

**BUDGET ADVISORY COMMITTEE  
RIVERBANK CITY HALL NORTH  
COUNCIL CHAMBER  
6707 THIRD STREET  
RIVERBANK CA 95367-2305**

**AGENDA**

**WEDNESDAY, AUGUST 12, 2015 6:00 PM**

**CALL TO ORDER: CHAIR ARLENE FIGUEROA**

**ROLL CALL: Chair Arlene Figueroa  
Vice Chair Anthony McKinney  
Committee Member Cindy Fosi  
Committee Member Evelyn Halbert  
Council Member Leanne Jones Cruz**

**There is currently one (1) Committee Vacancy**

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**CONFLICT OF INTEREST**

**Declaration by Committee Members who would have a direct Conflict of Interest on any scheduled item to be considered should be stated at this time.**

**1. PUBLIC BUSINESS FROM THE FLOOR (No action can be taken.)**

At this time, members of the public may comment on any item not appearing on the agenda, and within the subject matter jurisdiction of the Committee.

**2. ACTION & DISCUSSION ITEMS** (These items will be individually discussed prior to Committee action)

**Item 2.1:** Approval of the July 29, 2015 Meeting Minutes

**Recommendation:** Motion to move approval of minutes by Roll Call vote.

**Item 2.2:** 2015 City Council Recommendations

**Recommendation:** Review and Finalize Recommendations to the City Council.

**Item 2.3:** Water and Sewer Rate Proposals

**Recommendation:** Discussion regarding the proposed Water and Sewer Rate Increase Proposals.

**3. INFORMATIONAL ITEMS** (Informational Only – No action to be taken)

**No Informational Items.**

**4. COMMENTS** (Informational Only – No action to be taken)

**Item 4.1:** Staff Comments.

**Item 4.2:** Council Liaison Comments.

**Item 4.3:** Committee Member Comments.

**5. ADJOURNMENT**



<b>AFFIDAVIT OF POSTING</b>			
<b>DATE:</b>	August 7, 2015	<b>TIME:</b>	12:00 PM
<b>NAME:</b>	Marisela H. Garcia	<b>TITLE:</b>	Director of Finance

**Notice Regarding Americans with Disabilities Act:**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (209) 863-7122. Notification 48-hours before the meeting will enable the Committee to make reasonable arrangements to ensure accessibility to this meeting [28 CFR 35.102.35.104 ADA Title II].

**Notice Regarding Non-English Speakers:**

Pursuant to California Constitution Article III, Section IV, establishing English as the official language for the State of California, and in accordance with California Code of Civil Procedures Section 185, which requires proceedings before any State Court to be in English, notice is hereby given that all proceedings before the Budget Advisory Committee shall be in English and anyone wishing to address the Committee is required to have a translator present who will take an oath to make an accurate translation from any language not English into the English language.

Any documents, not privileged or of a closed session, produced by Budget Advisory Committee staff and distributed to a majority of the Budget Advisory Committee regarding any item on this agenda will be made available at South City Hall, 6617 Third Street, Riverbank, CA.

**BUDGET ADVISORY COMMITTEE  
RIVERBANK CITY HALL NORTH  
COUNCIL CHAMBER  
6707 THIRD STREET  
RIVERBANK CA 95367-2305**

**AGENDA**

**WEDNESDAY, JULY 29, 2015 6:00 PM**

**CALL TO ORDER:** *Chair Figueroa called the meeting to order at 6:00 pm*

**ROLL CALL:** *Present: Chair Arlene Figueroa, Vice Chair Anthony McKinney, Committee Members Cindy Fosi, and Council Member Leanne Jones Cruz.*

*Absent: Committee Member Evelyn Halbert*

*There is currently one (1) Committee Vacancy*

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**CONFLICT OF INTEREST**

*No conflict of Interest was declared.*

**1. PUBLIC BUSINESS FROM THE FLOOR**

*No public business from the floor was received.*

**2. ACTION & DISCUSSION ITEMS**

**Item 2.1:** Approval of the March 18, 2015 Meeting Minutes

*Motion to approve March 18, 2015 meeting minutes as is by Committee Member Fosi, 2<sup>nd</sup> by Chair Figueroa.*

*Ayes: 3      Noes: 0      Abstentions: 0      Motion Passed 3-0*

**Item 2.2:** Approval of the April 15, 2015 Meeting Minutes

*Motion to approve April 15, 2015 meeting minutes as is by Vice Chair McKinney, 2<sup>nd</sup> by Committee Member Fosi.*

*Ayes: 3      Noes: 0      Abstentions: 0      Motion Passed 3-0*

**Item 2.3:** Approval of the May 20, 2015 Meeting Minutes

*Motion to approve May 20, 2015 meeting minutes as is by Committee Member Fosi, 2<sup>nd</sup> by Vice Chair McKinney.*

*Ayes: 3      Noes: 0      Abstentions: 0      Motion Passed 3-0*

## **Item 2.4:** Review of Fiscal Year 2015-16 General Fund Reserve Status

*Marisela Garcia, Director of Finance, provided an overview of the status of the General Fund as adopted in the FY 2015-16 budget. She also reviewed the All Fund Summary which reflected budgets for Special Revenue Funds, Housing Fund, System Development Fee Funds, Sewer Enterprise and Water Enterprise Funds.*

*A discussion ensued regarding the activities and funding for the Teen Center. From this discussion several recommendations were commented:*

- *Explore grant opportunities to offer a larger variety of teen programs in the Teen Center (such as job searching, college application assistance).*
- *Revisit a membership fee for the Teen Center (for example, \$25 per year) that will help to generate funds to offer more programs. Possibly review a fee based on income. Also review a variety of payment methods to alleviate having to pay it all upfront. Explore opportunity for non-profit organizations to sponsor teens to be able to attend.*
- *Look at possible sponsorships. Advertise sponsorships on the website or some other form.*
- *Evaluate the possibility of renting the Teen Center for small parties or meetings.*

*Mrs. Garcia stated that she would include this discussion as part of the draft recommendations to the City Council.*

## **Item 2.5:** 2015 Budget Advisory Committee Recommendations

*The Committee discussed recommendations that would be drafted and finalized at their next meeting. The recommendations discussed at the time included the following:*

- *An annual review of all Recreation Fees should be done to reflect seasonal adjustments.*
- *A recommendation for the City Council to issue a Request for Proposal for landscaping services in the fall and should be programmed every five years.*
- *Chair Figueroa requested that capital items and large expenditures be brought forward to the Budget Advisory Committee prior to Council approval.*
- *Reviewing (if existing) or developing (if none exists) the City's Vehicle Use Policy to ensure that the city is not exposing itself to any liability and decrease expenses.*

*Marisela Garcia, Director of Finance, stated to the Committee that capital items and expenditure requests will be discussed with the Committee as a standard practice during the Committee meetings. Quarterly updates will be scheduled for review by the Committee.*

## **3. INFORMATIONAL ITEMS** (Informational Only – No action to be taken)

**Item 3.1:** *Discussion regarding setting a date for next Budget Advisory Meeting to discuss the Water & Sewer Rate Proposals. The Committee proposed meeting on Wednesday, August 12, 2015.*

## **4. COMMENTS** (Informational Only – No action to be taken)

**Item 4.1:** Staff Comments. *No Comments.*

**Item 4.2:** Council Liaison Comments.

*Council Member Jones-Cruz requested that a Committee Members be available at the Council meeting to provide a brief report on the activities of the Committee. She also reminded the Committee that although the City is looking at a lower reserve, we should celebrate that we are paying off debt and the more we can take care of those items the better off the City will be in the long run.*

**Item 4.3:** Committee Member Comments.

*Chair Figueroa stated that although we are in a deficit the budget is sound and as long as we are not heading towards bankruptcy, that is a good thing and hopefully the things coming in the future will move the City forward.*

**5. ADJOURNMENT:** *Chair Figueroa adjourned the meeting at 7:19 pm.*

DRAFT

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**BUDGET ADVISORY COMMITTEE**

**MEMORANDUM**

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**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**FROM:** BUDGET ADVISORY COMMITTEE  
**SUBJECT:** COMMITTEE RECOMENDATIONS  
**DATE:** AUGUST 12, 2015  
**CC:**

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Honorable Mayor and Members of the City Council,

The Budget Advisory Committee has been meeting on a monthly (and sometimes bi-monthly) basis with the goal of formulating recommendations for Council that should be taken into consideration and that may provide the City with solutions to closing current and future budget deficits.

Having reviewed all of the department budgets over the past several months the Committee has now formulated recommendations that will allow the City to work towards presenting a balanced budget, currently and in the future. The recommendations that are being presented to you hope to create a long-term impact on the City's budget, thereby allowing the City to balance its budget and not depend on reserves to cover on-going expenses. In addition, several of these recommendations are made with the intention that the City be fiscally prudent when procuring services or purchasing equipment from vendors.

**Recommendations**

1. The City of Riverbank should consider performing an annual review of all Recreation Program Fees to reflect seasonal adjustments.

**Rationale:** By reviewing rates on a seasonal basis, the City can ensure that the fees are adequately recouping city costs, including cost increases in utilities and other fixed costs.

## AGENDA ITEM 2.2

2. The City of Riverbank should consider issuing a Request for Proposals (RFP) for Landscape Services for both Parks and Landscape and Lighting Districts in the fall. The City should consider issuing an RFP for this service every five years.

