.63	\$250.53	\$250.53	\$250.53	\$250.53
<i>Dollar Change</i>				\$63.44	\$88.90	\$0.00	\$0.00	\$0.00
<i>% Change</i>				64.6%	55.0%	0.0%	0.0%	0.0%
1" Meter	62	53	\$176.67	\$300.31	\$465.47	\$465.47	\$465.47	\$465.47
<i>Dollar Change</i>				\$123.65	\$165.16	\$0.00	\$0.00	\$0.00
<i>% Change</i>				70.0%	55.0%	0.0%	0.0%	0.0%
1.5" Meter	46	39	\$220.28	\$397.57	\$616.23	\$616.23	\$616.23	\$616.23
<i>Dollar Change</i>				\$177.29	\$218.66	\$0.00	\$0.00	\$0.00
<i>% Change</i>				80.5%	55.0%	0.0%	0.0%	0.0%
2" Meter	100	85	\$390.18	\$703.42	\$1,090.30	\$1,090.30	\$1,090.30	\$1,090.30
<i>Dollar Change</i>				\$313.24	\$386.88	\$0.00	\$0.00	\$0.00
<i>% Change</i>				80.3%	55.0%	0.0%	0.0%	0.0%
3" Meter	120	102	\$617.51	\$1,157.80	\$1,794.59	\$1,794.59	\$1,794.59	\$1,794.59
<i>Dollar Change</i>				\$540.29	\$636.78	\$0.00	\$0.00	\$0.00
<i>% Change</i>				87.5%	55.0%	0.0%	0.0%	0.0%
<u>High Strength</u>								
3/4" Meter	30	26	\$210.12	\$282.32	\$437.60	\$437.60	\$437.60	\$437.60
<i>Dollar Change</i>				\$72.20	\$155.27	\$0.00	\$0.00	\$0.00
<i>% Change</i>				34.4%	55.0%	0.0%	0.0%	0.0%
1" Meter	62	53	\$392.10	\$546.34	\$846.81	\$846.81	\$846.81	\$846.81
<i>Dollar Change</i>				\$154.24	\$300.47	\$0.00	\$0.00	\$0.00
<i>% Change</i>				39.3%	55.0%	0.0%	0.0%	0.0%
1.5" Meter	46	39	\$450.38	\$578.61	\$896.84	\$896.84	\$896.84	\$896.84
<i>Dollar Change</i>				\$128.23	\$318.23	\$0.00	\$0.00	\$0.00
<i>% Change</i>				28.5%	55.0%	0.0%	0.0%	0.0%
2" Meter	100	85	\$825.97	\$1,097.99	\$1,701.88	\$1,701.88	\$1,701.88	\$1,701.88
<i>Dollar Change</i>				\$272.03	\$603.88	\$0.00	\$0.00	\$0.00
<i>% Change</i>				32.9%	55.0%	0.0%	0.0%	0.0%
3" Meter	120	102	\$1,262.68	\$1,631.29	\$2,528.48	\$2,528.48	\$2,528.48	\$2,528.48
<i>Dollar Change</i>				\$368.60	\$897.19	\$0.00	\$0.00	\$0.00
<i>% Change</i>				29.2%	55.0%	0.0%	0.0%	0.0%

Wastewater Rate Scenario #2: \$2.4 Million SRF Loan, Even Annual Rates

The assumptions for Scenario 2 include:

- The Town will obtain a \$2.4 million SRF loan in 2012/13.
- Repayment of debt service will begins in 2014/15.
- Even annual rate increases beginning in 2011/12

The advantage of Scenario 2 is that the Town will secure low cost debt funding to finance the capital improvement program. With a SRF loan, debt service does not have to be paid until one year after construction is completed, giving the Town time to increase rates to pay debt service and to meet debt service coverage. With an operating deficit and low fund reserves, even annual rate increases provide additional revenue and financial security in the next few years to mitigate against fiscal emergencies or unanticipated costs, such as regulatory requirements. The disadvantage is that rates have to be increased to meet the 120 percent debt service coverage requirement and customers will see a higher increase in their bills as compared to Scenario 3. The proposed rates for Scenario 2 are shown on Table 15.

TABLE 15							
WASTEWATER SCENARIO 2 - PROPOSED BI-MONTHLY WASTEWATER RATES							
		Current		Proposed			
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
RESIDENTIAL							
SEWER SERVICE CHARGE							
Single Family		\$41.77	\$36.47	\$42.75	\$50.35	\$59.50	\$70.44
Multi Family		\$30.58	\$23.44	\$27.57	\$32.67	\$38.90	\$46.44
Mobile Home		\$30.58	\$23.44	\$27.57	\$32.67	\$38.90	\$46.44
NON-RESIDENTIAL							
SEWER SERVICE CHARGE (All Non-Residential Customers)							
Meter Size							
3/4"	varies		\$52.58	\$61.52	\$72.22	\$84.98	\$100.12
1"			\$89.39	\$104.58	\$122.77	\$144.45	\$170.21
1.5"			\$173.52	\$203.00	\$238.31	\$280.40	\$330.39
2"			\$278.68	\$326.03	\$382.74	\$450.33	\$530.61
3"			\$525.81	\$615.16	\$722.14	\$849.68	\$1,001.14
4"			\$878.10	\$1,027.31	\$1,205.98	\$1,418.96	\$1,671.91
6"			\$1,750.93	\$2,048.48	\$2,404.75	\$2,829.43	\$3,333.80
8"			\$2,802.54	\$3,278.80	\$3,849.05	\$4,528.79	\$5,336.08
VOLUME CHARGE							
	Load Factor						
Strength	(% of water use)						
Low	51%	\$1.326	\$1.545	\$1.800	\$2.097	\$2.443	\$2.846
Medium	85%	\$1.872	\$2.181	\$2.541	\$2.960	\$3.448	\$4.017
High	85%	\$4.867	\$5.670	\$6.606	\$7.696	\$8.966	\$10.445
WASTEWATER SYSTEM REPLACEMENT FEE (RESIDENTIAL & NON-RESIDENTIAL)							
Meter Size							
3/4"		n/a	\$12.19	\$13.94	\$15.69	\$17.44	\$19.20
1"		n/a	\$20.72	\$23.70	\$26.67	\$29.65	\$32.64
1.5"		n/a	\$40.23	\$46.00	\$51.78	\$57.55	\$63.36
2"		n/a	\$64.61	\$73.88	\$83.16	\$92.43	\$101.76
3"		n/a	\$121.90	\$139.40	\$156.90	\$174.40	\$192.00
4"		n/a	\$203.57	\$232.80	\$262.02	\$291.25	\$320.64
6"		n/a	\$405.93	\$464.20	\$522.48	\$580.75	\$639.36
8"		n/a	\$649.73	\$743.00	\$836.28	\$929.55	\$1,023.36

Table 16 details the cash flow projection for Scenario 1 through 2015/16. A detailed 10-year cash flow projection for Scenario 2 is included in Appendix 5 which shows that the Town will meet its reserve fund target beginning in 2017/18.

