

# La Habra Heights County Water District Water Rate Report

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May 2012



RAFTELIS FINANCIAL  
CONSULTANTS, INC.

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# Section 1

## Background and Approach

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Currently, the La Habra Heights County Water District's (District) water enterprise faces significant challenges, mainly arising from increased water supply costs, in addition to rising operating costs and a significant Capital Improvement Program (CIP). In FY 2011 the District received approximately 98 percent of its water supply as groundwater from the Water Replenishment District and imports the remaining two percent (approximately) from the Central Basin Municipal Water District (Central Basin). The Water Replenishment District has increased its replenishment assessment charge from \$205 per acre-foot (AF) in FY 2011 to \$244 per AF in FY 2012, an increase of 19 percent. To address these changes and ensure the financial stability of the water enterprise, the District engaged RFC to perform a water rate study (rate study), which included developing the financial planning model (rate model) and developing a set of proposed water rates and recommendations.

The objectives of the rate study were to develop a 10-year financial plan that would allow the District to meet its financial objectives, primarily the funding of its operating and capital costs, while ensuring long-term financial stability. The District plans to implement rates for five years with an annual review process to ensure that revenues and expenses materialize as projected.

### ***Approach***

RFC utilized an approach that is consistent with industry standards for conducting a water rate study. The process includes the following steps:

- Calculation of revenues under existing rates;
- Identification of revenue requirements, including:
  - Operation and Maintenance (O&M) expenses,
  - Capital expenses and capital financing, and
  - Debt coverage requirement;
- Cash flow analysis that compares the revenue under existing rates with the revenue requirements to determine the necessary revenue adjustments;
- Cost of service analysis; and
- Rate calculation.

Based on the District's objectives, RFC has developed a financial plan and developed a water rate study that accomplishes the following goals:

- Ensures revenue sufficiency to meet operating and capital expenses, as well as debt service coverage; and
- Determines water rates that conform to cost of service principles.

## Section 2

### Water Financial Plan

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A review of the District's revenue requirements involves an analysis of annual operating revenues under the current rates, operation and maintenance (O&M) expenses, capital expenditures, debt service requirements, and reserve requirements. This section of the report provides a discussion of the projected revenues, O&M and capital expenditures, capital improvement financing plan, debt service requirements, and the revenue adjustments required to ensure the fiscal sustainability of the water enterprise.

#### ***Data and Assumptions***

In order to conduct the rate study, RFC compiled current and historical data from the District. This data included number of accounts by meter size, billable water usage, water supply sources and associated costs, operating budgets, and capital improvement projects. In addition, RFC used the FY 2012 budgeted expenses as a baseline to make projections into the future years.

A detailed listing of key inputs and assumptions can be found in **Appendix A**.

#### ***Accounts and Usage***

RFC utilized the District's existing customer accounts and usage data under the existing rates to calculate the total sales revenues generated. Comparing the calculated estimates to actual and projected sales revenues collected by the District serves to verify that the District is collecting the proper amount of revenues, and additionally serves to validate revenue projections going forward.

From the assumptions used in the study, the total number of accounts and demand is projected to remain constant throughout the planning period (from FY 2012 to FY 2022). The total number of accounts is projected to remain constant at 2,000 accounts; similarly, demand throughout the planning period is projected to remain constant at 2,630 AF per year. Under the existing rates, the total baseline sales revenue totals approximately \$2.6 million.

A detailed listing which summarizes the total accounts and usage data can be found in **Appendix B**.

### ***Operations and Maintenance Expenses***

The District's projected water usage (as described in the previous section) was used as the basis for determining the appropriate amount of water supply necessary and the O&M costs associated with water supply. A water loss factor of four percent was also taken into account when determining the required water supply as well. Costs associated with water purchases were provided by District Staff.

It is important to note that the Water Replenishment District increased its replenishment assessment charge from \$205 per acre-foot (AF) in FY 2011 to \$244 per AF in FY 2012, an increase of 19 percent. In addition, the replenishment assessment charge is projected to increase at approximately 10 percent each year for FY 2013 to FY 2017, and five percent for the remainder of the planning period. These increases in unit costs are significant drivers for rapidly increasing O&M costs throughout the planning period.

A detailed listing of the District's O&M expenses throughout the planning period can be found in **Appendix C**.

### ***Capital Improvement Plan***

The District has adopted a long-term CIP to address future water enterprise needs. The District anticipates significant capital expenses throughout the planning period, totaling approximately \$5.5 million over the planning period (escalated for construction cost increases). Significant projects that the District plans on undertaking include the replacement of wells no. 8 and no. 9; totaling \$2.5 million in FY 2019 and FY 2020. Rising operating costs described in the previous section coupled with extensive capital costs are the significant drivers of the study and the proposed financial plan and revenue adjustments necessary to maintain financial stability.

A detailed listing of the District's inflated Capital Improvement plan for the planning period can be found in **Appendix D**.

### ***Existing Debt Service***

The District currently is responsible for annual debt service payments on a state loan under the Davis Grunsky Act. Payments are split between the District and Orchard Dale; the resulting annual debt service payment amounts to approximately \$52,000 per year for each year throughout the study period. The standard debt service coverage ratio is 125%. A debt service coverage ratio is typically calculated by subtracting operating expenses from operating income and dividing result by the total debt service.

### ***Reserve Requirements***

Currently the District maintains a single unrestricted operating cash fund for its water enterprise. The fund is responsible for meeting ongoing cash flow requirements and capital expenses, and addressing any emergency needs that may arise.

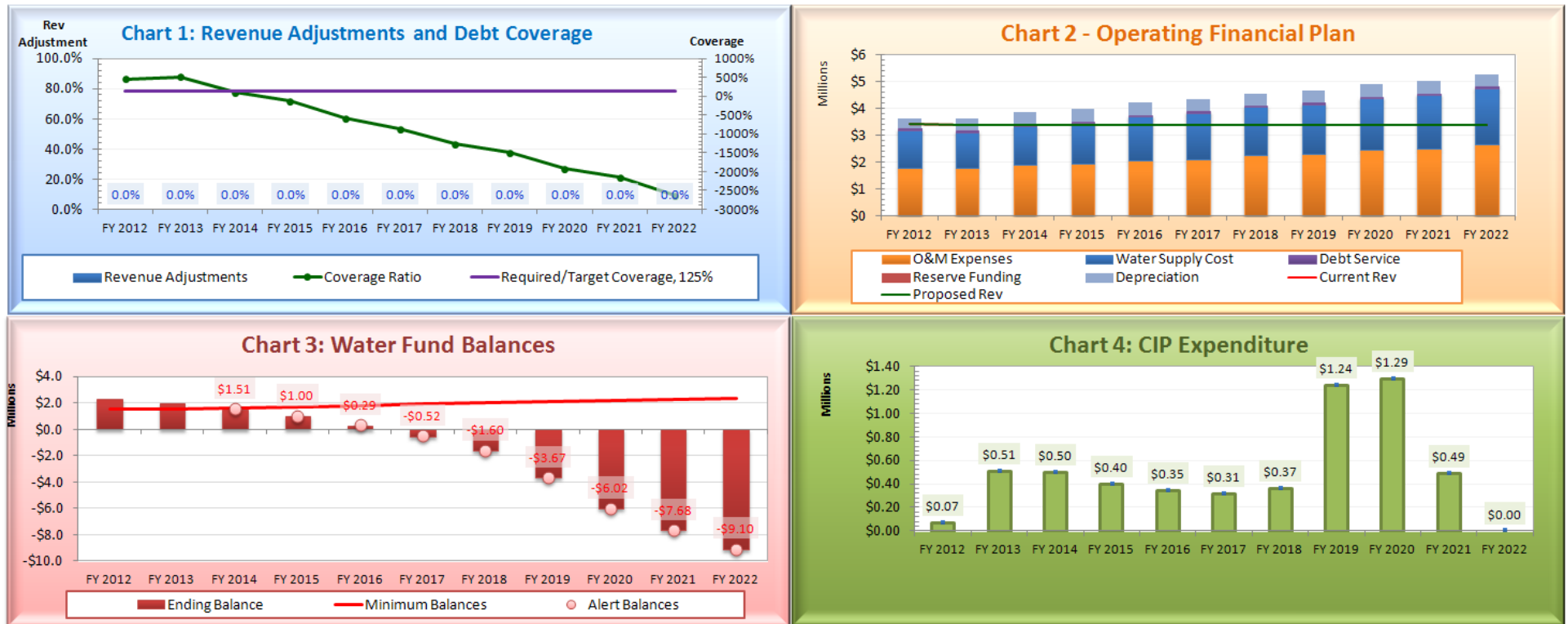
To ensure fiscal sustainability and the continued operation of the District's water enterprise, RFC recommends that the District maintain a minimum operating cash balance of no less than 50 percent of its annual operating budget. Standard & Poor's has established criteria it uses as a rule of thumb for public utilities when determining ratings; utilities which maintain an unrestricted cash balance of over 50 percent are considered "strong" performers financially.