**Rationale:** A request for proposal would ensure that the City is obtaining the best service at a low cost.

3. The City of Riverbank should consider the following proposals related to the Riverbank Teen Center:

- a. Research grant opportunities that would allow the City to offer a larger variety of teen programs in the Teen Center, such as job searching and college application assistance.
- b. Revisit the possibility of assessing a \$25 “membership” fee for the Teen Center that would help to generate revenues to offer programs for our local teens. As part of this review, the City could consider developing different payment options to allow teens to pay their annual fee on a monthly or quarterly basis. The City could also explore the opportunity for non-profit organizations to sponsor the membership teams who may be going through a financial hardship.
- c. Explore the possibility of corporate or business sponsors for the Teen Center. The City could advertise these sponsors through their website or other social media in exchange for their sponsorship.
- d. Evaluate the possibility of renting the Teen Center for small parties or business meetings.

**Rationale:** These recommendations are made with the intent to generate revenue that would help to offset the costs associated with operating the Teen Center. It could provide funding for beneficial programs for our teens.

AGENDA ITEM 2.2

4. The City should review and/or develop a City Vehicle Use Policy to ensure that the City is not exposing itself to any worker's compensation risks or liability by the use of City vehicles to and from the work site. The Vehicle Use Policy should also address the use of the City Vehicle for personal use.

**Rationale:** Reviewing an existing policy or developing a Vehicle Use policy would help the City to avoid unnecessary fueling cost associated with the personal use of City vehicles, and would help to limit the City's exposure to worker's compensation claims and liability issues.

With these recommendations, the Committee hopes to be able to provide the City Council with ideas that will help provide a more balanced budget and will help with the long-term financial stability of the City.

Sincerely,

**The Budget Advisory Committee**

Chair Arlene Figueroa

Vice Chair Anthony McKinney

Committee Member Evelyn Halbert

Committee Member Cindy Fosi

Council Member Leanne Jones-Cruz

**RIVERBANK BUDGET ADVISORY COMMITTEE  
AGENDA ITEM NO. 2.3**

<b>Meeting Date:</b>	August 12, 2015
<b>Subject/ Title:</b>	Water and Sewer Rate Studies

**SUMMARY:**

In June 2014, the Budget Advisory Committee made the following recommendation to the City Council:

The City of Riverbank should program the issuance of a Request for Proposals for rate studies in the Water and Sewer Enterprise Funds every five years.

Rationale: By reviewing rates every five years, the City can ensure itself that the revenues collected are sufficient to meet the rising costs of maintenance and new state regulations. The cost to prepare the rate studies should be collected over the five year period during which the rates are in effect in order to provide a continual funding source for this project.

These rate studies were prepared and presented to the City Council for their consideration in June 2015. The City Council then authorized staff to proceed with the setting of a public hearing date on August 25, 2015 to consider these rate proposals after notification was made to all property owners in Riverbank.

**BACKGROUND:**

As enterprise funds, both Water and Sewer are funded almost 100% by user fees charged to residential, commercial, and industrial customers located within the City of Riverbank. Over the past several years, the Water and Sewer Enterprise Funds have been suffering from structural deficits where revenues collected are not sufficient to cover necessary day-to-day maintenance and capital upgrades. A historical view of the surplus/deficits for both funds is as follows:

<u>Fiscal Year</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
2010-11	+\$785	+\$2,913
2011-12	+\$126,684	-\$28,182
2012-13	-\$78,375	-\$341,042
2013-14	-\$165,663	-\$41,664
2014-15 (Est)	-\$220,650	+\$27,350

The Water Fund last received a rate increase in July 2010 as a result of an annual Consumer Price Index increase that had been approved by City Council. Since that time, no increase has been made to water rates. An official rate study for the Water Fund has not been performed in well over 15 years.

The Sewer Fund last received an increase in July 2008 also as a result of an annual Consumer Price Index increase. Two subsequent attempts to raise rates in 2010 and 2011 were not successful.

The continuance of a structural deficit in either fund will significantly deplete the operating reserves and will leave little to no funds available for emergency repairs and for on-going maintenance that is required for our sewer and water systems.

**SEWER & WATER RATE STUDY FINDINGS**

Thorough rate studies that would take into consideration not only current maintenance needs but also future capital needs have been prepared in order for the City to have the necessary documentation to perform a Proposition 218 protest vote for rate increases. The assistance of Bartle Wells Associates was essential in developing user rates that would be fair and equitable and that would provide sufficient funding for necessary improvements.

***Sewer Rate Study***

In preparing the proposed Sewer rate options, Bartle Wells Associates has proposed that in addition to our Residential Class, the City divide its volume-based users (i.e. commercial, retail, and schools) into four categories based on strength factors. The four recommended categories (and the users to be included within them) are as follows:

Class	Commercial Grouping
Low	Schools w/o Cafeterias Offices
Domestic	Commercial Hospitals Extended Care Facilities Markets (w/o Delicatessens) Automobile Service Facilities Commercial Laundromats
Medium	Schools w/ Cafeterias Restaurants Short Order Facilities Markets (w/ Delicatessens)
High	Restaurants (w/ Full Kitchens)

The rate study also takes into consideration the City's five-year capital improvement program that is to be funded through the proposed rates in the study. The projects

Agenda Item 2.3

included provide the benefit of being able to upgrade aging infrastructure and include the following:

Sanitary Sewer Utility	Project #	0	1	2	3	4	5	Total Projected Capital Cost FY 2011-2020
		FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	
<b>Project Name</b>								
<b>High Priority Projects</b>								
Utility Service Separation	SS-013	36,000						36,000
Cross Connection Reduction	SS-012		200,000	200,000	200,000	200,000		800,000
Biolac System	WWTP-020	3,549,843						3,549,843
Equipment Protection -Overhead Structure	WWTP-023		10,000					10,000
Road Improvements Entering WWTP	WWTP-024		100,000					100,000
Resurface Entry Road to WWTP [1]			110,000					110,000
Finish Pond 9 at WWTP [1]				98,000				98,000
<b>Total High Priority Projected Capital Cost</b>		<b>3,585,843</b>	<b>420,000</b>	<b>298,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>	<b>4,703,843</b>
<b>Additional CIP</b>								
6" SS, Stanislaus - Sierra Alley from 1st to 3rd			75,000					75,000
6" SS, Sierra - Patterson Alley from 1st to 8th			275,000					275,000
6" SS, Topeka - 108 Alley 4th to 5th			50,000					50,000
6" SS, Topeka - Santa Fe Alley 7th to 8th			50,000					50,000
6" SS, Santa Fe - Stanislaus Alley 7th to 8th			50,000					50,000
6" SS, Terminal from Kentucky to Castle Park Drive				85,000				85,000
6" SS, Texas - Kansas Alley from 8th to Chief Tucker				80,000				80,000
8" SS, Galaxy to Jackson Ave.					50,000			50,000
6" & 8" SS, 7 State Streets from Terminal to 8th						1,000,000		1,000,000
8" SS, Oakdale Road from Patterson to Cedarwood						150,000		150,000
6" SS in Cedarwood from Oakdale Road to Wood Haven						125,000		125,000
6" SS, Orange Ave from Bruneyville to 2nd St.							1,000,000	1,000,000
Crawford Lift Station project upgrades and force main							250,000	250,000
CCTV all sanitary sewer lines city wide							250,000	250,000
Upgrade all electrical panes on SS lift stations							1,000,000	1,000,000
Survey all lift stations							50,000	50,000
<b>Total Additional CIP</b>		<b>-</b>	<b>500,000</b>	<b>165,000</b>	<b>50,000</b>	<b>1,275,000</b>	<b>2,550,000</b>	<b>4,540,000</b>
<b>Total Capital Projects</b>		<b>3,585,843</b>	<b>920,000</b>	<b>463,000</b>	<b>250,000</b>	<b>1,475,000</b>	<b>2,550,000</b>	<b>9,243,843</b>

Source: City of Riverbank 2014-2019 Capital Improvement Plan  
 [1] E-mail from Staff, 10.6.2014

**Eliminated CIP**

6" & 8" SS, Riverside from 108 to 7th				250,000				250,000
6" SS, Morrill Ave from Jackson to Roselle						250,000		250,000
6" SS, Jackson Ave Ross to Morrill						250,000		250,000
6" SS, Stanislaus - Sierra Alley from 4th to 8th				250,000				250,000

The table below shows the updated rate changes to the Sewer enterprise. This projection reflects the City Council accepted scenario of Full CIP. The sewer rates have been modified to increase gradually over the 5-year projection. The 5-year projection still meets the debt service coverage from FY17 to FY20. The minimum reserve requirement will be exceeded from FY19 to FY20.

	Budget 2014/15	Annual % Increase	Five Year Projection (Prop 218)				
			2015/16	2016/17	2017/18	2018/19	2019/20
Monthly Residential Charge	20.15		25.79	33.01	40.28	47.12	49.48
% Change			28%	28%	22%	17%	5%

### ***Water Rate Study***

The City of Riverbank currently charges customers a bimonthly flat fee for the first 1,000 cubic feet of water used. After 1,000 cubic feet of water usage, customers are charged on a variable basis. Customers are charged \$0.34 per 100 cubic feet for the next 4,000 cubic feet, \$0.33 for the next 34,000 cubic feet, and \$0.30 for the next 40,000 cubic feet. As you can see, the variable rate decreases over the tiers and as water usage increases, which is not a conservation-oriented billing structure. In light of the ongoing California Drought and recent water rate litigation, BWA recommends updating this structure to a uniform volumetric rate moving forward.