TABLE 16 WASTEWATER SCENARIO 2 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 62		\$61,917	(\$42,448)	(\$108,808)	(\$122,268)	(\$24,078)	\$38,262
Capital Fund 64		997,876	397,876	113,176	1,895,276	1,320,176	739,876
<u>Joint Treatment Capital Recovery Fund 63</u>		<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>
Total Beginning Fund Balance		488,823	425,833	204,748	2,121,963	1,812,228	1,480,043
Rate Adjustment - %		0.0%	16.5%	16.5%	16.5%	16.5%	16.5%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge		\$41.77	\$48.66	\$56.69	\$66.04	\$76.94	\$89.64
Dollar Change (bi-monthly)			\$6.89	\$8.03	\$9.35	\$10.90	\$12.70
REVENUES							
Operating Revenues (Fund 62)							
Residential Wastewater Sales	246,800	248,800	290,000	338,000	394,000	459,000	535,000
Commercial Wastewater Sales	205,000	205,000	239,000	278,000	324,000	377,000	439,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	1,000
Transfer	0	0	0	0	0	0	0
Subtotal Operating Revenues	826,608	847,395	931,760	1,032,260	1,192,510	1,369,260	1,523,260
Capital Fund Revenues (Fund 64) (2)							
Investment Earnings	20,000	20,000	8,000	2,000	38,000	26,000	15,000
Transfer from Operating Fund 62/Depreciation	50,000	50,000	56,800	63,600	70,400	77,200	84,000
Allocated Impact Fees	101,765	0	0	0	0	0	0
Debt/Bond Proceeds	0	0	0	2,400,000	0	0	0
Subtotal Capital Revenues	171,765	70,000	64,800	2,465,600	108,400	103,200	99,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)							
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000
Transfer from Capital Fund 62	0	630,000	0	0	0	0	0
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375
TOTAL REVENUES	1,075,373	1,623,770	1,126,535	3,646,435	1,468,085	1,658,235	1,827,635
EXPENSES							
Operating Expenses (Fund 62)							
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	56,800	63,600	70,400	77,200	84,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000
Debt Service	0	6,520	6,520	6,520	6,520	68,520	169,520
Subtotal Operating Expenses	847,529	951,760	998,120	1,045,720	1,094,320	1,306,920	1,357,520
Capital Fund Expenses (Fund 64)							
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000
Transfer to Joint Treatment Capital Recovery Fund 63	0	630,000	0	0	0	0	0
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)							
WWTP Capital Projects (1)	1,280,000	65,000	0	0	0	0	20,000
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000
TOTAL EXPENSES	2,328,975	1,686,760	1,347,620	1,729,220	1,777,820	1,990,420	1,677,520
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(66,360)	(13,460)	98,190	62,340	165,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	(284,700)	1,782,100	(575,100)	(580,300)	(201,000)
Net Revenues - Joint Treatment Capital Recovery Fund 63	(1,203,000)	641,375	129,975	148,575	167,175	185,775	185,375
NET REVENUES	(1,253,602)	(62,990)	(221,085)	1,917,215	(309,735)	(332,185)	150,115
Ending Fund Balance							
Operating Fund 62	61,917	(42,448)	(108,808)	(122,268)	(24,078)	38,262	204,002
Capital Fund 64	997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>
Total Ending Fund Balance	488,823	425,833	204,748	2,121,963	1,812,228	1,480,043	1,630,158
Debt Service Coverage (Min. 1.20x)	n/a	n/a	n/a	n/a	n/a	1.27	2.00
Target Met	yes	yes	yes	yes	yes	yes	yes
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	299,436	313,716	328,296	392,076	407,256
Target Met	no	no	no	no	no	no	no
1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).							

Table 17 calculates the impacts of the Scenario 2 rate adjustments for residential customers and table 18 shows the bill impacts for a sampling of non-residential customers. For 2011/12, residential customers will see a 16.5 percent increase in their bi-monthly sewer bills. The impacts for non-residential customers will vary based on customer type, meter size, and water consumption.

TABLE 17						
WASTEWATER SCENARIO 2 - RESIDENTIAL RATE IMPACTS						
	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Single Family Residential						
Sewer Service Charge	\$41.77	\$36.47	\$42.75	\$50.35	\$59.50	\$70.44
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$41.77	\$48.66	\$56.69	\$66.04	\$76.94	\$89.64
<i>Percent Change</i>		16.5%	16.5%	16.5%	16.5%	16.5%
<i>Dollar Change</i>		\$6.89	\$8.03	\$9.35	\$10.90	\$12.70
Multi-Family/Mobile Homes						
Sewer Service Charge	\$30.58	\$23.44	\$27.57	\$32.67	\$38.90	\$46.44
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$30.58	\$35.63	\$41.51	\$48.36	\$56.34	\$65.64
<i>Percent Change</i>		16.5%	16.5%	16.5%	16.5%	16.5%
<i>Dollar Change</i>		\$5.05	\$5.88	\$6.85	\$7.98	\$9.30

**TABLE 18
WASTEWATER RATE SCENARIO 2 - NON-RESIDENTIAL BILL IMPACTS**

Customer	Total Water Use (1,000 gal)	Load Water Use (1,000 gal)	Current Rates	Proposed				
				2011/12	2012/13	2013/14	2014/15	2015/16
<u>Low Strength</u>								
3/4" Meter	20	10	\$68.86	\$80.22	\$93.46	\$108.88	\$126.85	\$147.78
<i>Dollar Change</i>				\$11.36	\$13.24	\$15.42	\$17.97	\$20.93
<i>% Change</i>				16.5%	16.5%	16.5%	16.5%	16.5%
1" Meter	95	48	\$148.59	\$184.27	\$214.68	\$250.11	\$291.37	\$339.45
<i>Dollar Change</i>				\$35.68	\$30.41	\$35.43	\$41.27	\$48.07
<i>% Change</i>				24.0%	16.5%	16.5%	16.5%	16.5%
2" Meter	60	31	\$287.40	\$391.18	\$455.72	\$530.92	\$618.52	\$720.58
<i>Dollar Change</i>				\$103.78	\$64.54	\$75.20	\$87.61	\$102.05
<i>% Change</i>				36.1%	16.5%	16.5%	16.5%	16.5%
<u>Medium Strength</u>								
3/4" Meter	30	26	\$98.19	\$121.48	\$141.53	\$164.87	\$192.07	\$223.76
<i>Dollar Change</i>				\$23.28	\$20.05	\$23.34	\$27.20	\$31.69
<i>% Change</i>				23.7%	16.5%	16.5%	16.5%	16.5%
1" Meter	62	53	\$176.67	\$225.70	\$262.95	\$306.33	\$356.85	\$415.74
<i>Dollar Change</i>				\$49.04	\$37.25	\$43.38	\$50.52	\$58.89
<i>% Change</i>				27.8%	16.5%	16.5%	16.5%	16.5%
1.5" Meter	46	39	\$220.28	\$298.80	\$348.11	\$405.54	\$472.44	\$550.40
<i>Dollar Change</i>				\$78.52	\$49.31	\$57.43	\$66.90	\$77.96
<i>% Change</i>				35.6%	16.5%	16.5%	16.5%	16.5%
2" Meter	100	85	\$390.18	\$528.67	\$615.91	\$717.51	\$835.87	\$973.80
<i>Dollar Change</i>				\$138.49	\$87.24	\$101.61	\$118.36	\$137.93
<i>% Change</i>				35.5%	16.5%	16.5%	16.5%	16.5%
3" Meter	120	102	\$617.51	\$870.16	\$1,013.75	\$1,180.99	\$1,375.82	\$1,602.83
<i>Dollar Change</i>				\$252.65	\$143.59	\$167.24	\$194.83	\$227.02
<i>% Change</i>				40.9%	16.5%	16.5%	16.5%	16.5%
<u>High Strength</u>								
3/4" Meter	30	26	\$210.12	\$212.19	\$247.22	\$288.01	\$335.54	\$390.89
<i>Dollar Change</i>				\$2.07	\$35.03	\$40.79	\$47.53	\$55.35
<i>% Change</i>				1.0%	16.5%	16.5%	16.5%	16.5%
1" Meter	62	53	\$392.10	\$410.62	\$478.40	\$557.34	\$649.31	\$756.43
<i>Dollar Change</i>				\$18.52	\$67.78	\$78.94	\$91.97	\$107.12
<i>% Change</i>				4.7%	16.5%	16.5%	16.5%	16.5%
1.5" Meter	46	39	\$450.38	\$434.87	\$506.64	\$590.24	\$687.64	\$801.10
<i>Dollar Change</i>				-\$15.51	\$71.77	\$83.60	\$97.40	\$113.45
<i>% Change</i>				-3.4%	16.5%	16.5%	16.5%	16.5%
2" Meter	100	85	\$825.97	\$825.23	\$961.43	\$1,120.07	\$1,304.90	\$1,520.18
<i>Dollar Change</i>				-\$0.73	\$136.20	\$158.64	\$184.83	\$215.28
<i>% Change</i>				-0.1%	16.5%	16.5%	16.5%	16.5%
3" Meter	120	102	\$1,262.68	\$1,226.04	\$1,428.38	\$1,664.06	\$1,938.65	\$2,258.49
<i>Dollar Change</i>				-\$36.64	\$202.34	\$235.68	\$274.59	\$319.84
<i>% Change</i>				-2.9%	16.5%	16.5%	16.5%	16.5%

Wastewater Rate Scenario #3: \$2.4 Million SRF Loan, Backload Rates

The assumptions for Scenario 3 include:

- The Town will obtain a \$2.4 million SRF loan in 2012/13.
- Repayment of debt service will begin in 2014/15.
- Lower rate increases in 2011/12 and 2012/13 and higher increases for 2013/14 and 2014/15.

The advantage of Scenario 3 is that the Town will secure low cost debt funding to finance the capital improvement program. With a SRF loan, debt service does not have to be paid until one year after construction is completed, giving the Town time to increase rates to pay debt service and to meet debt service coverage. The lower rate increases in the first year minimize the impact on ratepayers. The major disadvantage of Scenario 3 is the unrealized revenues that would have resulted from higher rate increases. With this scenario, customers will see a lower impact on their bills compared to Scenarios 1 and 2, but the Town will lose revenue that it could have collected from the intervening years, reducing the wastewater enterprise's ability to respond to financial emergencies and placing the burden on diminishing reserves. The proposed rates for Scenario 3 are shown on Table 19.