### ***Status Quo Financial Plan***

**Figure 1** is a graphical representation (Dashboard) of the District's financial plan under the "status" quo scenario. The status quo scenario includes no revenue adjustments throughout the planning period. Alternatively, **Table 1** provides a numerical representation of the District's financial plan under the status quo scenario, displayed in a pro forma statement format.

As mentioned in the previous sections, the District is experiencing rising O&M costs and is planning to undertake significant capital expenses throughout the planning period. Under the status quo financial plan scenario, beginning in FY 2013 the District's revenues will be insufficient to meet its revenue requirements (consisting of operating and capital costs as well as any existing and proposed debt service). As a result of not meeting revenue requirements, the District is required to draw down its fund balance to adequately fund its expenses. Because the District will need to utilize cash reserves to fund revenue requirements, the District will be below the targeted fund balance in 2014. In addition to this, the District will be unable to maintain the required debt coverage ratio in FY 2014 and onward.

Figure 1: Status Quo Financial Plan Dashboard





**Table 1: Status Quo Pro-Forma Statement**

Descriptions	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>REVENUES</b>											
<b>Operating Revenues</b>											
Existing revenues from rates	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595
Additional Revenue from rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenues	\$ 39,042	\$ 39,922	\$ 40,826	\$ 41,754	\$ 42,706	\$ 43,685	\$ 44,689	\$ 45,721	\$ 46,781	\$ 47,869	\$ 48,986
Rowland Agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Operating Revenues</b>	<b>\$ 2,659,637</b>	<b>\$ 2,660,517</b>	<b>\$ 2,661,420</b>	<b>\$ 2,662,348</b>	<b>\$ 2,663,301</b>	<b>\$ 2,664,279</b>	<b>\$ 2,665,284</b>	<b>\$ 2,666,316</b>	<b>\$ 2,667,375</b>	<b>\$ 2,668,463</b>	<b>\$ 2,669,581</b>
<b>Non-Operating Revenues</b>											
Interest Income	\$ 9,919	\$ 12,052	\$ 10,067	\$ 7,264	\$ 4,089	\$ 210	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax Income	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712
Other Non-Operating Revenues	\$ 160,656	\$ 111,488	\$ 111,788	\$ 112,095	\$ 112,408	\$ 112,726	\$ 113,052	\$ 113,383	\$ 113,722	\$ 114,067	\$ 114,419
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 771,287</b>	<b>\$ 724,252</b>	<b>\$ 722,568</b>	<b>\$ 720,071</b>	<b>\$ 717,209</b>	<b>\$ 713,648</b>	<b>\$ 713,764</b>	<b>\$ 714,095</b>	<b>\$ 714,434</b>	<b>\$ 714,779</b>	<b>\$ 715,131</b>
<b>TOTAL REVENUES</b>	<b>\$ 3,430,924</b>	<b>\$ 3,384,768</b>	<b>\$ 3,383,988</b>	<b>\$ 3,382,419</b>	<b>\$ 3,380,510</b>	<b>\$ 3,377,928</b>	<b>\$ 3,379,048</b>	<b>\$ 3,380,411</b>	<b>\$ 3,381,809</b>	<b>\$ 3,383,242</b>	<b>\$ 3,384,712</b>
<b>EXPENSES</b>											
Source of Supply Expenses	\$ 1,428,229	\$ 1,327,683	\$ 1,415,292	\$ 1,508,588	\$ 1,609,975	\$ 1,720,231	\$ 1,789,229	\$ 1,861,241	\$ 1,936,408	\$ 2,014,875	\$ 2,096,795
Labor Related Expenses	\$ 756,367	\$ 794,185	\$ 833,895	\$ 875,589	\$ 919,369	\$ 965,337	\$ 1,013,604	\$ 1,064,284	\$ 1,117,499	\$ 1,173,373	\$ 1,232,042
Other operating expenses	\$ 940,830	\$ 974,335	\$ 1,009,176	\$ 1,045,412	\$ 1,083,105	\$ 1,122,318	\$ 1,163,118	\$ 1,205,576	\$ 1,249,763	\$ 1,295,758	\$ 1,343,640
Director Related Expense	\$ 65,973	\$ 20,181	\$ 68,638	\$ 20,996	\$ 71,411	\$ 21,844	\$ 74,296	\$ 22,727	\$ 77,298	\$ 23,645	\$ 80,421
<b>TOTAL EXPENSES</b>	<b>\$ 3,191,399</b>	<b>\$ 3,116,383</b>	<b>\$ 3,327,001</b>	<b>\$ 3,450,586</b>	<b>\$ 3,683,860</b>	<b>\$ 3,829,730</b>	<b>\$ 4,040,247</b>	<b>\$ 4,153,828</b>	<b>\$ 4,380,967</b>	<b>\$ 4,507,651</b>	<b>\$ 4,752,898</b>
<b>NET REVENUES</b>	<b>\$ 239,525</b>	<b>\$ 268,385</b>	<b>\$ 56,987</b>	<b>\$ (68,166)</b>	<b>\$ (303,350)</b>	<b>\$ (451,803)</b>	<b>\$ (661,200)</b>	<b>\$ (773,417)</b>	<b>\$ (999,158)</b>	<b>\$ (1,124,408)</b>	<b>\$ (1,368,186)</b>
<b>DEBT</b>											
Existing Debt Service	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084
<b>CIP</b>	<b>\$ 70,154</b>	<b>\$ 507,520</b>	<b>\$ 502,944</b>	<b>\$ 397,077</b>	<b>\$ 346,278</b>	<b>\$ 313,896</b>	<b>\$ 365,677</b>	<b>\$ 1,243,556</b>	<b>\$ 1,293,298</b>	<b>\$ 485,349</b>	<b>\$ -</b>
PayGo	\$ 70,154	\$ 507,520	\$ 502,944	\$ 397,077	\$ 346,278	\$ 313,896	\$ 365,677	\$ 1,243,556	\$ 1,293,298	\$ 485,349	\$ -
Debt Funded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET CASH FLOWS</b>	<b>\$ 117,287</b>	<b>\$ (291,219)</b>	<b>\$ (498,041)</b>	<b>\$ (517,327)</b>	<b>\$ (701,712)</b>	<b>\$ (817,783)</b>	<b>\$ (1,078,961)</b>	<b>\$ (2,069,056)</b>	<b>\$ (2,344,540)</b>	<b>\$ (1,661,842)</b>	<b>\$ (1,420,270)</b>
<i>BEGINNING FUND BALANCE</i>	<i>\$ 2,184,908</i>	<i>\$ 2,302,195</i>	<i>\$ 2,010,976</i>	<i>\$ 1,512,935</i>	<i>\$ 995,608</i>	<i>\$ 293,895</i>	<i>\$ (523,888)</i>	<i>\$ (1,602,849)</i>	<i>\$ (3,671,905)</i>	<i>\$ (6,016,445)</i>	<i>\$ (7,678,287)</i>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,302,195</b>	<b>\$ 2,010,976</b>	<b>\$ 1,512,935</b>	<b>\$ 995,608</b>	<b>\$ 293,895</b>	<b>\$ (523,888)</b>	<b>\$ (1,602,849)</b>	<b>\$ (3,671,905)</b>	<b>\$ (6,016,445)</b>	<b>\$ (7,678,287)</b>	<b>\$ (9,098,557)</b>
<i>Target Balance</i>	<i>\$ 1,562,713</i>	<i>\$ 1,548,101</i>	<i>\$ 1,629,182</i>	<i>\$ 1,714,795</i>	<i>\$ 1,806,224</i>	<i>\$ 1,903,943</i>	<i>\$ 1,982,976</i>	<i>\$ 2,065,551</i>	<i>\$ 2,151,835</i>	<i>\$ 2,242,003</i>	<i>\$ 2,336,239</i>
<b>Debt Coverage Ratios</b>	<b>460%</b>	<b>515%</b>	<b>109%</b>	<b>-131%</b>	<b>-582%</b>	<b>-867%</b>	<b>-1269%</b>	<b>-1485%</b>	<b>-1918%</b>	<b>-2159%</b>	<b>-2627%</b>
Target Debt Coverage	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