Service revenue accounts for nearly 97% of all operating revenues. The other 3% is derived from backflow inspections, fines/forfeitures/penalties, interest income, and misc. A 1% increase year over year is assumed for fines/forfeitures/penalties as revenues increase. Additionally, a 0.5% increase in revenue for meter charges and volumetric charges is assumed due to growth. Revenue is projected to total \$1.67MM for FY2014/15. Fixed charges account for 70% of revenue while variable charges account for 30% of revenue.

The City of Riverbank has two water projects that are to be financed through loans and/or bonds. The water meter system has priority over all other project and totals \$4,700,000. This project will be financed in FY2015/16 through a 15 year loan. Other projects, known as 'high priority CIP' total \$1,786,000 and will be financed through loans and/or bonds. CIP projects in the 'full' range total \$12,438,000. See table 3 for a layout of the CIP projects.

## Agenda Item 2.3

Water Utility	Project #	0	1	2	3	4	5	Total Projected Capital Cost FY2015-2020
		FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	
<b>Project Name</b>								
<b>High-Priority CIP</b>								
<b>Water Projects (Fund 116)</b>								
Central Avenue Water Line Installation	WTR-087	113,000						113,000
Line Replacement Third St. Alley Sierra/Patterson	WTR-075		89,000					89,000
Main Replacement Alley between 3rd and 8th	WTR-063		389,000					389,000
Water Conservation -Implementation of DMMs	WTR-078		25,000	25,000	25,000			75,000
Line Replacement Prospector's to Claribel/Roselle	WTR-074		105,000					105,000
Water Main - Oakdale Road	WTR-022		150,000					150,000
Novi Drive Well Site - Enclosure	WTR-077			300,000				300,000
Talbot/Kentucky Connection (1,330 LF of 12-in pipe)	WTR-079				515,000			515,000
Water Meters [1]		50,000						50,000
<b>Fund 116 Capital Cost</b>		<b>163,000</b>	<b>758,000</b>	<b>325,000</b>	<b>540,000</b>	<b>-</b>	<b>-</b>	<b>1,786,000</b>
<b>Water Connection Projects (Fund 157)</b>								
Water Meter Reading System [2]			4,700,000					4,700,000
<b>Fund 157 Capital Cost</b>		<b>-</b>	<b>4,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,700,000</b>
<b>Total High Priority CIP</b>		<b>163,000</b>	<b>5,458,000</b>	<b>325,000</b>	<b>540,000</b>	<b>-</b>	<b>-</b>	<b>6,486,000</b>
<b>Additional Water CIP</b>								
Mechanic shop with parts & equipment			500,000					500,000
Novi well enclosure for equipment and sound control			75,000					75,000
Water line replaced on Sierra from Patterson to SR 108			75,000					75,000
Water line installation 2800 Block to Santa Fe			50,000					50,000
Water line on 8th Topeka to SR 108			60,000					60,000
Water line on Claus from SR 108 to Santa Fe			75,000					75,000
12 in water line on Santa Fe from 8th to 4th Streets				325,000				325,000
12 in water line in Sierra Alley from 3rd to 8th Street				350,000				350,000
Water line in alley on Riverside from Corp yard to 4th St				325,000				325,000
Water line in Topeka Alley from 1st to Cannery Site				150,000				150,000
Water line on 7th to dead end.					75,000			75,000
Water line in alley on Orange from 2nd to Burneyville					100,000			100,000
Replace all transit water lines					1,250,000			1,250,000
Waterline on 7th from Nevada to Arizona					40,000			40,000
Loop all dead end waterline in Crossroads					500,000			500,000
Install pump to waste on 8th, River Heights & Jackson Wells					150,000			150,000
Install covers on 2nd St. storage tank motors						25,000		25,000
Install SCADA system antenna for 2nd St. storage tank						50,000		50,000
Paint 2nd St. Storage tank						50,000		50,000
Install covers on Crossroads storage tank motors						25,000		25,000
New block wall fences at Crossroads, Jackson & Pioneer wells						200,000		200,000
Install flushing valve on Lane Avenue							2,000	2,000
New chlorine pumps & analyzers at well sites							1,000,000	1,000,000
Install flushing valves or hydrants at all dead end systems							500,000	500,000
<b>Total Additional Water CIP</b>		<b>-</b>	<b>835,000</b>	<b>1,150,000</b>	<b>2,115,000</b>	<b>350,000</b>	<b>1,502,000</b>	<b>5,952,000</b>
<b>Total of all Capital Projects (Full CIP)</b>								<b>12,438,000</b>

Source: City of Riverbank 2014-2019 Capital Improvement Plan

[1] From City of Riverbank FY2014/15 Water Annual Budget, (Fund 114; Dept. 433; Account 707.119)

[2] Phone call with City Staff, 8/21/2014. Funding TBD.

### Eliminated CIP

Water line on 6th St from Sierra Alley to Santa Fe				125,000				125,000
Water line in Sierra Alley to High Street				125,000				125,000
Paint Crossroads storage tank						50,000		50,000
Replace BFP on Vandusen, Minniear & Davis subdivisions						150,000		150,000
Water line in alley between Stanislaus & Sierra from 3rd to 4th					75,000			75,000
Water line loop on 3rd from Patterson to Sierra					75,000			75,000

The table below shows the updated rate changes to the Water enterprise, per the City Council's request. This projection reflects the City Council accepted scenario of Full CIP. The water rates have been modified to increase gradually over the 5-year projection. The 5 year projection still meets the debt service coverage each projected fiscal year. The minimum reserve requirement will be exceeded from FY2016/17 to FY2019/20.

## Agenda Item 2.3

	Budget	Annual %	Five Year Projection (Prop 218)				
	2014/15	Increase	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Typical SFR Bill (20 ccf (15,000 gal) per month)</b>	<b>19.75</b>		<b>26.66</b>	<b>31.69</b>	<b>35.47</b>	<b>39.00</b>	<b>40.95</b>
<b>Year Over Year % Increase to SFR Bill</b>			<b>35%</b>	<b>19%</b>	<b>12%</b>	<b>10%</b>	<b>5%</b>
<b>Fixed Charge (for 1,000 ccf of water) [1]</b>	<b>14.65</b>		<b>19.77</b>	<b>22.74</b>	<b>24.56</b>	<b>25.78</b>	<b>27.07</b>
<b>Variable Charge (per 100 cubic feet)</b>							
	<b>Base</b>		<b>0.46</b>	<b>0.53</b>	<b>0.57</b>	<b>0.60</b>	<b>0.63</b>
	<b>Drought Surcharge (Conservation Mandate)</b>		<b>-</b>	<b>0.07</b>	<b>0.16</b>	<b>0.28</b>	<b>0.30</b>
	<b>Total Variable Charge[2]</b>	<b>0.34</b>	<b>0.46</b>	<b>0.60</b>	<b>0.73</b>	<b>0.88</b>	<b>0.92</b>

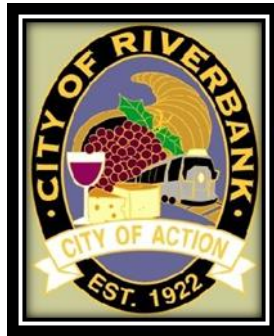
### **FINANCIAL IMPACT:**

By adopting these proposed rate increases, the City will have the ability to fund current operating costs, future capital needs, and build an emergency reserve.

### **ATTACHMENTS:** (List attachments in order of placement)

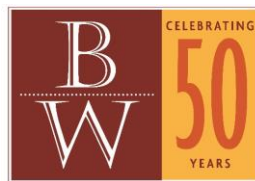
1. Sewer Rate Study
2. Water Rate Study

# City of Riverbank



## Sewer Rate Study

June 18, 2015



Bartle Wells Associates  
Independent Public Finance Consultants  
1889 Alcatraz Avenue  
Berkeley, California 94703  
[www.bartlewells.com](http://www.bartlewells.com)  
Tel: 510-653-3399

**FINAL**

## Historical & Current Sewer Service Rates

The City of Riverbank has not raised sewer rates since 2008. The City had a cost of service study performed in 2009 by ECO:LOGIC consultants which recommended rate increases from FY 2010 to FY 2012, however the increases were never implemented. The historical and current (2008) sewer rates are shown in **Table 1**.

Table 1: Historical Wastewater Service Charges  
City of Riverbank  
Water and Wastewater Rate Study

Sewer Rates (Monthly)	2004	2005	2006	2007	2008
Residential in Riverbank	14.91	18.72	19.13	19.59	20.15
Commercial in Riverbank (plus volume charge for use over 1,000 cf)	14.91	18.72	19.13	19.59	20.15
Year-to-year Change		20.4%	2.1%	2.3%	2.8%
Residential Outside of Riverbank	15.93	19.76	20.19	20.67	21.26
Commercial Outside of Riverbank	15.93	19.76	20.19	20.67	21.26
Year-to-year change		19.4%	2.1%	2.3%	2.8%

Rates per CF for usage exceeding 1,000 cubic feet per month [1]	
Commercial	0.01492
Hospitals	0.01492
Extended Care Facilities	0.01492
Markets (Without Delicatessens)	0.01492
Automobile Service Facilities	0.01492
Commercial Laundromats	0.01492
Offices	0.01325
Restaurants	0.01624
Short Order Facilities	0.01624
Markets (With Delicatessens)	0.01624
Restaurants (With Full Kitchens)	0.02353

Total Annual Charges [2]	
Industrial Rate	C=96.209V + 10B
Riverbank Unified	C=.34749P
School District [3]	C=1.30891P

[1] Per cubic foot

[2] C=Annual Operation and Maintenance Costs, V=Annual Volume (MG), B = Annual BOD Loading (lbs.), P= student and staff pop.