**TABLE 19
WASTEWATER SCENARIO 3 - PROPOSED BI-MONTHLY WASTEWATER RATES**

		Current		Proposed			
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
RESIDENTIAL							
SEWER SERVICE CHARGE							
Single Family		\$41.77	\$35.43	\$40.35	\$48.92	\$59.45	\$62.30
Multi Family		\$30.58	\$22.67	\$25.80	\$31.60	\$38.84	\$40.46
Mobile Home		\$30.58	\$22.67	\$25.80	\$31.60	\$38.84	\$40.46
NON-RESIDENTIAL							
SEWER SERVICE CHARGE (All Non-Residential Customers)							
Meter Size							
3/4"	varies		\$51.19	\$58.31	\$70.29	\$84.88	\$89.26
1"			\$87.02	\$99.13	\$119.49	\$144.28	\$151.75
1.5"			\$168.93	\$192.43	\$231.95	\$280.08	\$294.56
2"			\$271.31	\$309.05	\$372.53	\$449.82	\$473.08
3"			\$511.91	\$583.12	\$702.88	\$848.73	\$892.60
4"			\$854.88	\$973.81	\$1,173.82	\$1,417.39	\$1,490.66
6"			\$1,704.65	\$1,941.79	\$2,340.61	\$2,826.28	\$2,972.38
8"			\$2,728.46	\$3,108.04	\$3,746.39	\$4,523.76	\$4,757.60
VOLUME CHARGE							
Strength	Load Factor (% of water use)						
Low	51%	\$1.326	\$1.512	\$1.724	\$2.052	\$2.442	\$2.589
Medium	85%	\$1.872	\$2.134	\$2.433	\$2.895	\$3.445	\$3.652
High	85%	\$4.867	\$5.548	\$6.325	\$7.527	\$8.957	\$9.494
WASTEWATER SYSTEM REPLACEMENT FEE (RESIDENTIAL & NON-RESIDENTIAL)							
Meter Size							
3/4"		n/a	\$12.19	\$13.94	\$15.69	\$17.44	\$19.20
1"		n/a	\$20.72	\$23.70	\$26.67	\$29.65	\$32.64
1.5"		n/a	\$40.23	\$46.00	\$51.78	\$57.55	\$63.36
2"		n/a	\$64.61	\$73.88	\$83.16	\$92.43	\$101.76
3"		n/a	\$121.90	\$139.40	\$156.90	\$174.40	\$192.00
4"		n/a	\$203.57	\$232.80	\$262.02	\$291.25	\$320.64
6"		n/a	\$405.93	\$464.20	\$522.48	\$580.75	\$639.36
8"		n/a	\$649.73	\$743.00	\$836.28	\$929.55	\$1,023.36

Table 20 details the cash flow projection for Scenario 1 through 2015/16. A detailed 10-year cash flow projection for Scenario 3 is included in Appendix 6 which shows that the Town will meet its reserve fund target beginning in 2019/20.

TABLE 20 WASTEWATER SCENARIO 3 - CASH FLOW PROJECTION							
	Est. Actual	Budget	Projected				
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance							
Operating Fund 62		\$61,917	(\$42,448)	(\$119,808)	(\$158,268)	(\$74,078)	(\$10,738)
Capital Fund 64		997,876	397,876	113,176	1,895,276	1,320,176	739,876
<u>Joint Treatment Capital Recovery Fund 63</u>		<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>
Total Beginning Fund Balance		488,823	425,833	193,748	2,085,963	1,762,228	1,431,043
Rate Adjustment - %		0.0%	14.0%	14.0%	19.0%	19.0%	6.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge		\$41.77	\$47.62	\$54.29	\$64.61	\$76.89	\$81.50
<i>Dollar Change (bi-monthly)</i>			\$5.85	\$6.67	\$10.32	\$12.28	\$4.61
REVENUES							
Operating Revenues (Fund 62)							
Residential Wastewater Sales	246,800	248,800	284,000	324,000	386,000	459,000	487,000
Commercial Wastewater Sales	205,000	205,000	234,000	267,000	318,000	378,000	401,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	0
Transfer	0	0	0	0	0	0	0
Subtotal Operating Revenues	826,608	847,395	920,760	1,007,260	1,178,510	1,370,260	1,436,260
Capital Fund Revenues (Fund 64) (2)							
Investment Earnings	20,000	20,000	8,000	2,000	38,000	26,000	15,000
Transfer from Operating Fund 62/Depreciation	50,000	50,000	56,800	63,600	70,400	77,200	84,000
Allocated Impact Fees	101,765	0	0	0	0	0	0
<u>Debt/Bond Proceeds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	171,765	70,000	64,800	2,465,600	108,400	103,200	99,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)							
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000
<u>Transfer from Capital Fund 62</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375
TOTAL REVENUES	1,075,373	1,623,770	1,115,535	3,621,435	1,454,085	1,659,235	1,740,635
EXPENSES							
Operating Expenses (Fund 62)							
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	56,800	63,600	70,400	77,200	84,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000
<u>Debt Service</u>	<u>0</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>169,520</u>	<u>169,520</u>
Subtotal Operating Expenses	847,529	951,760	998,120	1,045,720	1,094,320	1,306,920	1,357,520
Capital Fund Expenses (Fund 64)							
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000
<u>Transfer to Joint Treatment Capital Recovery Fund 63</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)							
<u>WWTP Capital Projects (1)</u>	<u>1,280,000</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000
TOTAL EXPENSES	2,328,975	1,686,760	1,347,620	1,729,220	1,777,820	1,990,420	1,677,520
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(77,360)	(38,460)	84,190	63,340	78,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	(284,700)	1,782,100	(575,100)	(580,300)	(201,000)
<u>Net Revenues - Joint Treatment Capital Recovery Fund 63</u>	<u>(1,203,000)</u>	<u>641,375</u>	<u>129,975</u>	<u>148,575</u>	<u>167,175</u>	<u>185,775</u>	<u>185,375</u>
NET REVENUES	(1,253,602)	(62,990)	(232,085)	1,892,215	(323,735)	(331,185)	63,115
Ending Fund Balance							
Operating Fund 62	61,917	(42,448)	(119,808)	(158,268)	(74,078)	(10,738)	68,002
Capital Fund 64	997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>
Total Ending Fund Balance	488,823	425,833	193,748	2,085,963	1,762,228	1,431,043	1,494,158
Debt Service Coverage (Min. 1.20x)	n/a	n/a	n/a	n/a	n/a	1.28	1.46
<i>Target Met</i>	yes	yes	yes	yes	yes	yes	yes
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	299,436	313,716	328,296	392,076	407,256
<i>Target Met</i>	no	no	no	no	no	no	no
1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).							

Table 21 calculates the impacts of the Scenario 3 rate adjustments for residential customers and table 22 shows the bill impacts for a sampling of non-residential customers. For 2011/12, residential customers will see a 14.0 percent increase in their bi-monthly sewer bills. The impacts for non-residential customers will vary based on customer type, meter size, and water consumption.