## ***Proposed Financial Plan***

**Figure 2** is a graphical representation of the District's financial plan under the proposed financial plan scenario. Alternatively, **Table 2** provides a numerical representation of the District's financial plan under the proposed financial plan scenario, displayed in a pro forma statement format.

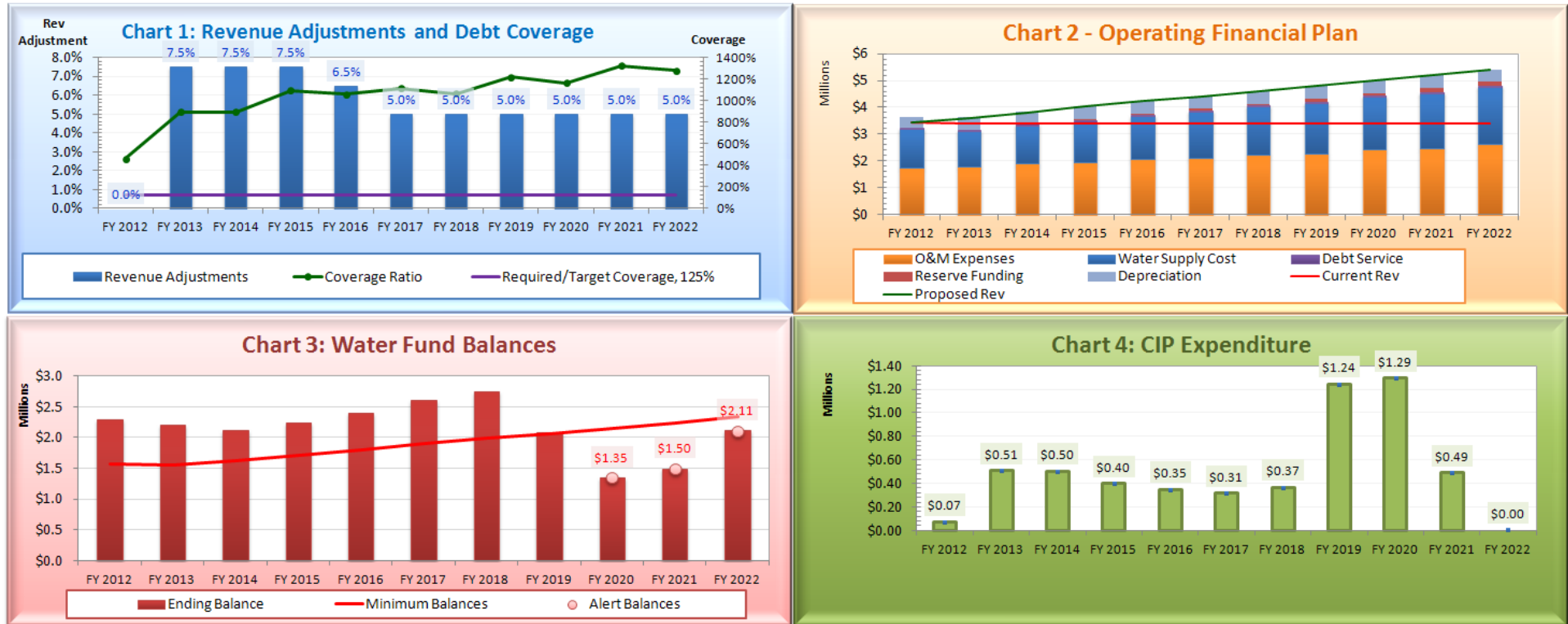
The proposed financial plan includes the following revenue adjustments throughout the planning period:

Fiscal Year	Proposed % Revenue Adjustment	Fiscal Year	Forecasted % Revenue Adjustment
FY 2013	7.50%	FY 2018	5.00%
FY 2014	7.50%	FY 2019	5.00%
FY 2015	7.50%	FY 2020	5.00%
FY 2016	6.50%	FY 2021	5.00%
FY 2017	5.00%	FY 2022	5.00%

It is recommended that the District adopt five years of rates, which would include the adjustments above from FY 2013 to FY 2017.

The proposed rate increases ensure that the District is able to fully meet its debt coverage requirements throughout the planning period. In addition, the District will be able to maintain reserve balances which exceed the minimum target level for the five year period from FY 2012 to FY 2017 with the proposed rate adjustments. The District anticipates significant capital costs in FY 2019 and FY 2020 which are currently being funded strictly through rates (PayGo), and as a result, reserves will be significantly drawn below target levels in FY 2020 and FY 2021 in order to fund these costs. It is recommended that the District re-evaluate rates at the end FY 2017 and adopt rates that are commensurate with their financial condition in 2017.