[3] .34749 is for facilities without a cafeteria. 1.30891 is for facilities with a cafeteria

Sewer charges are shown monthly and annually, however bills are sent out on a bimonthly schedule.

### Residential & Commercial Rates

The rate for churches, single-family dwellings, each unit in a duplex, triplex or multiple-family units, each space in a mobile home park located inside the City, and hotels and motels is **\$20.15** per month per church, dwelling unit, rental room or space. For customers located outside of the City, the rate is **\$21.26** per month.

## AGENDA ITEM 2.3

In addition to the monthly charge, commercial customers pay an amount based on customer classification for each cubic foot of water they consume over 1,000 cubic feet per month.

### **Special Rates – Industrial & Schools**

Industrial customer service charges are calculated based on a formula which takes into account biochemical oxygen demand (BOD) and million gallons (MG) of water used in one year. Industrial charges may be adjusted up or down at the end of the fiscal year according to actual costs, flows, and BODs for that year as calculated by the Public Works Department.

Schools pay a separate charge based on student and staff population and whether or not they have a cafeteria.

## Recommended Sewer Service Rates

BWA recommends the City divide the volumetric charges into four categories based on strength factors to ensure rate equity between customers. These strength classifications were developed based on State Water Resources Control Board recommended flow factors and a standard strength factor formula. A strength factor of 1 is used for domestic use (200 BOD/MGL and 200 SS/MGL) which is the estimated residential strength.

The four recommended categories include: Low, Domestic, Medium, and High. Schools without cafeterias are recommended to be billed in the Low classification, and schools with cafeterias are recommended to be billed in the Medium category. **Table 2** shows the recommended structure (without taking into account required rate increases).

Table 2: Variable Charge Cost Attribution  
City of Riverbank  
Water and Wastewater Rate Study

Cost Recovery Attribution		
Flow	BOD	SS
50%	20%	30%

Commercial Grouping	Class	GPD	BOD/MGL	SS/MGL	Strength Factor	Old Rate	New Rate*	% Change
<i>Group 1</i>	Low	250	130	80	0.75			
Schools w/o Cafeteria						-	0.01119	
Offices						0.01325	0.01119	-16%
<i>Group 2</i>	Domestic	250	200	200	1.00			
Commercial						0.01492	0.01492	0%
Hospitals						0.01492	0.01492	0%
Extended Care Facilities						0.01492	0.01492	0%
Markets (Without Delicatessens)						0.01492	0.01492	0%
Automobile Service Facilities						0.01492	0.01492	0%
Commercial Laundromats						0.01492	0.01492	0%
<i>Group 3</i>	Medium	250	400	300	1.35			
Schools w/ Cafeteria						-	0.02014	
Restaurants						0.01624	0.02014	24%
Short Order Facilities						0.01624	0.02014	24%
Markets (With Delicatessens)						0.01624	0.02014	24%
<i>Group 4</i>	High	250	800	600	2.20			
Restaurants (With Full Kitchens)						0.02353	0.03282	39%

Commercial Rates

\*Rates per CF for usage exceeding 1,000 cubic feet per month

Source: Strength factors based on guidelines from the State Water Resources Control Board

Strength Factor =  $[0.5 + (0.2) \text{ BOD (mg/l)/200} + (0.3) \text{ SS (mg/l)/200}]$

Industrial customers are billed based on annual flow and BOD

BWA analyzed the sewer billing data provided by the City. There are currently a total of approximately 6,375 sewer accounts and 7,074 billing units, as shown in **Table 3**. Under current rates, annual cost recovery from fixed charges alone account for an estimated \$1,710,500 per year.

Commercial customers are estimated to use 11,127,000 cubic feet of water annually above the 1,000 CF threshold, translating into approximately \$167,000 per year in volumetric charges.

AGENDA ITEM 2.3

Table 3: Estimated Wastewater Service Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

**Customer Type**

<b>Residential</b>	<b># of Accounts</b>	<b># of Billing Units</b>	<b>Annual Base Rate</b>	<b>Annual Cost Recovery</b>
Single Family Residential (inside City)	6,031	6,031	\$242	\$1,458,296
Single Family Residential (outside City)	2	2	255	510
Multi-Family Residential	108	482	242	116,548
Mobile Home Parks	<u>6</u>	<u>263</u>	242	<u>63,593</u>
<b>Subtotal Residential</b>	<b>6,147</b>	<b>6,778</b>		<b>1,638,947</b>
<b>Commercial</b>				
Hotels/Motel	1	8	242	1,934
Commercial Boarding Houses	0	0	242	0
Commercial Retail, Hospitals, auto shops, etc	154	210	242	50,778
Offices	15	15	242	3,627
Small Restaurants & Markets w/ Delicatessens	12	15	242	3,627
Restaurants with Full Kitchens	23	25	242	6,045
Governmental	9	9	242	2,176
Industrial	9	9	242	2,176
Schools	<u>5</u>	<u>5</u>	242	<u>1,209</u>
<b>Subtotal Commercial</b>	<b>228</b>	<b>296</b>		<b>71,573</b>
<b>Total</b>	<b>6,375</b>	<b>7,074</b>		<b>1,710,520</b>
<b>Estimated Annual Commercial Use (Above 1,000 CF)</b>				<b>11,127,000</b>
<b>Estimated Commercial Revenue</b>				<b>\$166,905</b>
<b>Total Estimated Service Charges</b>				<b>\$1,877,425</b>

Source: City of Riverbank, 2009; Customer Usage Data 2013

## **Sewer Enterprise Funds**

The sewer enterprise controls four funds, which combined hold a total of \$5.2 million as of July 1, 2014.

1. **Fund 106: Sewer Fund:** Net revenues from operations are deposited into this fund.
2. **Fund 107: Debt Service Fund:** The debt service fund is used to pay semi-annual debt payments and provides a cushion in case of emergency.
3. **Fund 108: Capital Improvement Fund:** Provides funds for capital improvements.
4. **Fund 158: Sewer Connection Fund:** Connection fees are deposited into this fund.

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Table 4: Wastewater Fund Balances FY 2014/15  
City of Riverbank  
Water and Wastewater Rate Study

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<b><u>Reserve</u></b>	<b><u>Amount</u></b>
Fund 106: Sewer Fund	\$318,694
Fund 107: Sewer Debt Service	924,834
Fund 108: Sewer Capital Improvement Fund [1]	3,788,173
<u>Fund 158: Sewer Connection</u>	<u>240,128</u>
Total Reserves	\$5,271,829

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Note: Fund balances as of July 1, 2014

[1] Includes Emergency Reserves and Schneider Electric Reserve

Source: City of Riverbank Annual Operating Budget, FY 2014/15

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## Capital Improvement Program

The City has identified a five-year capital improvement program to be funded by the rates proposed in this study. The capital program is shown below in **Table 5**.

Major projects include a Biolac System for the Wastewater Treatment Plant (WWTP) funded in FY 2015, a sewer line improvement and cross connection reduction program to be completed from FY 2016 to FY 2020, and an SS lift station electrical pane upgrade in FY 2020.

Table 5: Sewer Enterprise Capital Projects  
City of Riverbank  
Water and Wastewater Rate Study

Sanitary Sewer Utility	Project #	0	1	2	3	4	5	Total Projected Capital Cost FY 2011-2020
		FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	
<b>High Priority Projects</b>								
Utility Service Separation	SS-013	36,000						36,000
Cross Connection Reduction	SS-012		200,000	200,000	200,000	200,000		800,000
Biolac System	WWTP-020	3,549,843						3,549,843
Equipment Protection -Overhead Structure	WWTP-023		10,000					10,000
Resurface Entry Road to WWTP (Demo, prep, resurface) [1]			110,000					110,000
Finish Pond 9 at WWTP [2]				98,000				98,000
<b>Total High Priority Projected Capital Cost</b>		<b>3,585,843</b>	<b>320,000</b>	<b>298,000</b>	<b>200,000</b>	<b>200,000</b>		<b>4,603,843</b>
<b>Additional CIP</b>								
6" SS, Stanislaus - Sierra Alley from 1st to 3rd			75,000					75,000
6" SS, Sierra - Patterson Alley from 1st to 8th			275,000					275,000
6" SS, Topeka - 108 Alley 4th to 5th			50,000					50,000
6" SS, Topeka - Santa Fe Alley 7th to 8th			50,000					50,000
6" SS, Santa Fe - Stanislaus Alley 7th to 8th			50,000					50,000
6" SS, Terminal from Kentucky to Castle Park Drive				85,000				85,000
6" SS, Texas - Kansas Alley from 8th to Chief Tucker				80,000				80,000
8" SS, Galaxy to Jackson Ave.					50,000			50,000
6" & 8" SS, 7 State Streets from Terminal to 8th						1,000,000		1,000,000
8" SS, Oakdale Road from Patterson to Cedarwood						150,000		150,000
6" SS in Cedarwood from Oakdale Road to Wood Haven						125,000		125,000
6" SS, Orange Ave from Bruneyville to 2nd St.							1,000,000	1,000,000
Crawford Lift Station project upgrades and force main							250,000	250,000
CCTV all sanitary sewer lines city wide							250,000	250,000
Upgrade all electrical panes on SS lift stations							1,000,000	1,000,000
Survey all lift stations							50,000	50,000
<b>Total Additional CIP</b>			<b>500,000</b>	<b>165,000</b>	<b>50,000</b>	<b>1,275,000</b>	<b>2,550,000</b>	<b>4,540,000</b>
<b>Total Capital Projects</b>		<b>3,585,843</b>	<b>820,000</b>	<b>463,000</b>	<b>250,000</b>	<b>1,475,000</b>	<b>2,550,000</b>	<b>9,143,843</b>

Source: City of Riverbank 2014-2019 Capital Improvement Plan

[1] E-mail from Staff, 5-19-15

[2] E-mail from Staff, 10.6.2014

## **Debt Service Schedule**

The Sewer Enterprise currently has five separate outstanding obligations: two 2014 loans which refinanced a \$1.71 million outstanding 2005 Sewer Bond and provided \$4 million for a Waste Water Treatment Plant Upgrade. A 2001 interfund loan with a balance of \$289,614, a 2001 CSWRCB loan with a balance of \$355,912, and a 2002 CSWRCB loan with a balance of \$111,710.