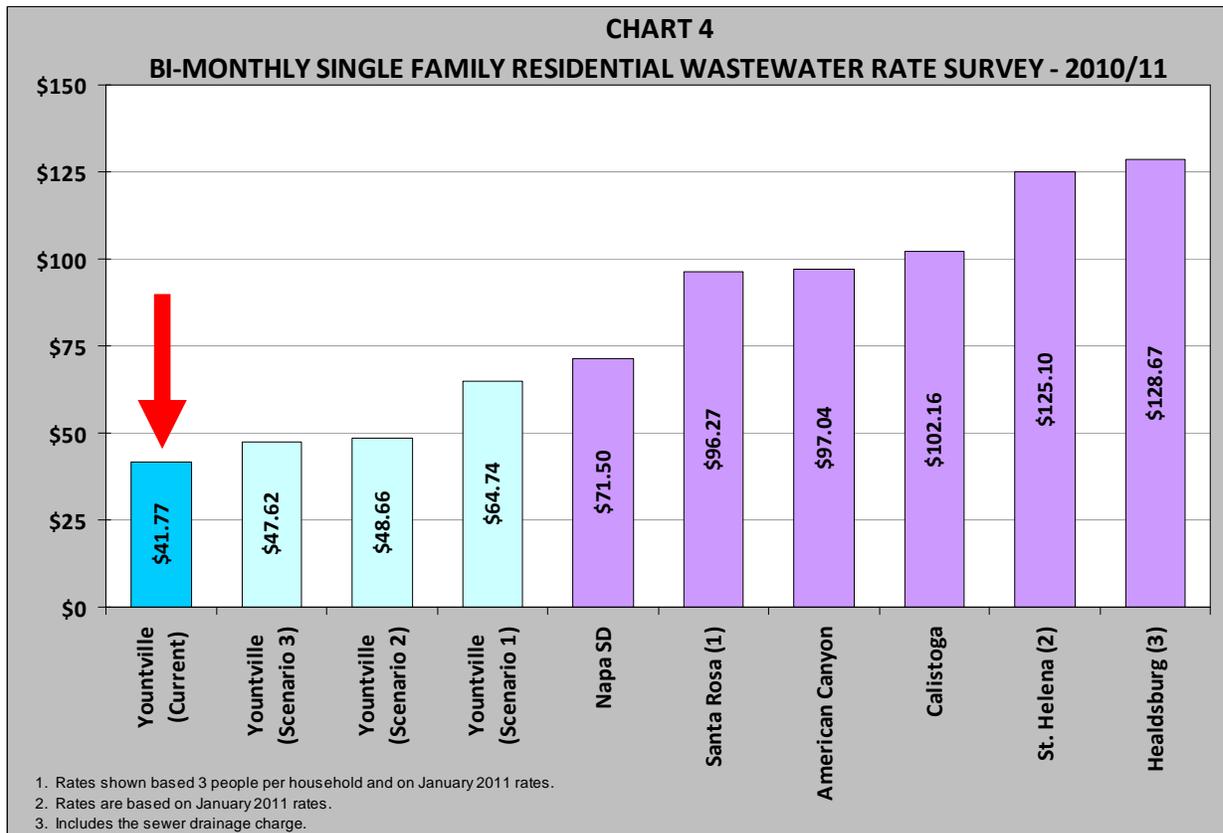
TABLE 21						
WASTEWATER SCENARIO 3 - RESIDENTIAL RATE IMPACTS						
	Current	Proposed				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Single Family Residential						
Sewer Service Charge	\$41.77	\$35.43	\$40.35	\$48.92	\$59.45	\$62.30
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$41.77	\$47.62	\$54.29	\$64.61	\$76.89	\$81.50
<i>Percent Change</i>		14.0%	14.0%	19.0%	19.0%	6.0%
<i>Dollar Change</i>		\$5.85	\$6.67	\$10.32	\$12.28	\$4.61
Multi-Family/Mobile Homes						
Sewer Service Charge	\$30.58	\$22.67	\$25.80	\$31.60	\$38.84	\$40.46
Wastewater System Replacement Fee	<u>\$0.00</u>	<u>\$12.19</u>	<u>\$13.94</u>	<u>\$15.69</u>	<u>\$17.44</u>	<u>\$19.20</u>
Total Bi-Monthly Sewer Service Charge	\$30.58	\$34.86	\$39.74	\$47.29	\$56.28	\$59.66
<i>Percent Change</i>		14.0%	14.0%	19.0%	19.0%	6.0%
<i>Dollar Change</i>		\$4.28	\$4.88	\$7.55	\$8.99	\$3.38

**TABLE 22
WASTEWATER RATE SCENARIO 3 - NON-RESIDENTIAL BILL IMPACTS**

Customer	Total Water Use (1,000 gal)	Load Water Use (1,000 gal)	Current Rates	Proposed				
				2011/12	2012/13	2013/14	2014/15	2015/16
<u>Low Strength</u>								
3/4" Meter	20	10	\$68.86	\$78.50	\$89.49	\$106.50	\$126.74	\$134.35
<i>Dollar Change</i>				\$9.64	\$10.99	\$17.01	\$20.24	\$7.61
<i>% Change</i>				14.0%	14.0%	19.0%	19.0%	6.0%
1" Meter	95	48	\$148.59	\$180.32	\$205.58	\$244.67	\$291.16	\$308.65
<i>Dollar Change</i>				\$31.73	\$25.26	\$39.08	\$46.49	\$17.50
<i>% Change</i>				21.4%	14.0%	19.0%	19.0%	6.0%
2" Meter	60	31	\$287.40	\$382.79	\$436.38	\$519.31	\$617.98	\$655.08
<i>Dollar Change</i>				\$95.39	\$53.60	\$82.93	\$98.67	\$37.10
<i>% Change</i>				33.2%	14.0%	19.0%	19.0%	6.0%
<u>Medium Strength</u>								
3/4" Meter	30	26	\$98.19	\$118.86	\$135.51	\$161.25	\$191.89	\$203.41
<i>Dollar Change</i>				\$20.67	\$16.64	\$25.74	\$30.64	\$11.52
<i>% Change</i>				21.1%	14.0%	19.0%	19.0%	6.0%
1" Meter	62	53	\$176.67	\$220.85	\$251.78	\$299.61	\$356.53	\$377.94
<i>Dollar Change</i>				\$44.18	\$30.93	\$47.83	\$56.92	\$21.41
<i>% Change</i>				25.0%	14.0%	19.0%	19.0%	6.0%
1.5" Meter	46	39	\$220.28	\$292.38	\$333.33	\$396.65	\$472.01	\$500.34
<i>Dollar Change</i>				\$72.10	\$40.95	\$63.32	\$75.36	\$28.33
<i>% Change</i>				32.7%	14.0%	19.0%	19.0%	6.0%
2" Meter	100	85	\$390.18	\$517.30	\$589.75	\$701.78	\$835.11	\$885.24
<i>Dollar Change</i>				\$127.12	\$72.44	\$112.03	\$133.33	\$50.14
<i>% Change</i>				32.6%	14.0%	19.0%	19.0%	6.0%
3" Meter	120	102	\$617.51	\$851.47	\$970.70	\$1,155.10	\$1,374.56	\$1,457.06
<i>Dollar Change</i>				\$233.95	\$119.23	\$184.40	\$219.46	\$82.50
<i>% Change</i>				37.9%	14.0%	19.0%	19.0%	6.0%
<u>High Strength</u>								
3/4" Meter	30	26	\$210.12	\$207.63	\$236.70	\$281.68	\$335.20	\$355.30
<i>Dollar Change</i>				-\$2.49	\$29.07	\$44.98	\$53.52	\$20.10
<i>% Change</i>				-1.2%	14.0%	19.0%	19.0%	6.0%
1" Meter	62	53	\$392.10	\$401.79	\$458.06	\$545.10	\$648.66	\$687.56
<i>Dollar Change</i>				\$9.69	\$56.27	\$87.05	\$103.56	\$38.90
<i>% Change</i>				2.5%	14.0%	19.0%	19.0%	6.0%
1.5" Meter	46	39	\$450.38	\$425.53	\$485.12	\$577.29	\$686.97	\$728.18
<i>Dollar Change</i>				-\$24.86	\$59.59	\$92.18	\$109.68	\$41.20
<i>% Change</i>				-5.5%	14.0%	19.0%	19.0%	6.0%
2" Meter	100	85	\$825.97	\$807.49	\$920.57	\$1,095.50	\$1,303.63	\$1,381.81
<i>Dollar Change</i>				-\$18.47	\$113.07	\$174.93	\$208.13	\$78.18
<i>% Change</i>				-2.2%	14.0%	19.0%	19.0%	6.0%
3" Meter	120	102	\$1,262.68	\$1,199.70	\$1,367.68	\$1,627.56	\$1,936.78	\$2,052.95
<i>Dollar Change</i>				-\$62.99	\$167.98	\$259.88	\$309.22	\$116.16
<i>% Change</i>				-5.0%	14.0%	19.0%	19.0%	6.0%

WASTEWATER RATE SURVEY

Chart 4 shows a bi-monthly rate survey of the surrounding area for single family residential customers. The survey compares the Town's current and proposed wastewater rates effective March 1, 2011 for each scenario. The survey is for general informational purposes only. Each agency's wastewater system's operating and capital needs vary, and rates are set accordingly. Future rate increases for many agencies are unknown.



RECOMMENDATION

Based on input from the Town Council Ad Hoc Committee, BWA recommends implementing Wastewater Rate Scenario #2 with the \$2.4 million SRF loan and even annual rate increases. Tables 15 through 18 show the proposed rates, cash flow projections, and bill impacts for Scenario 2. The rate increases and rate structural modifications will enable the wastewater enterprise to obtain low cost funding to finance necessary capital projects while gradually eliminating the operating deficit. For residential customers, the bi-monthly rate impact increase for 2011/12 will be 16.5%.

4 PROPOSITION 218

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIIC and XIID of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of “property related fees”. In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

BWA recommends the Town follow the procedural requirements of Proposition 218 for all water and wastewater rate increases. These requirements include:

- **Noticing Requirement:** The Town must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
- **Public Hearing:** The Town must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
- **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
- **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
- No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges shall be classified as “assessments” which are governed by Article 13D Section 4.