Figure 2: Proposed Financial Plan Dashboard



**Table 2: Proposed Financial Plan Pro-Forma Statement**

Descriptions	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>REVENUES</b>											
<b>Operating Revenues</b>											
Existing revenues from rates	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595	\$ 2,620,595
Additional Revenue from rates	\$ -	\$ 196,545	\$ 407,830	\$ 634,962	\$ 846,573	\$ 1,019,931	\$ 1,201,958	\$ 1,393,085	\$ 1,593,769	\$ 1,804,488	\$ 2,025,742
Other Operating Revenues	\$ 39,042	\$ 39,922	\$ 40,826	\$ 41,754	\$ 42,706	\$ 43,685	\$ 44,689	\$ 45,721	\$ 46,781	\$ 47,869	\$ 48,986
Rowland Agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal Operating Revenues</b>	<b>\$ 2,659,637</b>	<b>\$ 2,857,061</b>	<b>\$ 3,069,251</b>	<b>\$ 3,297,310</b>	<b>\$ 3,509,874</b>	<b>\$ 3,684,211</b>	<b>\$ 3,867,242</b>	<b>\$ 4,059,401</b>	<b>\$ 4,261,145</b>	<b>\$ 4,472,951</b>	<b>\$ 4,695,323</b>
<b>Non-Operating Revenues</b>											
Interest Income	\$ 9,919	\$ 12,544	\$ 12,077	\$ 11,897	\$ 12,459	\$ 13,299	\$ 14,310	\$ 15,196	\$ 11,821	\$ 8,331	\$ 9,032
Property Tax Income	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712	\$ 600,712
Other Non-Operating Revenues	\$ 160,656	\$ 111,488	\$ 111,788	\$ 112,095	\$ 112,408	\$ 112,726	\$ 113,052	\$ 113,383	\$ 113,722	\$ 114,067	\$ 114,419
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 771,287</b>	<b>\$ 724,744</b>	<b>\$ 724,577</b>	<b>\$ 724,704</b>	<b>\$ 725,579</b>	<b>\$ 726,738</b>	<b>\$ 728,074</b>	<b>\$ 729,292</b>	<b>\$ 726,255</b>	<b>\$ 723,111</b>	<b>\$ 724,163</b>
<b>TOTAL REVENUES</b>	<b>\$ 3,430,924</b>	<b>\$ 3,581,806</b>	<b>\$ 3,793,828</b>	<b>\$ 4,022,015</b>	<b>\$ 4,235,453</b>	<b>\$ 4,410,949</b>	<b>\$ 4,595,316</b>	<b>\$ 4,788,693</b>	<b>\$ 4,987,400</b>	<b>\$ 5,196,062</b>	<b>\$ 5,419,486</b>
<b>EXPENSES</b>											
Source of Supply Expenses	\$ 1,428,229	\$ 1,327,683	\$ 1,415,292	\$ 1,508,588	\$ 1,609,975	\$ 1,720,231	\$ 1,789,229	\$ 1,861,241	\$ 1,936,408	\$ 2,014,875	\$ 2,096,795
Labor Related Expenses	\$ 756,367	\$ 794,185	\$ 833,895	\$ 875,589	\$ 919,369	\$ 965,337	\$ 1,013,604	\$ 1,064,284	\$ 1,117,499	\$ 1,173,373	\$ 1,232,042
Other operating expenses	\$ 940,830	\$ 974,335	\$ 1,009,176	\$ 1,045,412	\$ 1,083,105	\$ 1,122,318	\$ 1,163,118	\$ 1,205,576	\$ 1,249,763	\$ 1,295,758	\$ 1,343,640
Director Related Expense	\$ 65,973	\$ 20,181	\$ 68,638	\$ 20,996	\$ 71,411	\$ 21,844	\$ 74,296	\$ 22,727	\$ 77,298	\$ 23,645	\$ 80,421
<b>TOTAL EXPENSES</b>	<b>\$ 3,191,399</b>	<b>\$ 3,116,383</b>	<b>\$ 3,327,001</b>	<b>\$ 3,450,586</b>	<b>\$ 3,683,860</b>	<b>\$ 3,829,730</b>	<b>\$ 4,040,247</b>	<b>\$ 4,153,828</b>	<b>\$ 4,380,967</b>	<b>\$ 4,507,651</b>	<b>\$ 4,752,898</b>
<b>NET REVENUES</b>	<b>\$ 239,525</b>	<b>\$ 465,422</b>	<b>\$ 466,827</b>	<b>\$ 571,429</b>	<b>\$ 551,593</b>	<b>\$ 581,218</b>	<b>\$ 555,068</b>	<b>\$ 634,865</b>	<b>\$ 606,432</b>	<b>\$ 688,411</b>	<b>\$ 666,588</b>
<b>DEBT</b>											
Existing Debt Service	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084	\$ 52,084
<b>CIP</b>	<b>\$ 70,154</b>	<b>\$ 507,520</b>	<b>\$ 502,944</b>	<b>\$ 397,077</b>	<b>\$ 346,278</b>	<b>\$ 313,896</b>	<b>\$ 365,677</b>	<b>\$ 1,243,556</b>	<b>\$ 1,293,298</b>	<b>\$ 485,349</b>	<b>\$ -</b>
PayGo	\$ 70,154	\$ 507,520	\$ 502,944	\$ 397,077	\$ 346,278	\$ 313,896	\$ 365,677	\$ 1,243,556	\$ 1,293,298	\$ 485,349	\$ -
Debt Funded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET CASH FLOWS</b>	<b>\$ 117,287</b>	<b>\$ (94,181)</b>	<b>\$ (88,201)</b>	<b>\$ 122,268</b>	<b>\$ 153,230</b>	<b>\$ 215,238</b>	<b>\$ 137,307</b>	<b>\$ (660,775)</b>	<b>\$ (738,949)</b>	<b>\$ 150,977</b>	<b>\$ 614,504</b>
<i>BEGINNING FUND BALANCE</i>	<i>\$ 2,184,908</i>	<i>\$ 2,302,195</i>	<i>\$ 2,208,013</i>	<i>\$ 2,119,812</i>	<i>\$ 2,242,080</i>	<i>\$ 2,395,310</i>	<i>\$ 2,610,548</i>	<i>\$ 2,747,855</i>	<i>\$ 2,087,080</i>	<i>\$ 1,348,131</i>	<i>\$ 1,499,108</i>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,302,195</b>	<b>\$ 2,208,013</b>	<b>\$ 2,119,812</b>	<b>\$ 2,242,080</b>	<b>\$ 2,395,310</b>	<b>\$ 2,610,548</b>	<b>\$ 2,747,855</b>	<b>\$ 2,087,080</b>	<b>\$ 1,348,131</b>	<b>\$ 1,499,108</b>	<b>\$ 2,113,612</b>
<i>Target Balance</i>	<i>\$ 1,562,713</i>	<i>\$ 1,548,101</i>	<i>\$ 1,629,182</i>	<i>\$ 1,714,795</i>	<i>\$ 1,806,224</i>	<i>\$ 1,903,943</i>	<i>\$ 1,982,976</i>	<i>\$ 2,065,551</i>	<i>\$ 2,151,835</i>	<i>\$ 2,242,003</i>	<i>\$ 2,336,239</i>
<b>Debt Coverage Ratios</b>	<b>460%</b>	<b>894%</b>	<b>896%</b>	<b>1097%</b>	<b>1059%</b>	<b>1116%</b>	<b>1066%</b>	<b>1219%</b>	<b>1164%</b>	<b>1322%</b>	<b>1280%</b>
Target Debt Coverage	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

## ***Rate Analysis and Design***

### *Cost of Service*

In determining water rates, Government Code Section 54999 requires utilities to perform a cost of service evaluation once every ten (10) years and Proposition 218 requires water rates to be proportional to the cost of service to the property owner. Performing a cost of service analysis ensures that costs are allocated to the appropriate customer classes and that the resulting rates are fair.

As a part of this study, RFC performed a cost of service analysis study and developed a set of proposed rates and recommendations which more closely reflects the cost of providing services to the District's customers.