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Table 6: Wastewater Enterprise Debt Service  
 City of Riverbank  
 Water and Wastewater Rate Study

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Long-Term Debt: Wastewater	Budget	Five Year Projection (Prop 218)				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
2014 Loans [1]	643,000	643,000	643,000	643,000	643,000	643,000
2001 Interfund Loan [2]	75,000	75,000	75,000	4,000		
2001-2 CSWRCB Loans [3]	66,000	66,000	66,000	66,000	66,000	66,000
<b>Total Annual Wastewater Debt Service</b>	<b>\$784,000</b>	<b>\$784,000</b>	<b>\$784,000</b>	<b>\$713,000</b>	<b>\$709,000</b>	<b>\$709,000</b>

Source: City of Riverbank Audit for FYE 2011, FYE 2012, and FYE 2013; City of Riverbank Budget FY2014/15

Note: Payments for FY 2014-2024 are based on the debt schedules found in the City Audit and on assumption that there is no new debt issued and no debt refinanced.

[1] \$1.71 million refinancing loan for 2005 Sewer Bonds and \$4 million loan for a Waste Water Treatment Plant upgrade.

[2] As of June 30, 2014, the balance payable was \$289,614 with an interest rate of 2.00%. The final maturity date is June 30, 2018.

[3] As of June 30, 2014, the balance payable for the 2001 CSWRCB Loan was \$355,912 with an interest rate of 2.6% and a final maturity date of October 25, 2021. The balance payable for the 2002 CSWRCB Loan is \$111,710 with an interest rate of 2.7% and a final maturity date of October 25, 2021.

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## Scenario Summary

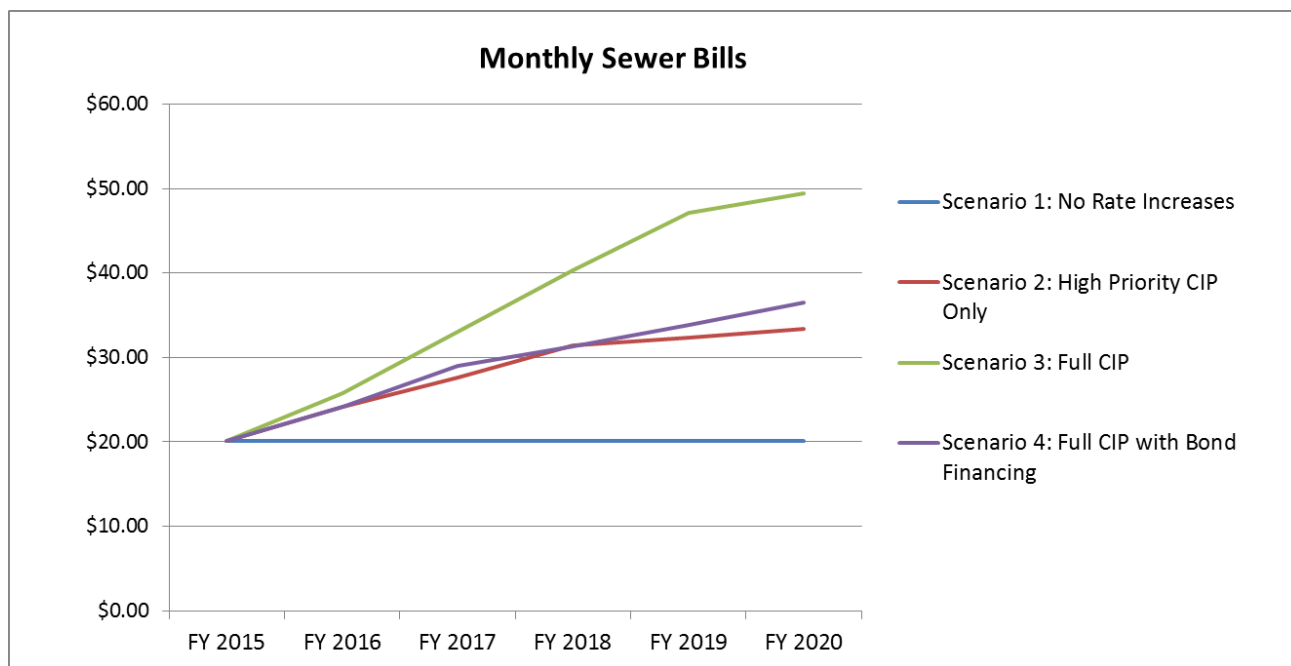
BWA analyzed four scenarios for City consideration:

**Scenario 1: No Rate Increase** – Shows the Sewer Enterprise financial condition under a no increase “status quo” scenario with only high priority capital projects initiated. (**Not Recommended**).

**Scenario 2: High Priority CIP Only** – Funds high priority capital projects only for the next five years. Funds all Sewer Enterprise costs from rate increases only.

**Scenario 3: Full CIP** – Funds all capital projects for the next five years. Funds all Sewer Enterprise costs from rate increases only.

**Scenario 4: Full CIP with Bond Financing** – Funds all capital projects for the next five years. Funds Sewer Enterprise costs from a combination of bond issues and rate increases.



Scenario Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	5-Yr Bill Increase
Scenario 1: No Rate Increases <i>Monthly Bill</i>	\$20.15	\$20.15	\$20.15	\$20.15	\$20.15	\$20.15	\$0.00
Scenario 2: High Priority CIP Only <i>Monthly Bill</i>	\$20.15	\$24.18	\$27.57	\$31.42	\$32.37	\$33.34	\$13.19
Scenario 3: Full CIP <i>Monthly Bill</i>	\$20.15	\$25.79	\$33.01	\$40.28	\$47.12	\$49.48	\$29.33
Scenario 4: Full CIP with Bond Financing <i>Monthly Bill</i>	\$20.15	\$24.18	\$29.02	\$31.34	\$33.84	\$36.55	\$16.40

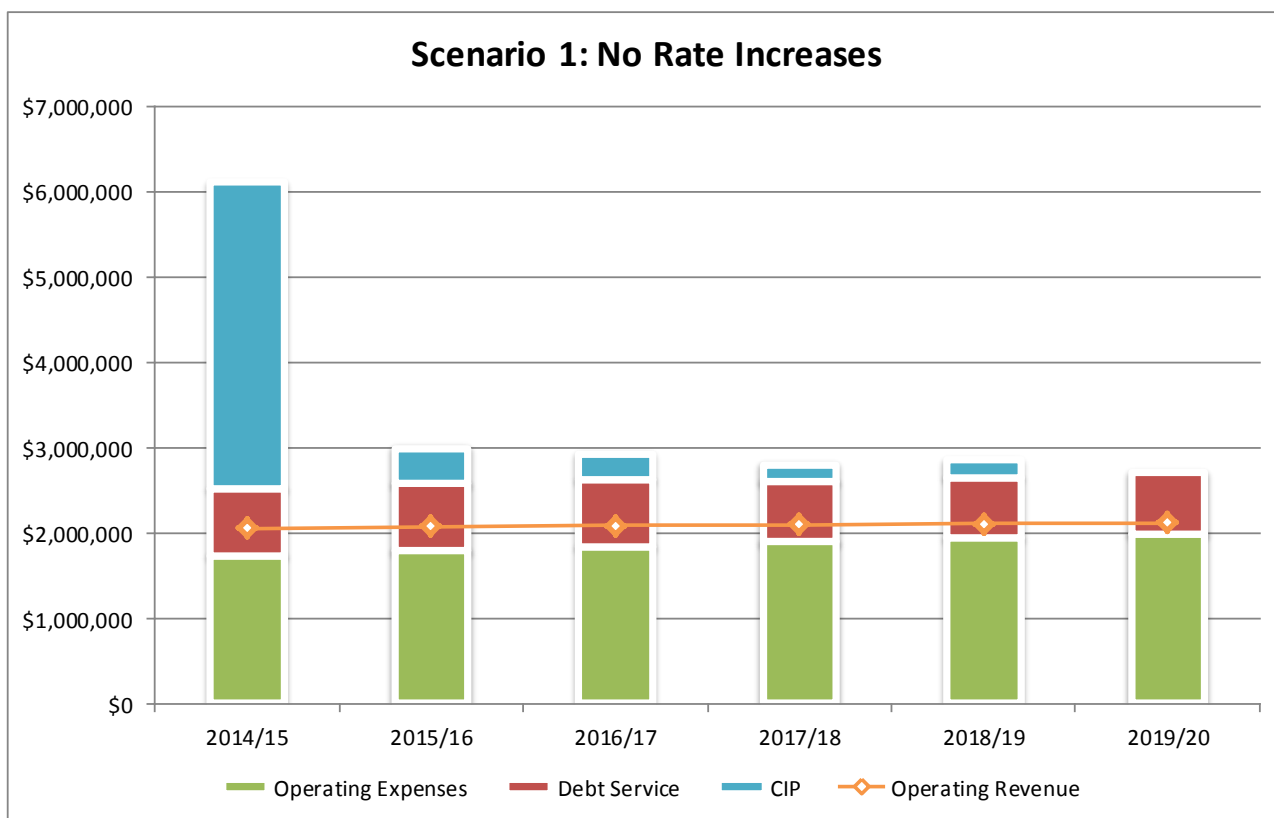
### Scenario 1: No Rate Increases

Figure 1 and Table 7 show the Sewer Enterprise’s financial position under a No Rate Increase scenario. Under current rates, the Sewer Enterprise is projected to deplete all fund balances in FY 2017. By FY 2020, the Sewer enterprise would build up a deficit of approximately \$2.5 million.