Charges for water, sewer, and refuse collection are exempt from the additional voting requirements of Proposition 218 provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

5. APPENDIX

Appendix 1 – Water Rate Scenario #1 10-Year Cash Flow Projection

Appendix 2 – Water Rate Scenario #2 10-Year Cash Flow Projection

Appendix 3 – Water Rate Scenario #3 10-Year Cash Flow Projection

Appendix 4 – Wastewater Rate Scenario #1 10-Year Cash Flow Projection

Appendix 5 – Wastewater Rate Scenario #2 10-Year Cash Flow Projection

Appendix 6 – Wastewater Rate Scenario #3 10-Year Cash Flow Projection

APPENDIX 1												
WATER SCENARIO 1 - CASH FLOW PROJECTION												
	Est. Actual	Budget	Projected									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 61		\$22,575	(\$107,625)	\$4,575	(\$57,825)	(\$59,625)	\$18,375	\$197,375	\$339,375	\$436,375	\$494,375	\$507,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>
Total Beginning Fund Balance		464,406	247,904	218,466	66,109	(22,885)	58,675	211,722	326,440	396,827	428,885	416,612
Rate Adjustment - %		0.0%	18.0%	18.0%	18.0%	18.0%	18.0%	3.0%	3.0%	4.0%	4.0%	4.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)		\$67.84	\$91.19	\$107.59	\$126.94	\$149.85	\$176.81	\$182.11	\$187.57	\$195.07	\$202.87	\$210.98
Dollar Change (bi-monthly)			\$23.35	\$16.40	\$19.35	\$22.91	\$26.96	\$5.30	\$5.46	\$7.50	\$7.80	\$8.11
REVENUES												
Operating Revenues (Fund 61)												
Water Sales	539,869	544,000	643,000	759,000	896,000	1,057,000	1,247,000	1,284,000	1,322,000	1,375,000	1,430,000	1,487,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>									
Subtotal Operating Revenues	550,369	559,400	659,000	775,000	912,000	1,073,000	1,263,000	1,300,000	1,338,000	1,391,000	1,446,000	1,503,000
Non-Operating Revenues												
Investment Earnings	2,500	2,000	0	0	0	0	0	4,000	7,000	9,000	10,000	10,000
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0	0	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>										
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	0	4,000	7,000	9,000	10,000	10,000
Capital Revenues (Fund 60)												
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000	0	0	0	0	0
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000	84,000	87,000	90,000	93,000	96,000
Allocated Impact Fees	46,948	0	0	0	0	0	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>											
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000	84,000	87,000	90,000	93,000	96,000
TOTAL REVENUES	630,677	562,400	900,800	809,400	960,800	1,138,000	1,346,000	1,388,000	1,432,000	1,490,000	1,549,000	1,609,000
EXPENSES												
Operating Expenses (Fund 61)												
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000	265,000	275,000	286,000	297,000	308,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000	83,000	85,000	87,000	89,000	91,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	438,000	481,000	529,000	581,000	639,000	702,000	772,000	849,000	933,000	1,026,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>	<u>84,000</u>	<u>87,000</u>	<u>90,000</u>	<u>93,000</u>	<u>96,000</u>
Subtotal Operating Expenses	655,439	691,600	766,800	837,400	913,800	995,000	1,084,000	1,162,000	1,248,000	1,342,000	1,443,000	1,553,000
Capital Expenses (Fund 60)												
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953	23,283	22,613	21,943	21,273	20,603
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>	<u>88,000</u>	<u>91,000</u>	<u>94,000</u>	<u>97,000</u>	<u>100,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953	111,283	113,613	115,943	118,273	120,603
TOTAL EXPENSES	753,305	778,903	930,238	961,758	1,049,794	1,056,441	1,192,953	1,273,283	1,361,613	1,457,943	1,561,273	1,673,603
Net Revenues - Operating Fund	(73,710)	(130,200)	112,200	(62,400)	(1,800)	78,000	179,000	142,000	97,000	58,000	13,000	(40,000)
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>	<u>(27,283)</u>	<u>(26,613)</u>	<u>(25,943)</u>	<u>(25,273)</u>	<u>(24,603)</u>
NET REVENUES	(122,628)	(216,503)	(29,438)	(152,358)	(88,994)	81,560	153,048	114,718	70,388	32,058	(12,273)	(64,603)
Ending Fund Balance												
Operating Fund 61	22,575	(107,625)	4,575	(57,825)	(59,625)	18,375	197,375	339,375	436,375	494,375	507,375	467,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>	<u>(115,366)</u>
Total Ending Fund Balance	464,406	247,904	218,466	66,109	(22,885)	58,675	211,722	326,440	396,827	428,885	416,612	352,010
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	230,040	251,220	274,140	298,500	325,200	348,600	374,400	402,600	432,900	465,900
Target Met	no	yes	yes	yes	yes							
1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program.												
2 - Funding for depreciation/capital projects is phased in over 5 years.												
3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.												

**APPENDIX 2
WATER SCENARIO 2 - CASH FLOW PROJECTION**

	Est. Actual	Budget	Projected									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 61		\$22,575	(\$107,625)	\$8,575	(\$45,825)	(\$35,625)	\$56,375	\$252,375	\$430,375	\$588,375	\$683,375	\$710,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>
Total Beginning Fund Balance		464,406	247,904	222,466	78,109	1,115	96,675	266,722	417,440	548,827	617,885	619,612
Rate Adjustment - %		0.0%	17.0%	17.0%	17.0%	17.0%	17.0%	3.0%	3.0%	0.0%	0.0%	0.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)		\$67.84	\$90.74	\$106.11	\$124.11	\$145.19	\$169.80	\$174.89	\$180.14	\$180.14	\$180.14	\$180.14
Dollar Change (bi-monthly)			\$22.90	\$15.37	\$18.00	\$21.08	\$24.61	\$5.09	\$5.25	\$0.00	\$0.00	\$0.00
REVENUES												
Operating Revenues (Fund 61)												
Water Sales	539,869	544,000	637,000	746,000	873,000	1,021,000	1,194,000	1,229,000	1,266,000	1,266,000	1,266,000	1,266,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>									
Subtotal Operating Revenues	550,369	559,400	653,000	762,000	889,000	1,037,000	1,210,000	1,245,000	1,282,000	1,282,000	1,282,000	1,282,000
Non-Operating Revenues												
Investment Earnings	2,500	2,000	0	0	0	0	1,000	5,000	9,000	12,000	14,000	14,000
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0	0	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>										
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	1,000	5,000	9,000	12,000	14,000	14,000
Capital Revenues (Fund 60)												
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000	0	0	0	0	0
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000	84,000	87,000	90,000	93,000	96,000
Allocated Impact Fees	46,948	0	0	0	0	0	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>											
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000	84,000	87,000	90,000	93,000	96,000
TOTAL REVENUES	630,677	562,400	894,800	796,400	937,800	1,102,000	1,294,000	1,334,000	1,378,000	1,384,000	1,389,000	1,392,000
EXPENSES												
Operating Expenses (Fund 61)												
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000	265,000	275,000	286,000	297,000	308,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000	83,000	85,000	87,000	89,000	91,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	428,000	460,000	494,000	531,000	570,000	612,000	657,000	706,000	759,000	815,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>	<u>84,000</u>	<u>87,000</u>	<u>90,000</u>	<u>93,000</u>	<u>96,000</u>
Subtotal Operating Expenses	655,439	691,600	756,800	816,400	878,800	945,000	1,015,000	1,072,000	1,133,000	1,199,000	1,269,000	1,342,000
	55%	56%	57%	56%	56%	56%	56%	57%	58%	59%		
Capital Expenses (Fund 60)												
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953	23,283	22,613	21,943	21,273	20,603
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>	<u>88,000</u>	<u>91,000</u>	<u>94,000</u>	<u>97,000</u>	<u>100,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953	111,283	113,613	115,943	118,273	120,603
TOTAL EXPENSES	753,305	778,903	920,238	940,758	1,014,794	1,006,441	1,123,953	1,183,283	1,246,613	1,314,943	1,387,273	1,462,603
Net Revenues - Operating Fund	(73,710)	(130,200)	116,200	(54,400)	10,200	92,000	196,000	178,000	158,000	95,000	27,000	(46,000)
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>	<u>(27,283)</u>	<u>(26,613)</u>	<u>(25,943)</u>	<u>(25,273)</u>	<u>(24,603)</u>
NET REVENUES	(122,628)	(216,503)	(25,438)	(144,358)	(76,994)	95,560	170,048	150,718	131,388	69,058	1,728	(70,603)
Ending Fund Balance												
Operating Fund 61	22,575	(107,625)	8,575	(45,825)	(35,625)	56,375	252,375	430,375	588,375	683,375	710,375	664,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>	<u>(115,366)</u>
Total Ending Fund Balance	464,406	247,904	222,466	78,109	1,115	96,675	266,722	417,440	548,827	617,885	619,612	549,010
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	227,040	244,920	263,640	283,500	304,500	321,600	339,900	359,700	380,700	402,600
Target Met	no	yes	yes	yes	yes	yes						

1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program.
2 - Funding for depreciation/capital projects is phased in over 5 years.
3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.