### *Meter Ratios*

Currently the District charges a monthly "readiness-to-serve" charge which varies by meter size, billed on a monthly basis. The charges vary based on established meter ratios; the current ratios used by the District were determined by dividing the monthly charge of a meter of particular size by the monthly charge for the base meter size (a 3/4-inch meter) to determine the ratio for that size. RFC then compared the current ratios to the ratios based on meter capacity data provided by the American Water Works Association (AWWA) *M6 Water Meters – Selection, Installation, Testing and Maintenance* manual. In addition, rates under existing and proposed meter ratios were compared, assuming no increase in revenue. This can be seen in **Table 3** below.

**Table 3: Comparison of Water Rates under Existing and Proposed Meter Ratios with no increase in revenue**

Meter Size	Current Ratios	AWWA Ratios	Current Charges	AWWA Charges
5/8"	1.00	1.00	\$25.96 /mo	\$21.09 /mo
3/4"	1.00	1.00	\$25.96 /mo	\$21.09 /mo
1"	1.38	1.67	\$35.81 /mo	\$35.15 /mo
1.5"	2.79	3.33	\$72.42 /mo	\$70.30 /mo
2"	3.73	5.33	\$96.94 /mo	\$112.48 /mo
3"	6.72	11.67	\$174.55 /mo	\$246.05 /mo
4"	13.29	21.00	\$344.91 /mo	\$442.89 /mo
6"	26.52	46.67	\$688.35 /mo	\$984.20 /mo
3" Fire Meter	7.09	11.67	\$184.12 /mo	\$246.05 /mo

From the table above, customers with large meters (3-inches and above) would see significant increases to their readiness-to-serve charges. As such, RFC recommends that the proposed AWWA ratios be phased in over a three year period.

#### *Rate Increase Allocation*

In addition to changes to the meter ratios used to determine readiness-to-serve charges, RFC recommends that increases in the District's readiness-to-serve charge reflect the increases in O&M costs not related to water supply, and that increases in the District's commodity rate reflect increases in water supply costs.

#### *Proposed Rates*

The proposed three-year rates are shown in **Table 4** below. These rates should be implemented in July of each year to meet the financial plan stated in Figure 2 and Table 2.

**Table 4: Proposed 5-year Water Rates**

AWWA Ratios	All RTS					
RTS Charge	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
5/8"	\$25.96 /mo	\$27.19 /mo	\$28.48 /mo	\$29.80 /mo	\$32.43 /mo	\$34.08 /mo
3/4"	\$25.96 /mo	\$27.19 /mo	\$28.48 /mo	\$29.80 /mo	\$32.43 /mo	\$34.08 /mo
1"	\$35.81 /mo	\$40.10 /mo	\$44.73 /mo	\$49.67 /mo	\$54.04 /mo	\$56.79 /mo
1 1/2"	\$72.42 /mo	\$80.76 /mo	\$89.75 /mo	\$99.34 /mo	\$108.08 /mo	\$113.57 /mo
2"	\$96.94 /mo	\$116.00 /mo	\$136.68 /mo	\$158.93 /mo	\$172.92 /mo	\$181.72 /mo
3"	\$174.55 /mo	\$227.56 /mo	\$285.26 /mo	\$347.66 /mo	\$378.26 /mo	\$397.50 /mo
4"	\$344.91 /mo	\$431.05 /mo	\$524.69 /mo	\$625.79 /mo	\$680.86 /mo	\$715.49 /mo
6"	\$688.35 /mo	\$903.35 /mo	\$1,137.42 /mo	\$1,390.63 /mo	\$1,513.01 /mo	\$1,589.98 /mo
Fire Service/in	\$17.42 /mo	\$20.78 /mo	\$24.42 /mo	\$28.34 /mo	\$30.84 /mo	\$32.41 /mo
3" Fire Meter	\$131.86 /mo	\$171.91 /mo	\$215.49 /mo	\$262.63 /mo	\$285.75 /mo	\$300.28 /mo

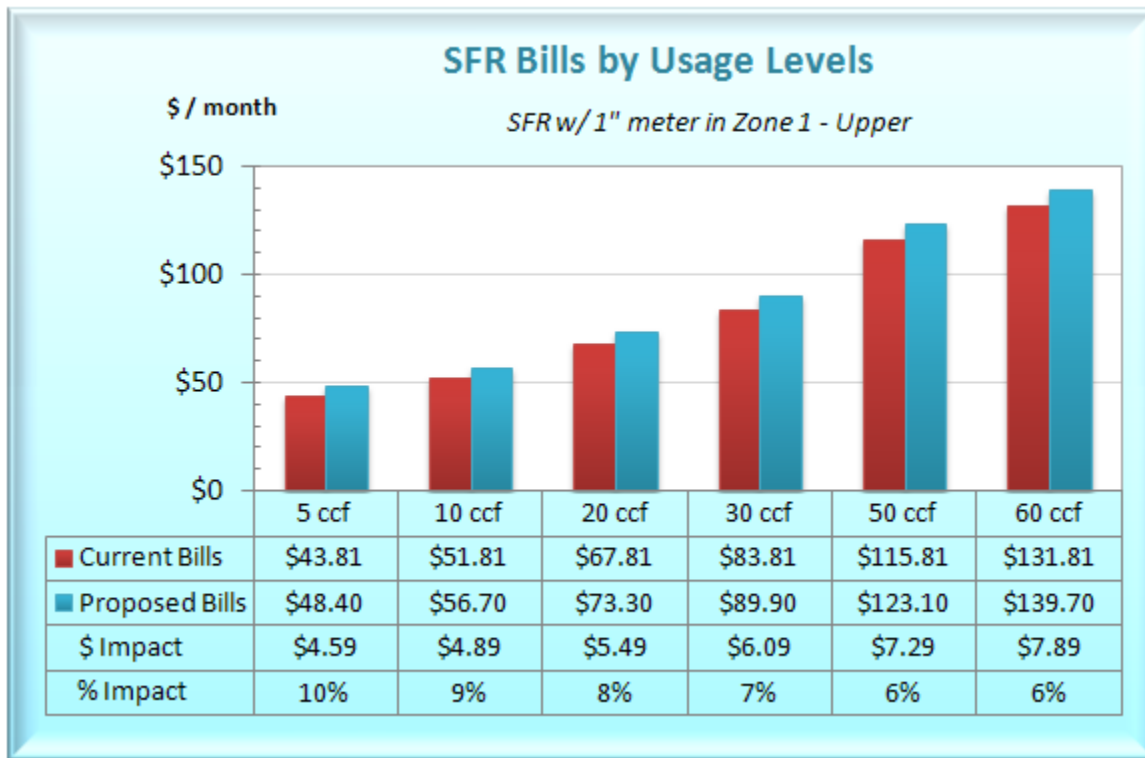
  

Commodity + Zone	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Zone 1 - Upper	\$1.60 /ccf	\$1.66 /ccf	\$1.73 /ccf	\$1.80 /ccf	\$1.88 /ccf	\$1.96 /ccf
Zone 2- Lower	\$1.38 /ccf	\$1.44 /ccf	\$1.51 /ccf	\$1.58 /ccf	\$1.66 /ccf	\$1.74 /ccf

*Customer Impacts*

In addition to applying the proposed rate adjustments to the District’s current rate structure, RFC has prepared a customer impacts analysis to show the result of the proposed rates. **Figure 3** shows a comparison of current and proposed monthly bills at various levels of usage for a Single Family Residential (SFR) customer with a 1-inch meter, located in the “Zone 1 – Upper” zone.