The Sewer Enterprise is projected to have a debt service coverage ratio of .4 in FY 2015. Debt service coverage is calculated as Operating Revenues less Operating Expenses divided by total debt service payments. BWA typically recommends agencies maintain a debt service coverage ratio of at least 1.15.

Additionally, BWA recommends the Sewer Enterprise maintain a total fund balance of at least 50% of annual O&M and \$1,000,000 for capital projects as a buffer in case of emergency and to maintain creditworthiness.

Figure 1



## AGENDA ITEM 2.3

Table 7: Scenario 1: No Rate Increases  
City of Riverbank  
Water and Wastewater Rate Study

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCE</b>							
Fund 106 (Operations)	\$318,694		\$634,000	\$910,000	\$1,150,100	\$1,352,601	\$1,515,127
Fund 107 (Debt)	924,834		141,000	(643,000)	(1,427,000)	(2,140,000)	(2,849,000)
Fund 108 (Projects)	3,788,173		202,000	(218,000)	(516,000)	(716,000)	(916,000)
Fund 158 (Connection)	<u>240,128</u>		<u>270,000</u>	<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>
Wastewater Fund Total	5,271,829		1,247,000	334,000	(492,900)	(1,188,399)	(1,919,873)
Monthly Service Charge	20.15		20.15	20.15	20.15	20.15	20.15
<b>Revenues</b>							
Sewer Service Charges	1,871,900	0.5%	1,881,000	1,890,000	1,899,000	1,908,000	1,918,000
Fines, Forfeitures, Penalties	34,500	1.0%	35,000	35,000	35,000	35,000	35,000
Interest Income [1]	3,000		6,000	9,100	11,501	13,526	15,151
Industrial Permits	34,300	1.0%	35,000	35,000	35,000	35,000	35,000
Misc. Revenues	250		1,000	1,000	1,000	1,000	1,000
Transfers In	<u>117,700</u>		<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
<b>Total Revenues</b>	<b>\$2,061,650</b>		<b>\$2,078,000</b>	<b>\$2,090,100</b>	<b>\$2,101,501</b>	<b>\$2,112,526</b>	<b>\$2,124,151</b>
<b>Expenses</b>							
<i>Wastewater Collection</i>							
Employee Compensation	\$147,500	3.0%	\$152,000	\$157,000	\$162,000	\$167,000	\$172,000
Supplies and Materials	9,250	3.0%	10,000	10,000	10,000	10,000	10,000
Utilities	25,000	5.0%	26,000	27,000	28,000	29,000	30,000
Services	85,000	3.0%	88,000	91,000	94,000	97,000	100,000
Communications	2,000		2,000	2,000	2,000	2,000	2,000
Misc. Expenses and Allowances	14,550	4.0%	15,000	16,000	17,000	18,000	19,000
Transfers Out Management Fee	<u>539,900</u>		<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
<i>Total Wastewater Collection</i>	\$823,200		\$843,000	\$853,000	\$863,000	\$873,000	\$883,000
<i>Wastewater Treatment</i>							
Employee Salaries	201,900	3.0%	208,000	214,000	220,000	227,000	234,000
Employee Benefits	118,900	3.0%	122,000	126,000	130,000	134,000	138,000
Supplies and Materials	6,500		7,000	7,000	7,000	7,000	7,000
Utilities	400,000	5.0%	420,000	441,000	463,000	486,000	510,000
Communications	850		1,000	1,000	1,000	1,000	1,000
Services	132,500	3.0%	136,000	140,000	144,000	148,000	152,000
Misc. Expenses and Allowances	<u>62,550</u>	4.0%	<u>65,000</u>	<u>68,000</u>	<u>71,000</u>	<u>74,000</u>	<u>77,000</u>
<i>Total Wastewater Treatment</i>	\$923,200		\$959,000	\$997,000	\$1,036,000	\$1,077,000	\$1,119,000
<b>Total Wastewater Operations</b>	<b>\$1,746,400</b>		<b>\$1,802,000</b>	<b>\$1,850,000</b>	<b>\$1,899,000</b>	<b>\$1,950,000</b>	<b>\$2,002,000</b>
<b>Net Operating Revenues</b>	<b>\$315,250</b>		<b>\$276,000</b>	<b>\$240,100</b>	<b>\$202,501</b>	<b>\$162,526</b>	<b>\$122,151</b>
<b>Wastewater Debt Service</b>							
Existing Long-Term Debt	\$784,000		\$784,000	\$784,000	\$713,000	\$709,000	\$709,000
<b>Total Annual Debt Service</b>	\$784,000		\$784,000	\$784,000	\$713,000	\$709,000	\$709,000
<b>Debt Service Coverage</b>	<b>0.40</b>		<b>0.35</b>	<b>0.31</b>	<b>0.28</b>	<b>0.23</b>	<b>0.17</b>
<b>Wastewater Capital</b>							
Wastewater	<u>\$3,585,843</u>		<u>\$420,000</u>	<u>\$298,000</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$0</u>
<b>Total Capital Expenditures</b>	<b>\$3,585,843</b>		<b>\$420,000</b>	<b>\$298,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$0</b>
<b>ENDING BALANCE</b>							
Fund 106 [2]	\$633,944		910,000	1,150,100	1,352,601	1,515,127	1,637,278
Fund 107 [3]	140,834		(643,000)	(1,427,000)	(2,140,000)	(2,849,000)	(3,558,000)
Fund 108 [4]	202,330		(218,000)	(516,000)	(716,000)	(916,000)	(916,000)
Fund 158 [5]	<u>270,128</u>		<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>	<u>345,000</u>
Wastewater Fund Total	1,247,236		334,000	(492,900)	(1,188,399)	(1,919,873)	(2,491,722)
<i>Change from prior fund balance</i>			(913,236)	(826,900)	(695,499)	(731,474)	(571,849)
<b>Target Balance [6]</b>	1,873,000		1,901,000	1,925,000	1,950,000	1,975,000	2,001,000
	no		no	no	no	no	no

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2011/12-FY2020/21

[1] Interest Income is 1% of the Beginning Fund 106 Balance if fund balance is positive.

[2] Fund 106 Ending Balance equals Beginning Balance plus Total Operating Revenues less Total Wastewater Operations

[3] Fund 107 Ending Balance equals Beginning Balance plus Total Fund 107 (Debt) Revenue less Total Annual Debt Service

[4] Fund 108 Ending Balance equals Beginning Balance less Total Capital Expenditures

[5] Fund 158 Ending Balance assumes \$30,000 in revenues from Sewer Connection Fees in FY2014/15 and \$15,000 for each subsequent fiscal

[6] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

## Scenario 2: High Priority CIP Only

Figure 2 and Table 8 show the Sewer Enterprise’s financial position under a High Priority CIP Only scenario. Recommended rate increases under Scenario 2 are: **20%** in FY 2016, **14%** in FY 2017, **14%** in FY 2018 and **3%** adjustments thereafter.

Under Scenario 2, Sewer Service Charges would be increased from \$1.9 million in FY 2015 to about \$3 million by FY 2018. The Sewer Enterprise would build up funds to meet target reserves in FY 2020. Debt service coverage would meet BWA’s recommended 1.15x debt service in FY 2017.

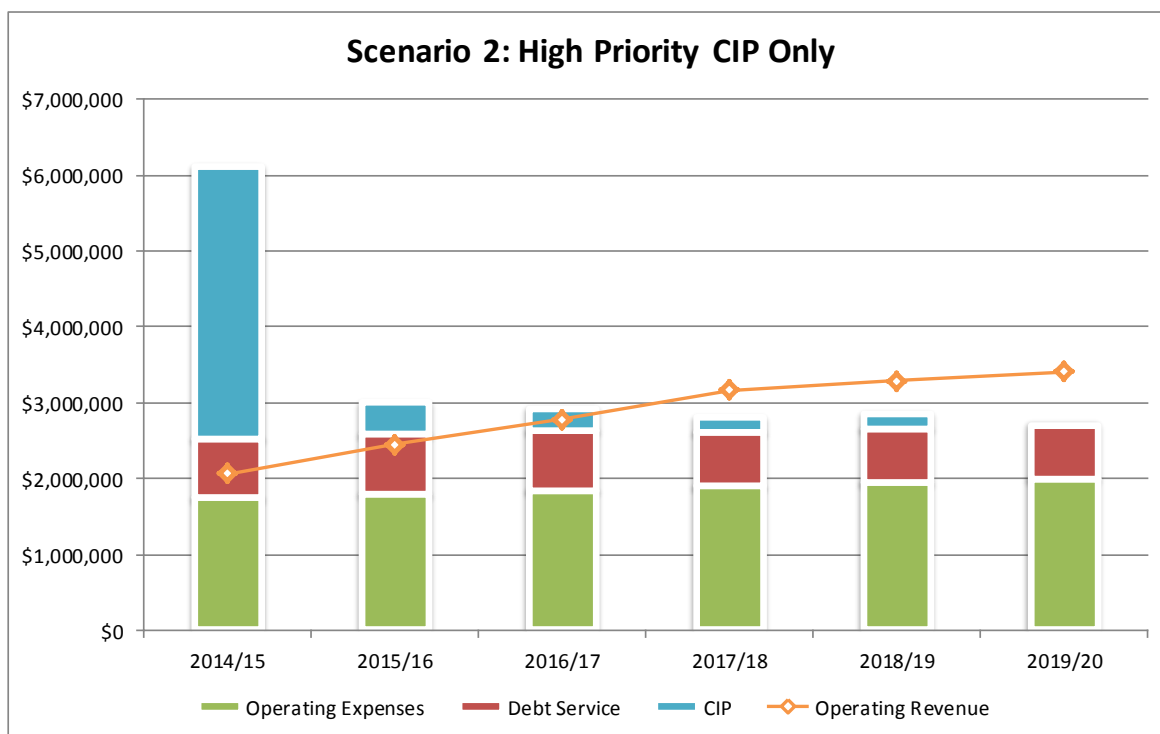
### Scenario Advantages

1. Results in the lowest possible rate increases of all the scenarios.
2. Does not require the Sewer Enterprise to take on additional debt, thereby reducing the burden on future users.