APPENDIX 3

WATER RATE SCENARIO 3 - CASH FLOW PROJECTION

	Est. Actual 2009/10	Budget 2010/11	Projected									
			2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 61		\$22,575	(\$107,625)	\$8,575	(\$45,825)	(\$35,625)	\$56,375	\$252,375	\$430,375	\$588,375	\$683,375	\$710,375
Capital Fund 60		<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>
Total Beginning Fund Balance		464,406	247,904	222,466	78,109	1,115	96,675	266,722	417,440	548,827	617,885	619,612
Rate Adjustment - %		0.0%	17.0%	17.0%	17.0%	17.0%	17.0%	3.0%	3.0%	0.0%	0.0%	0.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg Bi-Monthly SFR Water Bill (3/4" meter, 22,000 gallons)		\$67.84	\$84.37	\$98.74	\$115.62	\$135.28	\$158.30	\$163.05	\$167.94	\$167.94	\$167.94	\$167.94
Dollar Change (bi-monthly)			\$16.53	\$14.37	\$16.88	\$19.66	\$23.02	\$4.75	\$4.89	\$0.00	\$0.00	\$0.00
REVENUES												
Operating Revenues (Fund 61)												
Water Sales	539,869	544,000	637,000	746,000	873,000	1,021,000	1,194,000	1,229,000	1,266,000	1,266,000	1,266,000	1,266,000
Other Services	4,400	4,900	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Revenue	<u>6,100</u>	<u>10,500</u>	<u>11,000</u>									
Subtotal Operating Revenues	550,369	559,400	653,000	762,000	889,000	1,037,000	1,210,000	1,245,000	1,282,000	1,282,000	1,282,000	1,282,000
Non-Operating Revenues												
Investment Earnings	2,500	2,000	0	0	0	0	1,000	5,000	9,000	12,000	14,000	14,000
Transfer/Subsidy from General Fund	0	0	220,000	0	0	0	0	0	0	0	0	0
Transfer from Water Conservation In Lieu Fund 59	<u>28,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Non-Operating Revenues	31,360	2,000	220,000	0	0	0	1,000	5,000	9,000	12,000	14,000	14,000
Capital Revenues (Fund 60)												
Investment Earnings	2,000	1,000	7,000	4,000	2,000	1,000	1,000	0	0	0	0	0
Depreciation/Transfer from Water Operating Fund 61	0	0	14,800	30,400	46,800	64,000	82,000	84,000	87,000	90,000	93,000	96,000
Allocated Impact Fees	46,948	0	0	0	0	0	0	0	0	0	0	0
Debt/Bond Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	48,948	1,000	21,800	34,400	48,800	65,000	83,000	84,000	87,000	90,000	93,000	96,000
TOTAL REVENUES	630,677	562,400	894,800	796,400	937,800	1,102,000	1,294,000	1,334,000	1,378,000	1,384,000	1,389,000	1,392,000
EXPENSES												
Operating Expenses (Fund 61)												
Personnel Services	216,413	209,620	218,000	227,000	236,000	245,000	255,000	265,000	275,000	286,000	297,000	308,000
Supplies & Services	72,326	71,600	73,000	75,000	77,000	79,000	81,000	83,000	85,000	87,000	89,000	91,000
Facilities Maintenance	5,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000
Capital Outlay	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water Purchases (1)	359,700	388,380	428,000	460,000	494,000	531,000	570,000	612,000	657,000	706,000	759,000	815,000
Depreciation/Transfer to Water Capital Fund 60 (2)	<u>0</u>	<u>0</u>	<u>14,800</u>	<u>30,400</u>	<u>46,800</u>	<u>64,000</u>	<u>82,000</u>	<u>84,000</u>	<u>87,000</u>	<u>90,000</u>	<u>93,000</u>	<u>96,000</u>
Subtotal Operating Expenses	655,439	691,600	756,800	816,400	878,800	945,000	1,015,000	1,072,000	1,133,000	1,199,000	1,269,000	1,342,000
Capital Expenses (Fund 60)												
Interfund Loan for Municipal Well	27,973	27,303	26,633	25,963	25,930	24,623	23,953	23,283	22,613	21,943	21,273	20,603
Capital Improvement Program (3)	<u>69,893</u>	<u>60,000</u>	<u>136,805</u>	<u>98,395</u>	<u>110,064</u>	<u>36,818</u>	<u>85,000</u>	<u>88,000</u>	<u>91,000</u>	<u>94,000</u>	<u>97,000</u>	<u>100,000</u>
Subtotal Capital Expenses	97,866	87,303	163,438	124,358	135,994	61,441	108,953	111,283	113,613	115,943	118,273	120,603
TOTAL EXPENSES	753,305	778,903	920,238	940,758	1,014,794	1,006,441	1,123,953	1,183,283	1,246,613	1,314,943	1,387,273	1,462,603
Net Revenues - Operating Fund	(73,710)	(130,200)	116,200	(54,400)	10,200	92,000	196,000	178,000	158,000	95,000	27,000	(46,000)
Net Revenues - Capital Fund	<u>(48,918)</u>	<u>(86,303)</u>	<u>(141,638)</u>	<u>(89,958)</u>	<u>(87,194)</u>	<u>3,560</u>	<u>(25,953)</u>	<u>(27,283)</u>	<u>(26,613)</u>	<u>(25,943)</u>	<u>(25,273)</u>	<u>(24,603)</u>
NET REVENUES	(122,628)	(216,503)	(25,438)	(144,358)	(76,994)	95,560	170,048	150,718	131,388	69,058	1,728	(70,603)
Ending Fund Balance												
Operating Fund 61	22,575	(107,625)	8,575	(45,825)	(35,625)	56,375	252,375	430,375	588,375	683,375	710,375	664,375
Capital Fund 60	<u>441,831</u>	<u>355,529</u>	<u>213,891</u>	<u>123,934</u>	<u>36,740</u>	<u>40,300</u>	<u>14,347</u>	<u>(12,936)</u>	<u>(39,548)</u>	<u>(65,491)</u>	<u>(90,763)</u>	<u>(115,366)</u>
Total Ending Fund Balance	464,406	247,904	222,466	78,109	1,115	96,675	266,722	417,440	548,827	617,885	619,612	549,010
Fund Reserve Target - 30% of Operating Expenses	196,632	207,480	227,040	244,920	263,640	283,500	304,500	321,600	339,900	359,700	380,700	402,600
Target Met	no	no	no	no	no	no	no	yes	yes	yes	yes	yes

1 - Includes an additional \$10,000 beginning in 2011/12 for Hydrant Flushing Program.

2 - Funding for depreciation/capital projects is phased in over 5 years.

3 - CIP expenditures after 2014/15 based on average of 2009/10 - 2014/15 CIP expenses. Escalated by 3% annually.