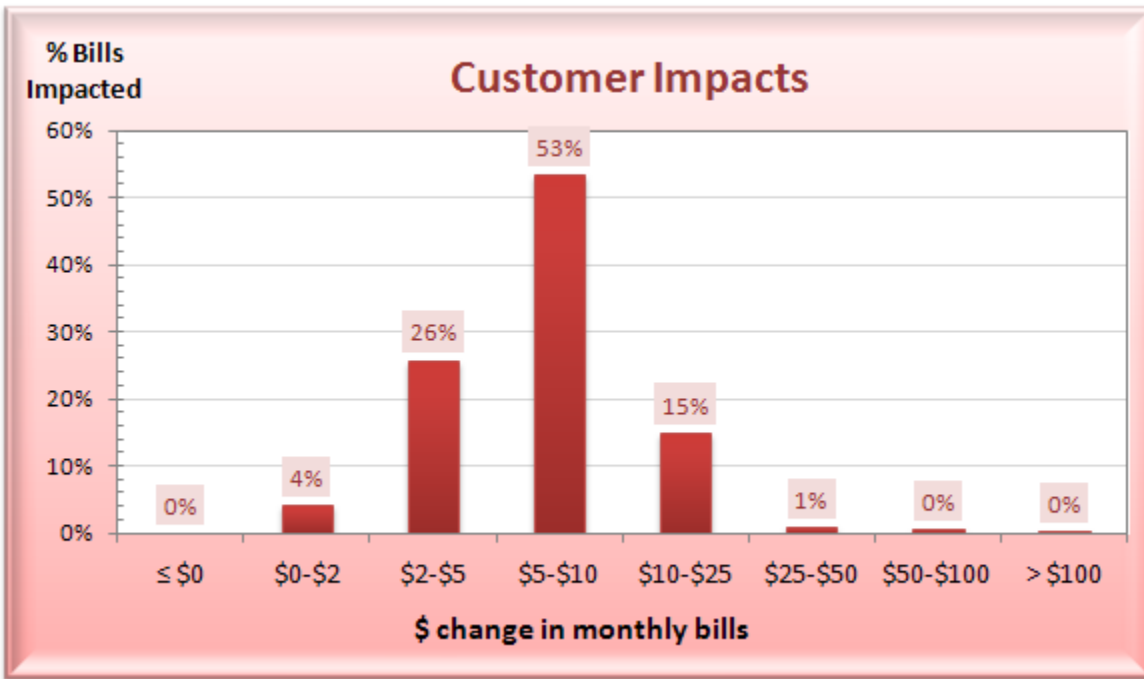
**Figure 2: Sample Monthly Water Single Family Residential Bills by Usage Levels**



In addition, RFC has prepared a plot of the distribution of customers who will see various levels of bill increases, shown in **Figure 3**. From the figure, a significant portion of the bills (53 percent) will see a monthly increase ranging from five dollars to ten dollars per month.



**Figure 3: Customer Bill Impact Distribution**



## Section 3

### Connection Fees and Miscellaneous Fees

#### **Connection Fees**

Connection Fees (also commonly referred to as a System Buy-in Fee) are one time capital charges assessed against new development, used as a way to provide or cover a proportional share of the costs of capital facilities constructed or to be constructed for use. Connection Fees are a financial mechanism used to ensure that new customers pay their fair share of capital costs necessary to provide service. In the State of California it is required that Connection Fees comply with the Mitigation Act (AB1600, Government Code 66000 et seq.), which states that there needs to be nexus between the connection and costs, and that fees should be proportionate to the cost of providing service.

The District's Connection Fees have remained unchanged since 2001. Since then, the District has added over \$10 million in assets to its water system; RFC has accounted for these additional assets in developing the proposed Connection Fees.

In developing Connection Fees, there are several different approaches that can be used. RFC recommends using the system buy-in method to determine the Connection Fees, since there is already available capacity in the system to serve new customers.

For the system buy-in approach, we have used the replacement cost less depreciation (RCLD) method to determine the value of the water system. This method considers the costs necessary to replace existing facilities but also recognizes that the capacity available in existing facilities is not new and is therefore adjusted for depreciation. This method provides the connection fees for the water system.

The District provided a listing of assets and capital projects through the current year. The calculated replacement cost (RC) of the system as of the current fiscal year (FY 2012) by inflating historical costs using the annual average Engineering News Records (ENR) 20-City Construction Cost Index (CCI). To recognize that the system is not new, we subtracted the accumulated depreciation of those assets from the replacement cost to determine the value of the system known as replacement cost less depreciation (RCLD). The RCLD of the system in FY 2012 totals approximately \$30.1 million. A listing of asset categories and the RCLD of each category is shown in **Table 5** below.

**Table 5: Assets and RCLD Summary**

Asset Type	Replacement Cost (RC)	RCLD
Supply	\$2,951,748	\$1,556,810
Pumping	\$3,138,274	\$844,708
T&D	\$44,865,459	\$27,089,923
General	\$2,396,389	\$620,865
<b>Total</b>	<b>\$53,351,870</b>	<b>\$30,112,306</b>

When new users join the system, they will benefit from the District's cash reserves and will be responsible for payments on existing debt service. It is therefore necessary to add cash reserves (approximately \$2.2 million) and subtract any outstanding debt principal (approximately \$700,000) to determine the net assets value of the water system. Once the net

asset value has been determined, the connection fee unit cost can be determined by dividing the net asset value by the total equivalent meter units (EMU), which were calculated using AWWA equivalency ratios, that currently existing within the system. The appropriate connection fees for each customer class and meter size is determined by allocating the unit cost based on the proposed AWWA ratios described previously. **Table 6** shows the current and proposed connection fees for the District's water enterprise.

**Table 6: Current and Proposed Water Connection Fees**

Meter Size	Current Fees	Proposed in 2012 dollars Capacity Approach
5/8"	\$4,163	\$7,897
3/4"	\$4,163	\$7,897
1"	\$6,952	\$13,162
1 1/2"	\$13,863	\$26,323
2"	\$22,189	\$42,117
3"	\$41,630	\$92,131
4"	\$69,397	\$165,837
6"	\$138,753	\$368,526

### Miscellaneous Fees

**Table 7** shows the current and proposed miscellaneous fee for the District’s water enterprise. RFC reviewed the District’s analysis of the miscellaneous fees. The proposed rates account for the amount of labor, the appropriate hourly rates, and general and administrative overhead. These rates more closely reflect the costs for providing service to customers.