### Scenario Disadvantages

1. Does not fully fund the Sewer Enterprise’s capital needs.
2. Existing rate payers take on the burden of paying for needed capital improvements from rate revenues.
3. Fund balances are built up over the 5-year period and are project to dip to a low of \$580,000 in FY 2017.

Figure 2



## AGENDA ITEM 2.3

Table 8: Scenario 2: High Priority CIP Only  
City of Riverbank  
Water and Wastewater Rate Study

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCES</b>							
Fund 106 (Operations)	\$318,694		\$634,000	\$1,285,000	\$2,222,000	\$3,494,000	\$4,832,000
Fund 107 (Debt)	924,834		141,000	(643,000)	(1,427,000)	(2,140,000)	(2,849,000)
Fund 108 (Projects)	3,788,173		202,000	(218,000)	(516,000)	(716,000)	(916,000)
Fund 158 (Connection)	<u>240,128</u>		<u>270,000</u>	<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>
Wastewater Fund Total	5,271,829		1,247,000	709,000	579,000	953,000	1,397,000
Monthly Service Charge	20.15		24.18	27.57	31.42	32.37	33.34
% Change			20%	14%	14%	3%	3%
<b>Revenues</b>							
Sewer Service Charges	1,871,900	0.5%	2,256,000	2,583,000	2,958,000	3,062,000	3,169,000
Fines, Forfeitures, Penalties	34,500	1.0%	35,000	35,000	35,000	35,000	35,000
Interest Income [1]	3,000		6,000	13,000	22,000	35,000	48,000
Industrial Permits	34,300	1.0%	35,000	35,000	35,000	35,000	35,000
Misc. Revenues	250		1,000	1,000	1,000	1,000	1,000
Transfers In	<u>117,700</u>		<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
<b>Total Revenues</b>	<b>\$2,061,650</b>		<b>\$2,453,000</b>	<b>\$2,787,000</b>	<b>\$3,171,000</b>	<b>\$3,288,000</b>	<b>\$3,408,000</b>
<b>Expenses</b>							
<i>Wastewater Collection</i>							
Employee Compensation	\$147,500	3.0%	\$152,000	\$157,000	\$162,000	\$167,000	\$172,000
Supplies and Materials	9,250	3.0%	10,000	10,000	10,000	10,000	10,000
Utilities	25,000	5.0%	26,000	27,000	28,000	29,000	30,000
Services	85,000	3.0%	88,000	91,000	94,000	97,000	100,000
Communications	2,000		2,000	2,000	2,000	2,000	2,000
Misc. Expenses and Allowances	14,550	4.0%	15,000	16,000	17,000	18,000	19,000
Transfers Out Management Fee	<u>539,900</u>		<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
<b>Total Wastewater Collection</b>	<b>\$823,200</b>		<b>\$843,000</b>	<b>\$853,000</b>	<b>\$863,000</b>	<b>\$873,000</b>	<b>\$883,000</b>
<i>Wastewater Treatment</i>							
Employee Salaries	201,900	3.0%	208,000	214,000	220,000	227,000	234,000
Employee Benefits	118,900	3.0%	122,000	126,000	130,000	134,000	138,000
Supplies and Materials	6,500		7,000	7,000	7,000	7,000	7,000
Utilities	400,000	5.0%	420,000	441,000	463,000	486,000	510,000
Communications	850		1,000	1,000	1,000	1,000	1,000
Services	132,500	3.0%	136,000	140,000	144,000	148,000	152,000
Misc. Expenses and Allowances	<u>62,550</u>	4.0%	<u>65,000</u>	<u>68,000</u>	<u>71,000</u>	<u>74,000</u>	<u>77,000</u>
<b>Total Wastewater Treatment</b>	<b>\$923,200</b>		<b>\$959,000</b>	<b>\$997,000</b>	<b>\$1,036,000</b>	<b>\$1,077,000</b>	<b>\$1,119,000</b>
<b>Total Wastewater Operations</b>	<b>\$1,746,400</b>		<b>\$1,802,000</b>	<b>\$1,850,000</b>	<b>\$1,899,000</b>	<b>\$1,950,000</b>	<b>\$2,002,000</b>
<b>Net Operating Revenues</b>	<b>\$315,250</b>		<b>\$651,000</b>	<b>\$937,000</b>	<b>\$1,272,000</b>	<b>\$1,338,000</b>	<b>\$1,406,000</b>
<b>Wastewater Debt Service</b>							
Existing Long-Term Debt	<u>\$784,000</u>		<u>\$784,000</u>	<u>\$784,000</u>	<u>\$713,000</u>	<u>\$709,000</u>	<u>\$709,000</u>
<b>Total Annual Debt Service</b>	<b>\$784,000</b>		<b>\$784,000</b>	<b>\$784,000</b>	<b>\$713,000</b>	<b>\$709,000</b>	<b>\$709,000</b>
<b>Debt Service Coverage</b>	<b>0.40</b>		<b>0.83</b>	<b>1.20</b>	<b>1.78</b>	<b>1.89</b>	<b>1.98</b>
<b>Wastewater Capital [2]</b>							
Wastewater	<u>\$3,585,843</u>		<u>\$420,000</u>	<u>\$298,000</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$0</u>
<b>Total Capital Expenditures</b>	<b>\$3,585,843</b>		<b>\$420,000</b>	<b>\$298,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$0</b>
<b>ENDING BALANCES</b>							
Fund 106 [3]	\$633,944		1,285,000	2,222,000	3,494,000	4,832,000	6,238,000
Fund 107 [4]	140,834		(643,000)	(1,427,000)	(2,140,000)	(2,849,000)	(3,558,000)
Fund 108 [5]	202,330		(218,000)	(516,000)	(716,000)	(916,000)	(916,000)
Fund 158 [6]	<u>270,128</u>		<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>	<u>345,000</u>
Wastewater Fund Total	1,247,236		709,000	579,000	579,000	953,000	1,397,000
Change from prior fund balance			(538,236)	(130,000)	374,000	444,000	712,000
<b>Target Balance [7]</b>	<b>1,873,000</b>		<b>1,901,000</b>	<b>1,925,000</b>	<b>1,950,000</b>	<b>1,975,000</b>	<b>2,001,000</b>
	no		no	no	no	no	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2011/12-FY2020/21

[1] Interest Income is 1% of the Beginning Fund 106 Balance if fund balance is positive.

[2] Assumes that the City will only complete Pay-As-You-Go Sewer Projects

[3] Fund 106 Ending Balance equals Beginning Balance plus Total Operating Revenues less Total Wastewater Operations

[4] Fund 107 Ending Balance equals Beginning Balance plus Total Fund 107 (Debt) Revenue less Total Annual Debt Service

[5] Fund 108 Ending Balance equals Beginning Balance less Total Capital Expenditures

[6] Fund 158 Ending Balance assumes \$30,000 in revenues from Sewer Connection Fees in FY2014/15 and \$15,000 for each subsequent fiscal year.

[7] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

### Scenario 3: Full CIP

Figure 3 and Table 9 show the Sewer Enterprise’s financial position under a Full CIP scenario. Recommended rate increases under this scenario are: **28%** in FY 2016, **28%** in FY 2017, **22%** in FY 2018, **17%** in FY 2019 and **5%** in FY2020 adjustments thereafter.

Under Scenario 3, Sewer Service Charges would be increased from \$1.9 million in FY 2015 to about \$4.5 million by FY 2020. The Sewer Enterprise would build up funds to meet target reserves in FY 2019. Debt service coverage would meet BWA’s recommended 1.15x debt service by FY 2017.