APPENDIX 4												
WASTEWATER SCENARIO 1 - CASH FLOW PROJECTION												
	Est. Actual	Budget	Projected									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 62	\$61,917	(\$42,448)	(\$226,508)	(\$384,868)	(\$526,778)	(\$652,738)	(\$89,998)	\$327,742	\$725,482	\$1,102,722	\$1,457,462	\$1,457,462
Capital Fund 64	997,876	397,876	405,876	413,876	421,876	429,876	222,876	113,876	(124)	(119,124)	(241,124)	(241,124)
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>	<u>1,629,030</u>
Total Beginning Fund Balance	488,823	425,833	379,748	377,963	411,228	479,043	1,020,158	1,522,273	2,007,388	2,435,628	2,845,368	2,845,368
Rate Adjustment - %		0.0%	55.0%	55.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge	\$41.77	\$64.74	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35	\$100.35
<i>Dollar Change (bi-monthly)</i>		\$22.97	\$35.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
REVENUES												
Operating Revenues (Fund 62)												
Residential Wastewater Sales	246,800	248,800	386,000	598,000	598,000	598,000	598,000	598,000	598,000	598,000	598,000	598,000
Commercial Wastewater Sales	205,000	205,000	318,000	493,000	493,000	493,000	493,000	493,000	493,000	493,000	493,000	493,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260	532,760	548,260	564,260	581,260	598,760
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	0	0	7,000	15,000	22,000	29,000
<u>Transfer</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Operating Revenues	826,608	847,395	1,106,760	1,507,260	1,565,510	1,624,260	1,639,260	1,654,760	1,677,260	1,701,260	1,725,260	1,749,760
Capital Fund Revenues (Fund 64) (2)												
Investment Earnings	20,000	20,000	8,000	8,000	8,000	8,000	9,000	4,000	2,000	0	0	0
Transfer from Operating Fund 62/Depreciation	50,000	50,000	349,500	683,500	683,500	683,500	84,000	87,000	90,000	93,000	96,000	99,000
Allocated Impact Fees	101,765	0	0	0	0	0	0	0	0	0	0	0
<u>Debt/Bond Proceeds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	171,765	70,000	357,500	691,500	691,500	691,500	93,000	91,000	92,000	93,000	96,000	99,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)												
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000	18,000	22,000	26,000	29,000	33,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375	39,375	39,375	0	0	0
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Transfer from Capital Fund 62</u>	<u>0</u>	<u>630,000</u>	<u>0</u>									
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375	214,375	223,375	193,000	201,000	210,000
TOTAL REVENUES	1,075,373	1,623,770	1,594,235	2,347,335	2,424,185	2,501,535	1,937,635	1,960,135	1,992,635	1,987,260	2,022,260	2,058,760
EXPENSES												
Operating Expenses (Fund 62)												
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000	645,000	670,000	697,000	725,000	754,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000	223,000	229,000	235,000	242,000	249,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	78,000	80,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000	122,000	126,000	130,000	134,000	138,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	349,500	683,500	683,500	683,500	84,000	87,000	90,000	93,000	96,000	99,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Debt Service</u>	<u>0</u>	<u>6,520</u>										
Subtotal Operating Expenses	847,529	951,760	1,290,820	1,665,620	1,707,420	1,750,220	1,076,520	1,237,020	1,279,520	1,324,020	1,370,520	1,418,020
Capital Fund Expenses (Fund 64)												
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
<u>Transfer to Joint Treatment Capital Recovery Fund 63</u>	<u>0</u>	<u>630,000</u>	<u>0</u>									
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)												
<u>WWTP Capital Projects (1)</u>	<u>1,280,000</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>21,000</u>	<u>22,000</u>	<u>23,000</u>	<u>24,000</u>	<u>25,000</u>
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000	21,000	22,000	23,000	24,000	25,000
TOTAL EXPENSES	2,328,975	1,686,760	1,640,320	2,349,120	2,390,920	2,433,720	1,396,520	1,458,020	1,507,520	1,559,020	1,612,520	1,668,020
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(184,060)	(158,360)	(141,910)	(125,960)	562,740	417,740	397,740	377,240	354,740	331,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	8,000	8,000	8,000	8,000	(207,000)	(109,000)	(114,000)	(119,000)	(122,000)	(126,000)
<u>Net Revenues - Joint Treatment Capital Recovery Fund 63</u>	<u>(1,203,000)</u>	<u>641,375</u>	<u>129,975</u>	<u>148,575</u>	<u>167,175</u>	<u>185,775</u>	<u>185,375</u>	<u>193,375</u>	<u>201,375</u>	<u>170,000</u>	<u>177,000</u>	<u>185,000</u>
NET REVENUES	(1,253,602)	(62,990)	(46,085)	(1,785)	33,265	67,815	541,115	502,115	485,115	428,240	409,740	390,740
Ending Fund Balance												
Operating Fund 62	61,917	(42,448)	(226,508)	(384,868)	(526,778)	(652,738)	(89,998)	327,742	725,482	1,102,722	1,457,462	1,789,202
Capital Fund 64	997,876	397,876	405,876	413,876	421,876	429,876	222,876	113,876	(124)	(119,124)	(241,124)	(367,124)
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>	<u>1,814,030</u>
Total Ending Fund Balance	488,823	425,833	379,748	377,963	411,228	479,043	1,020,158	1,522,273	2,007,388	2,435,628	2,845,368	3,236,108
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	387,246	499,686	512,226	525,066	322,956	371,106	383,856	397,206	411,156	425,406
<i>Target Met</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>	<i>yes</i>	<i>yes</i>	<i>yes</i>
1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).												

**APPENDIX 5
WASTEWATER SCENARIO 2 - CASH FLOW PROJECTION**

	Est. Actual	Budget	Projected									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 62		\$61,917	(\$42,448)	(\$108,808)	(\$122,268)	(\$24,078)	\$38,262	\$204,002	\$345,742	\$463,482	\$554,722	\$618,462
Capital Fund 64		997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876	436,876	329,876	217,876	99,876
<u>Joint Treatment Capital Recovery Fund 63</u>		<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>
Total Beginning Fund Balance		488,823	425,833	204,748	2,121,963	1,812,228	1,480,043	1,630,158	1,863,273	2,075,388	2,224,628	2,347,368
Rate Adjustment - %		0.0%	16.5%	16.5%	16.5%	16.5%	16.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge		\$41.77	\$48.66	\$56.69	\$66.04	\$76.94	\$89.64	\$89.64	\$89.64	\$89.64	\$89.64	\$89.64
<i>Dollar Change (bi-monthly)</i>			\$6.89	\$8.03	\$9.35	\$10.90	\$12.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
REVENUES												
Operating Revenues (Fund 62)												
Residential Wastewater Sales	246,800	248,800	290,000	338,000	394,000	459,000	535,000	535,000	535,000	535,000	535,000	535,000
Commercial Wastewater Sales	205,000	205,000	239,000	278,000	324,000	377,000	439,000	439,000	439,000	439,000	439,000	439,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260	532,760	548,260	564,260	581,260	598,760
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	1,000	4,000	7,000	9,000	11,000	12,000
<u>Transfer</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Operating Revenues	826,608	847,395	931,760	1,032,260	1,192,510	1,369,260	1,523,260	1,541,760	1,560,260	1,578,260	1,597,260	1,615,760
Capital Fund Revenues (Fund 64) (2)												
Investment Earnings	20,000	20,000	8,000	2,000	38,000	26,000	15,000	11,000	9,000	7,000	4,000	2,000
Transfer from Operating Fund 62/Depreciation	50,000	50,000	56,800	63,600	70,400	77,200	84,000	87,000	90,000	93,000	96,000	99,000
Allocated Impact Fees	101,765	0	0	0	0	0	0	0	0	0	0	0
<u>Debt/Bond Proceeds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	171,765	70,000	64,800	2,465,600	108,400	103,200	99,000	98,000	99,000	100,000	100,000	101,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)												
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000	18,000	22,000	26,000	29,000	33,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375	39,375	39,375	0	0	0
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Transfer from Capital Fund 62</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375	214,375	223,375	193,000	201,000	210,000
TOTAL REVENUES	1,075,373	1,623,770	1,126,535	3,646,435	1,468,085	1,658,235	1,827,635	1,854,135	1,882,635	1,871,260	1,898,260	1,926,760
EXPENSES												
Operating Expenses (Fund 62)												
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000	645,000	670,000	697,000	725,000	754,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000	223,000	229,000	235,000	242,000	249,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	78,000	80,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000	122,000	126,000	130,000	134,000	138,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	56,800	63,600	70,400	77,200	84,000	87,000	90,000	93,000	96,000	99,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Debt Service</u>	<u>0</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>
Subtotal Operating Expenses	847,529	951,760	998,120	1,045,720	1,094,320	1,306,920	1,357,520	1,400,020	1,442,520	1,487,020	1,533,520	1,581,020
Capital Fund Expenses (Fund 64)												
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
<u>Transfer to Joint Treatment Capital Recovery Fund 63</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)												
<u>WWTP Capital Projects (1)</u>	<u>1,280,000</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>21,000</u>	<u>22,000</u>	<u>23,000</u>	<u>24,000</u>	<u>25,000</u>
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000	21,000	22,000	23,000	24,000	25,000
TOTAL EXPENSES	2,328,975	1,686,760	1,347,620	1,729,220	1,777,820	1,990,420	1,677,520	1,621,020	1,670,520	1,722,020	1,775,520	1,831,020
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(66,360)	(13,460)	98,190	62,340	165,740	141,740	117,740	91,240	63,740	34,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	(284,700)	1,782,100	(575,100)	(580,300)	(201,000)	(102,000)	(107,000)	(112,000)	(118,000)	(124,000)
Net Revenues - Joint Treatment Capital Recovery Fund 63	<u>(1,203,000)</u>	<u>641,375</u>	<u>129,975</u>	<u>148,575</u>	<u>167,175</u>	<u>185,775</u>	<u>185,375</u>	<u>193,375</u>	<u>201,375</u>	<u>170,000</u>	<u>177,000</u>	<u>185,000</u>
NET REVENUES	(1,253,602)	(62,990)	(221,085)	1,917,215	(309,735)	(332,185)	150,115	233,115	212,115	149,240	122,740	95,740
Ending Fund Balance												
Operating Fund 62	61,917	(42,448)	(108,808)	(122,268)	(24,078)	38,262	204,002	345,742	463,482	554,722	618,462	653,202
Capital Fund 64	997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876	436,876	329,876	217,876	99,876	(24,124)
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>	<u>1,814,030</u>
Total Ending Fund Balance	488,823	425,833	204,748	2,121,963	1,812,228	1,480,043	1,630,158	1,863,273	2,075,388	2,224,628	2,347,368	2,443,108
Debt Service Coverage (Min. 1.20x)	n/a	n/a	n/a	n/a	n/a	1.27	2.00	1.88	1.77	1.64	1.51	1.36
<i>Target Met</i>	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	299,436	313,716	328,296	392,076	407,256	420,006	432,756	446,106	460,056	474,306
<i>Target Met</i>	no	no	no	no	no	no	no	no	yes	yes	yes	yes

1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).