**Table 7: Current and Proposed Miscellaneous Fees**

	Fee Types	Current	Proposed
	Late Fee	10% not to exceed \$18	7% of Monthly Bill
	Door Tag Fee-Past Due, NSF	N/A	\$22.00
	Turn Off Fee	\$25.00	\$41.00
	Trim out fee	N/A	\$171.00
	Return Check Fee (includes District's bank charge of \$7)	\$12.00	\$21.00
	Water Availability Statement Fee	\$95.00	\$130.00
	Meter Certification Fee	\$65.00	\$126.00
	Customer Address Label Fee	\$12.17	\$140.00
	Customer Address Label Fee - DVD	N/A	\$116.00
	Copy Fee - Black and White	\$0.24	\$0.24
	Copy Fee - Color	\$0.24	\$0.24

# Section 4

## Appendix

### A. Key Inputs/Assumptions Used in the Study

Growth Assumption	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Growth</b>											
Accounts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Demand Factor</b>	105.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Assumptions	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Inflations</b>											
General	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Benefits	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Energy/Utility	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capital	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Water Supply Inflation Assumptions</b>											
Water Replenishment District - Ground Water	12.1%	10.2%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imported Water	3.0%	7.5%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

CIP Assumptions	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Capital		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Accumulated Inflation	100%	104%	108%	112%	117%	122%	127%	132%	137%	142%	148%

**B. Accounts/Water Usage**

*Number of Accounts by Meter Size*

Number of Meters by Size	FY 2012 Projected	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
5/8"	9	9	9	9	9	9	9	9	9	9	9
3/4"	187	187	187	187	187	187	187	187	187	187	187
1"	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
1.5"	205	205	205	205	205	205	205	205	205	205	205
2"	68	68	68	68	68	68	68	68	68	68	68
3"	6	6	6	6	6	6	6	6	6	6	6
4"	3	3	3	3	3	3	3	3	3	3	3
6"	2	2	2	2	2	2	2	2	2	2	2
<b>Total Non-Fire Meter</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>

*Water Usage by Zone*

Usage Data (hcf)	FY 2012 Projected	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Zone 1 - Upper	397,556	397,556	397,556	397,556	397,556	397,556	397,556	397,556	397,556	397,556	397,556
Zone 2 - Lower	703,994	703,994	703,994	703,994	703,994	703,994	703,994	703,994	703,994	703,994	703,994
<b>Total Consumption:</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>	<b>1,101,550</b>

**C. O&M Expenses for the District's Water Enterprise**

O&M Expenses	FY 2012 Budgeted	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
<b>Source of Supply Expenses</b>											
51300 Purchased Water	\$ 47,360	\$ 87,484	\$ 91,858	\$ 94,613	\$ 97,452	\$ 100,375	\$ 103,387	\$ 106,488	\$ 109,683	\$ 112,973	\$ 116,363
51400 Ground Water Replenishment	\$ 755,929	\$ 696,410	\$ 766,051	\$ 842,656	\$ 926,922	\$ 1,019,614	\$ 1,070,595	\$ 1,124,124	\$ 1,180,331	\$ 1,239,347	\$ 1,301,314
52300 Power	\$ 534,105										
62100 Joint Facilities-Wells-Power	\$ 149,475										
(-) Less Orchard Dale portion of Pow	\$ (58,640)										
Total Power (Joint + Power)	\$ 624,940	\$ 543,789	\$ 557,384	\$ 571,318	\$ 585,601	\$ 600,241	\$ 615,247	\$ 630,629	\$ 646,394	\$ 662,554	\$ 679,118
Rowland Agreement Power Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Source of Supply</b>	<b>\$ 1,428,229</b>	<b>\$ 1,327,683</b>	<b>\$ 1,415,292</b>	<b>\$ 1,508,588</b>	<b>\$ 1,609,975</b>	<b>\$ 1,720,231</b>	<b>\$ 1,789,229</b>	<b>\$ 1,861,241</b>	<b>\$ 1,936,408</b>	<b>\$ 2,014,875</b>	<b>\$ 2,096,795</b>
<b>Other Operating Expenses</b>											
50000 Labor-Vacation, Sick & Holiday	\$ 57,189	\$ 60,048	\$ 63,051	\$ 66,203	\$ 69,514	\$ 72,989	\$ 76,639	\$ 80,471	\$ 84,494	\$ 88,719	\$ 93,155
56100 Wages-Management	\$ 356,673	\$ 374,507	\$ 393,232	\$ 412,894	\$ 433,538	\$ 455,215	\$ 477,976	\$ 501,875	\$ 526,968	\$ 553,317	\$ 580,983
56310 Insurance-Group Health & Life	\$ 166,128	\$ 174,434	\$ 183,156	\$ 192,314	\$ 201,930	\$ 212,026	\$ 222,627	\$ 233,759	\$ 245,447	\$ 257,719	\$ 270,605
56410 Dental	\$ 5,005	\$ 5,255	\$ 5,518	\$ 5,794	\$ 6,084	\$ 6,388	\$ 6,707	\$ 7,043	\$ 7,395	\$ 7,764	\$ 8,153
56420 Retirement	\$ 144,673	\$ 151,907	\$ 159,502	\$ 167,477	\$ 175,851	\$ 184,643	\$ 193,876	\$ 203,569	\$ 213,748	\$ 224,435	\$ 235,657
56400 Employee Workers Compensation	\$ 26,699	\$ 28,034	\$ 29,436	\$ 30,907	\$ 32,453	\$ 34,075	\$ 35,779	\$ 37,568	\$ 39,447	\$ 41,419	\$ 43,490
52100 Labor-Pumping	\$ 68,461	\$ 71,884	\$ 75,478	\$ 79,252	\$ 83,215	\$ 87,376	\$ 91,744	\$ 96,332	\$ 101,148	\$ 106,205	\$ 111,516
52200 Maintenance-Pumping	\$ 28,241	\$ 28,947	\$ 29,671	\$ 30,412	\$ 31,173	\$ 31,952	\$ 32,751	\$ 33,570	\$ 34,409	\$ 35,269	\$ 36,151
53200 Maintenance & Labor-Treatment	\$ 39,073	\$ 41,027	\$ 43,078	\$ 45,232	\$ 47,493	\$ 49,868	\$ 52,362	\$ 54,980	\$ 57,729	\$ 60,615	\$ 63,646
54100 Labor-Trans & Distribution	\$ 185,866	\$ 195,159	\$ 204,917	\$ 215,163	\$ 225,921	\$ 237,217	\$ 249,078	\$ 261,532	\$ 274,609	\$ 288,339	\$ 302,756
54200 Maint-Trans & Distribution	\$ 84,735	\$ 86,853	\$ 89,025	\$ 91,250	\$ 93,532	\$ 95,870	\$ 98,267	\$ 100,723	\$ 103,241	\$ 105,822	\$ 108,468
62000 Joint Facilities-Wells	\$ 97,075	\$ 99,502	\$ 101,989	\$ 104,539	\$ 107,153	\$ 109,831	\$ 112,577	\$ 115,392	\$ 118,276	\$ 121,233	\$ 124,264
72000 Joint Facilities-LaMirada Conduit	\$ 3,843	\$ 3,939	\$ 4,038	\$ 4,138	\$ 4,242	\$ 4,348	\$ 4,457	\$ 4,568	\$ 4,682	\$ 4,799	\$ 4,919
82000 Joint Facilities-Reservoir	\$ 5,650	\$ 5,791	\$ 5,936	\$ 6,084	\$ 6,237	\$ 6,392	\$ 6,552	\$ 6,716	\$ 6,884	\$ 7,056	\$ 7,232
82200 Less: Orchard Dale portion	\$ (62,240)	\$ (63,796)	\$ (65,391)	\$ (67,026)	\$ (68,701)	\$ (70,419)	\$ (72,179)	\$ (73,984)	\$ (75,833)	\$ (77,729)	\$ (79,672)
55100 Labor-Customer Service	\$ 58,109	\$ 61,014	\$ 64,065	\$ 67,268	\$ 70,632	\$ 74,163	\$ 77,872	\$ 81,765	\$ 85,853	\$ 90,146	\$ 94,653
55110 Labor-Customer Acct	\$ 4,859	\$ 5,102	\$ 5,357	\$ 5,625	\$ 5,906	\$ 6,201	\$ 6,512	\$ 6,837	\$ 7,179	\$ 7,538	\$ 7,915
55200 Uncollectible Accounts	\$ 1,753	\$ 1,797	\$ 1,842	\$ 1,888	\$ 1,935	\$ 1,983	\$ 2,033	\$ 2,084	\$ 2,136	\$ 2,189	\$ 2,244
56200 Office Supplies	\$ 26,443	\$ 27,104	\$ 27,782	\$ 28,476	\$ 29,188	\$ 29,918	\$ 30,666	\$ 31,432	\$ 32,218	\$ 33,024	\$ 33,849
56201 Auto Service	\$ 38,617	\$ 39,582	\$ 40,572	\$ 41,586	\$ 42,626	\$ 43,692	\$ 44,784	\$ 45,903	\$ 47,051	\$ 48,227	\$ 49,433
56202 Bank Service Charge	\$ 12,859	\$ 13,180	\$ 13,510	\$ 13,848	\$ 14,194	\$ 14,549	\$ 14,912	\$ 15,285	\$ 15,667	\$ 16,059	\$ 16,461
56203 Dues & Subscription	\$ 22,150	\$ 22,704	\$ 23,271	\$ 23,853	\$ 24,449	\$ 25,061	\$ 25,687	\$ 26,329	\$ 26,988	\$ 27,662	\$ 28,354
56204 Building Service	\$ 10,888	\$ 11,160	\$ 11,439	\$ 11,725	\$ 12,018	\$ 12,319	\$ 12,627	\$ 12,942	\$ 13,266	\$ 13,598	\$ 13,938
56205 Office Equipment	\$ 4,456	\$ 4,567	\$ 4,682	\$ 4,799	\$ 4,919	\$ 5,042	\$ 5,168	\$ 5,297	\$ 5,429	\$ 5,565	\$ 5,704
56206 Professional	\$ 42,984	\$ 45,133	\$ 47,390	\$ 49,759	\$ 52,247	\$ 54,860	\$ 57,603	\$ 60,483	\$ 63,507	\$ 66,682	\$ 70,016
56207 Education & Meetings	\$ 18,526	\$ 18,989	\$ 19,464	\$ 19,950	\$ 20,449	\$ 20,960	\$ 21,484	\$ 22,022	\$ 22,572	\$ 23,136	\$ 23,715
56208 Legal	\$ 11,219	\$ 11,499	\$ 11,787	\$ 12,082	\$ 12,384	\$ 12,693	\$ 13,011	\$ 13,336	\$ 13,669	\$ 14,011	\$ 14,361
56209 Utilities	\$ 46,503	\$ 47,666	\$ 48,857	\$ 50,079	\$ 51,331	\$ 52,614	\$ 53,929	\$ 55,277	\$ 56,659	\$ 58,076	\$ 59,528
56220 Engineering	\$ 12,688	\$ 13,005	\$ 13,330	\$ 13,664	\$ 14,005	\$ 14,355	\$ 14,714	\$ 15,082	\$ 15,459	\$ 15,846	\$ 16,242
56300 Insurance-Auto, Liability, Property &	\$ 66,731	\$ 68,399	\$ 70,109	\$ 71,862	\$ 73,659	\$ 75,500	\$ 77,388	\$ 79,322	\$ 81,305	\$ 83,338	\$ 85,421
57210 Payroll Taxes	\$ 60,216	\$ 61,721	\$ 63,264	\$ 64,846	\$ 66,467	\$ 68,129	\$ 69,832	\$ 71,578	\$ 73,367	\$ 75,202	\$ 77,082
56700 Maint-General Plant	\$ 47,516	\$ 48,704	\$ 49,921	\$ 51,170	\$ 52,449	\$ 53,760	\$ 55,104	\$ 56,482	\$ 57,894	\$ 59,341	\$ 60,824
57200 Property Taxes	\$ 3,609	\$ 3,699	\$ 3,792	\$ 3,886	\$ 3,984	\$ 4,083	\$ 4,185	\$ 4,290	\$ 4,397	\$ 4,507	\$ 4,620
<b>TOTAL A&amp;G EXPENSES</b>	<b>\$ 1,697,197</b>	<b>\$ 1,768,520</b>	<b>\$ 1,843,071</b>	<b>\$ 1,921,002</b>	<b>\$ 2,002,474</b>	<b>\$ 2,087,656</b>	<b>\$ 2,176,722</b>	<b>\$ 2,269,860</b>	<b>\$ 2,367,262</b>	<b>\$ 2,469,131</b>	<b>\$ 2,575,682</b>
<b>TOTAL O&amp;M EXPENSES</b>	<b>\$ 3,125,426</b>	<b>\$ 3,096,202</b>	<b>\$ 3,258,363</b>	<b>\$ 3,429,590</b>	<b>\$ 3,612,449</b>	<b>\$ 3,807,886</b>	<b>\$ 3,965,951</b>	<b>\$ 4,131,101</b>	<b>\$ 4,303,669</b>	<b>\$ 4,484,006</b>	<b>\$ 4,672,477</b>