**APPENDIX 6
WASTEWATER SCENARIO 3 - CASH FLOW PROJECTION**

	Est. Actual	Budget	Projected									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Fund Balance												
Operating Fund 62		\$61,917	(\$42,448)	(\$119,808)	(\$158,268)	(\$74,078)	(\$10,738)	\$68,002	\$164,742	\$283,482	\$425,722	\$592,462
Capital Fund 64		997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876	436,876	329,876	217,876	99,876
<u>Joint Treatment Capital Recovery Fund 63</u>		<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>
Total Beginning Fund Balance		488,823	425,833	193,748	2,085,963	1,762,228	1,431,043	1,494,158	1,682,273	1,895,388	2,095,628	2,321,368
Rate Adjustment - %		0.0%	14.0%	14.0%	19.0%	19.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Growth - %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Single Family Residential Bi-Monthly Service Charge		\$41.77	\$47.62	\$54.29	\$64.61	\$76.89	\$81.50	\$85.58	\$89.86	\$94.35	\$99.07	\$104.02
<i>Dollar Change (bi-monthly)</i>			\$5.85	\$6.67	\$10.32	\$12.28	\$4.61	\$4.08	\$4.28	\$4.49	\$4.72	\$4.95
REVENUES												
Operating Revenues (Fund 62)												
Residential Wastewater Sales	246,800	248,800	284,000	324,000	386,000	459,000	487,000	511,000	537,000	564,000	592,000	622,000
Commercial Wastewater Sales	205,000	205,000	234,000	267,000	318,000	378,000	401,000	421,000	442,000	464,000	487,000	511,000
Veteran's Home Sales	343,808	359,095	371,760	385,260	443,510	502,260	517,260	532,760	548,260	564,260	581,260	598,760
Reclaimed Water Sales	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Other Revenue	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	5,000	3,500	0	0	0	0	0	1,000	3,000	6,000	9,000	12,000
<u>Transfer</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Operating Revenues	826,608	847,395	920,760	1,007,260	1,178,510	1,370,260	1,436,260	1,496,760	1,561,260	1,629,260	1,700,260	1,774,760
Capital Fund Revenues (Fund 64) (2)												
Investment Earnings	20,000	20,000	8,000	2,000	38,000	26,000	15,000	11,000	9,000	7,000	4,000	2,000
Transfer from Operating Fund 62/Depreciation	50,000	50,000	56,800	63,600	70,400	77,200	84,000	87,000	90,000	93,000	96,000	99,000
Allocated Impact Fees	101,765	0	0	0	0	0	0	0	0	0	0	0
<u>Debt/Bond Proceeds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Revenues	171,765	70,000	64,800	2,465,600	108,400	103,200	99,000	98,000	99,000	100,000	100,000	101,000
Joint Treatment Capital Recovery Fund Revenues (Fund 63)												
Investment Earnings	3,000	0	1,000	4,000	7,000	10,000	14,000	18,000	22,000	26,000	29,000	33,000
Capital Recovery - Veteran's Home (Repay \$315,000 loan)	37,000	39,375	39,375	39,375	39,375	39,375	39,375	39,375	39,375	0	0	0
Capital Recovery - Veteran's Home Share of Depreciation for WWTP	0	0	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
Capital Recovery - Town's Share of Depreciation for WWTP (Transfer from Fund 62)	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Transfer from Capital Fund 62</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Joint Treatment Capital Recovery Revenues	77,000	706,375	129,975	148,575	167,175	185,775	205,375	214,375	223,375	193,000	201,000	210,000
TOTAL REVENUES	1,075,373	1,623,770	1,115,535	3,621,435	1,454,085	1,659,235	1,740,635	1,809,135	1,883,635	1,922,260	2,001,260	2,085,760
EXPENSES												
Operating Expenses (Fund 62)												
Personnel Services	445,017	508,630	529,000	551,000	573,000	596,000	620,000	645,000	670,000	697,000	725,000	754,000
Supplies & Services	143,762	187,110	193,000	199,000	205,000	211,000	217,000	223,000	229,000	235,000	242,000	249,000
Contract Services	74,750	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	78,000	80,000
Utilities - Gas & Electric	97,000	100,000	103,000	106,000	110,000	114,000	118,000	122,000	126,000	130,000	134,000	138,000
Capital Outlay	0	2,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Transfer to Capital Fund 64/Depreciation for Collection	50,000	50,000	56,800	63,600	70,400	77,200	84,000	87,000	90,000	93,000	96,000	99,000
Transfer to Joint Capital Fund 63/Depreciation for WWTP	37,000	37,000	44,800	52,600	60,400	68,200	76,000	78,500	81,000	83,500	86,000	88,500
<u>Debt Service</u>	<u>0</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>6,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>	<u>169,520</u>
Subtotal Operating Expenses	847,529	951,760	998,120	1,045,720	1,094,320	1,306,920	1,357,520	1,400,020	1,442,520	1,487,020	1,533,520	1,581,020
Capital Fund Expenses (Fund 64)												
Collection System Capital Projects (1)	201,446	40,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
<u>Transfer to Joint Treatment Capital Recovery Fund 63</u>	<u>0</u>	<u>630,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital Expenses	201,446	670,000	349,500	683,500	683,500	683,500	300,000	200,000	206,000	212,000	218,000	225,000
Joint Treatment Capital Recovery Fund Expenses (Fund 63)												
<u>WWTP Capital Projects (1)</u>	<u>1,280,000</u>	<u>65,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>21,000</u>	<u>22,000</u>	<u>23,000</u>	<u>24,000</u>	<u>25,000</u>
Subtotal Joint Treatment Capital Recovery Expenses	1,280,000	65,000	0	0	0	0	20,000	21,000	22,000	23,000	24,000	25,000
TOTAL EXPENSES	2,328,975	1,686,760	1,347,620	1,729,220	1,777,820	1,990,420	1,677,520	1,621,020	1,670,520	1,722,020	1,775,520	1,831,020
Net Revenues - Operating Fund 62	(20,921)	(104,365)	(77,360)	(38,460)	84,190	63,340	78,740	96,740	118,740	142,240	166,740	193,740
Net Revenues - Capital Fund 64	(29,681)	(600,000)	(284,700)	1,782,100	(575,100)	(580,300)	(201,000)	(102,000)	(107,000)	(112,000)	(118,000)	(124,000)
Net Revenues - Joint Treatment Capital Recovery Fund 63	(1,203,000)	641,375	129,975	148,575	167,175	185,775	185,375	193,375	201,375	170,000	177,000	185,000
NET REVENUES	(1,253,602)	(62,990)	(232,085)	1,892,215	(323,735)	(331,185)	63,115	188,115	213,115	200,240	225,740	254,740
Ending Fund Balance												
Operating Fund 62	61,917	(42,448)	(119,808)	(158,268)	(74,078)	(10,738)	68,002	164,742	283,482	425,722	592,462	786,202
Capital Fund 64	997,876	397,876	113,176	1,895,276	1,320,176	739,876	538,876	436,876	329,876	217,876	99,876	(24,124)
<u>Joint Treatment Capital Recovery Fund 63</u>	<u>(570,970)</u>	<u>70,405</u>	<u>200,380</u>	<u>348,955</u>	<u>516,130</u>	<u>701,905</u>	<u>887,280</u>	<u>1,080,655</u>	<u>1,282,030</u>	<u>1,452,030</u>	<u>1,629,030</u>	<u>1,814,030</u>
Total Ending Fund Balance	488,823	425,833	193,748	2,085,963	1,762,228	1,431,043	1,494,158	1,682,273	1,895,388	2,095,628	2,321,368	2,576,108
Debt Service Coverage (Min. 1.20x)	n/a	n/a	n/a	n/a	n/a	1.28	1.46	1.61	1.78	1.96	2.14	2.34
<i>Target Met</i>	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Fund Reserve Target - 30% of Operating Expenses	254,259	285,528	299,436	313,716	328,296	392,076	407,256	420,006	432,756	446,106	460,056	474,306
<i>Target Met</i>	no	no	no	no	no	no	no	no	no	no	yes	yes

1 - CIP expenditures after 2015/16 based on average of 2009/10 - 2014/15 CIP expenses (excluding 2013/14).