**D. Inflated CIP for the District’s Water Enterprise**

	FY 2011 Estimated	FY 2012 Estimated	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Upgrade or Retrofit Well Pump No. 8	\$	35,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upgrade Computer Systems	\$	-	\$ 156,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace Well No. 9	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,243,556	\$ -	\$ -	\$ -
Replace Well No. 8	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,293,298	\$ -	\$ -
Replace 700 Ft. of 6-inch pipe in Ganter Rd.	\$	-	\$ -	\$ 94,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Re-coat Lyons Reservoir	\$	-	\$ 280,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install Additional 700-gpm Pump at Plant 5	\$	-	\$ -	\$ -	\$ 114,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install PRV in Casolero Dr.	\$	-	\$ -	\$ -	\$ 76,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Upgrade or Retrofit Booster Pump B1-1	\$	-	\$ 70,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Study to Evaluate Existing Water Sources	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,080	\$ -
Study to Evaluate Eliminating Cross-country pipelines	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,080	\$ -
Upgrade or Retrofit Well Pump No. 10	\$	35,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install 1330 feet of parallel 6-in. pipe in Avocado Crest Rd.	\$	-	\$ -	\$ -	\$ -	\$ 189,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 820 ft of new 8-inch pipe in Leucadia Rd.	\$	-	\$ -	\$ -	\$ -	\$ 156,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install PRV in Dorothea Rd.	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 82,732	\$ -	\$ -	\$ -	\$ -	\$ -
Install PRV in East Rd.	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 82,732	\$ -	\$ -	\$ -	\$ -	\$ -
Install PRV in Hacienda Blvd. south of Avocado Crest Rd.	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,636	\$ -	\$ -	\$ -	\$ -
Install PRV in Solejar Dr. at Conchita Dr.	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,042	\$ -	\$ -	\$ -	\$ -
Relocate District Shop	\$	-	\$ -	\$ 408,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace 1500 feet of 6-inch pipe in W. Skyline Drive	\$	-	\$ -	\$ -	\$ 205,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Install 2600 ft of 6-inch pipe in Fullerton Road	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451,190	\$ -
Install 1000 ft of 6-inch pipe between Skyline Drive and Oak Ranch Rd.	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 148,432	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total inflated CIP:</b>	<b>\$</b>	<b>70,154</b>	<b>\$ 507,520</b>	<b>\$ 502,944</b>	<b>\$ 397,077</b>	<b>\$ 346,278</b>	<b>\$ 313,896</b>	<b>\$ 365,677</b>	<b>\$ 1,243,556</b>	<b>\$ 1,293,298</b>	<b>\$ 485,349</b>	<b>\$ -</b>