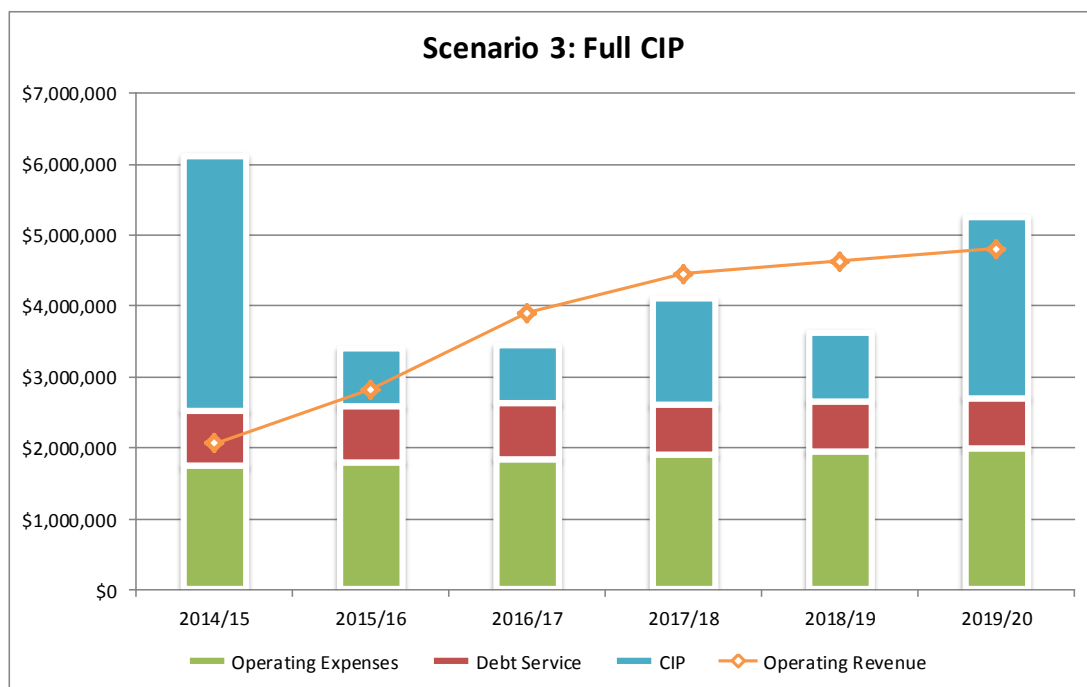
#### Scenario Advantages

1. Does not require the Sewer Enterprise to take on additional debt, thereby reducing the burden on future rate payers.
2. Fully funds the Sewer Enterprise’s capital needs.
3. Provides a high level of net operating revenue to fund continuing capital needs beyond the projection period.

#### Scenario Disadvantages

1. Results in the highest rate increases of all scenarios.
2. Existing rate payers take on the burden of paying for needed capital improvements from rate revenues.
3. The high level of revenues may not be needed should the Sewer Enterprise not have a high level of continuing capital needs beyond the five year projection period.

Figure 3



## AGENDA ITEM 2.3

Table 9: Scenario 3: Full CIP  
City of Riverbank  
Water and Wastewater Rate Study

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCE</b>							
Fund 106 (Operations)	\$318,694		\$634,000	\$1,434,000	\$2,879,000	\$4,985,000	\$7,723,000
Fund 107 (Debt)	924,834		141,000	(643,000)	(1,427,000)	(2,140,000)	(2,849,000)
Fund 108 (Projects)	3,788,173		202,000	(618,000)	(1,081,000)	(1,331,000)	(2,806,000)
Fund 158 (Connection)	<u>240,128</u>		<u>270,000</u>	<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>
<b>Wastewater Fund Total</b>	<b>5,271,829</b>		<b>1,247,000</b>	<b>458,000</b>	<b>671,000</b>	<b>1,829,000</b>	<b>2,398,000</b>
Monthly Service Charge	20.15		25.79	33.01	40.28	47.12	49.48
% Change			28%	28%	22%	17%	5%
<b>Revenues</b>							
Sewer Service Charges	1,871,900	0.5%	2,405,000	3,090,000	3,785,000	4,447,000	4,692,000
Fines, Forfeitures, Penalties	34,500	1.0%	35,000	35,000	35,000	35,000	35,000
Interest Income [1]	3,000		6,000	14,000	29,000	50,000	77,000
Industrial Permits	34,300	1.0%	35,000	35,000	35,000	35,000	35,000
Misc. Revenues	250		1,000	1,000	1,000	1,000	1,000
Transfers In	<u>117,700</u>		<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
<b>Total Revenues</b>	<b>\$2,061,650</b>		<b>\$2,602,000</b>	<b>\$3,295,000</b>	<b>\$4,005,000</b>	<b>\$4,688,000</b>	<b>\$4,960,000</b>
<b>Expenses</b>							
<i>Wastewater Collection</i>							
Employee Compensation	\$147,500	3.0%	\$152,000	\$157,000	\$162,000	\$167,000	\$172,000
Supplies and Materials	9,250	3.0%	10,000	10,000	10,000	10,000	10,000
Utilities	25,000	5.0%	26,000	27,000	28,000	29,000	30,000
Services	85,000	3.0%	88,000	91,000	94,000	97,000	100,000
Communications	2,000		2,000	2,000	2,000	2,000	2,000
Misc. Expenses and Allowances	14,550	4.0%	15,000	16,000	17,000	18,000	19,000
Transfers Out Management Fee	<u>539,900</u>		<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
<i>Total Wastewater Collection</i>	<i>\$823,200</i>		<i>\$843,000</i>	<i>\$853,000</i>	<i>\$863,000</i>	<i>\$873,000</i>	<i>\$883,000</i>
<i>Wastewater Treatment</i>							
Employee Salaries	201,900	3.0%	208,000	214,000	220,000	227,000	234,000
Employee Benefits	118,900	3.0%	122,000	126,000	130,000	134,000	138,000
Supplies and Materials	6,500		7,000	7,000	7,000	7,000	7,000
Utilities	400,000	5.0%	420,000	441,000	463,000	486,000	510,000
Communications	850		1,000	1,000	1,000	1,000	1,000
Services	132,500	3.0%	136,000	140,000	144,000	148,000	152,000
Misc. Expenses and Allowances	<u>62,550</u>	4.0%	<u>65,000</u>	<u>68,000</u>	<u>71,000</u>	<u>74,000</u>	<u>77,000</u>
<i>Total Wastewater Treatment</i>	<i>\$923,200</i>		<i>\$959,000</i>	<i>\$997,000</i>	<i>\$1,036,000</i>	<i>\$1,077,000</i>	<i>\$1,119,000</i>
<b>Total Wastewater Operations</b>	<b>\$1,746,400</b>		<b>\$1,802,000</b>	<b>\$1,850,000</b>	<b>\$1,899,000</b>	<b>\$1,950,000</b>	<b>\$2,002,000</b>
<b>Net Operating Revenues</b>	<b>\$315,250</b>		<b>\$800,000</b>	<b>\$1,445,000</b>	<b>\$2,106,000</b>	<b>\$2,738,000</b>	<b>\$2,958,000</b>
<b>Wastewater Debt Service</b>							
Existing Long-Term Debt	<u>\$784,000</u>		<u>\$784,000</u>	<u>\$784,000</u>	<u>\$713,000</u>	<u>\$709,000</u>	<u>\$709,000</u>
<b>Total Annual Debt Service</b>	<b>\$784,000</b>		<b>\$784,000</b>	<b>\$784,000</b>	<b>\$713,000</b>	<b>\$709,000</b>	<b>\$709,000</b>
<b>Debt Service Coverage</b>	<b>0.40</b>		<b>1.02</b>	<b>1.84</b>	<b>2.95</b>	<b>3.86</b>	<b>4.17</b>
<b>Wastewater Capital [2]</b>							
Wastewater	\$3,585,843		\$320,000	\$298,000	\$200,000	\$200,000	\$0
Sewer Division CIP	<u>0</u>		<u>500,000</u>	<u>165,000</u>	<u>50,000</u>	<u>1,275,000</u>	<u>2,550,000</u>
<b>Total Capital Expenditures</b>	<b>\$3,585,843</b>		<b>\$820,000</b>	<b>\$463,000</b>	<b>\$250,000</b>	<b>\$1,475,000</b>	<b>\$2,550,000</b>
<b>ENDING BALANCE</b>							
Fund 106 [3]	\$633,944		1,434,000	2,879,000	4,985,000	7,723,000	10,681,000
Fund 107 [4]	140,834		(643,000)	(1,427,000)	(2,140,000)	(2,849,000)	(3,558,000)
Fund 108 [5]	202,330		(618,000)	(1,081,000)	(1,331,000)	(2,806,000)	(5,356,000)
Fund 158 [6]	<u>270,128</u>		<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>	<u>345,000</u>
<b>Wastewater Fund Total</b>	<b>1,247,236</b>		<b>458,000</b>	<b>671,000</b>	<b>1,829,000</b>	<b>2,398,000</b>	<b>2,112,000</b>
<i>Change from prior fund balance</i>			<i>(789,236)</i>	<i>213,000</i>	<i>1,158,000</i>	<i>569,000</i>	<i>(286,000)</i>
<b>Target Balance [7]</b>	<b>1,873,000</b>		<b>1,901,000</b>	<b>1,925,000</b>	<b>1,950,000</b>	<b>1,975,000</b>	<b>2,001,000</b>
	no		no	no	no	yes	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2011/12-FY2020/21

[1] Interest Income is 1% of the Beginning Fund 106 Balance if fund balance is positive.

[2] Assumes that the City will complete all Sewer projects

[3] Fund 106 Ending Balance equals Beginning Balance plus Total Operating Revenues less Total Wastewater Operations

[4] Fund 107 Ending Balance equals Beginning Balance plus Total Fund 107 (Debt) Revenue less Total Annual Debt Service

[5] Fund 108 Ending Balance equals Beginning Balance less Total Capital Expenditures

[6] Fund 158 Ending Balance assumes \$30,000 in revenues from Sewer Connection Fees in FY2014/15 and \$15,000 for each subsequent fiscal year.

[7] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

### Scenario 4: Full CIP with Bond Financing

Figure 4 and Table 10 show the Sewer Enterprise’s financial position under a Full CIP Bond Financing scenario. Recommended rate increases under this scenario are: 20% in FY 2016, 20% in FY 2017, and 8% in FY 2018, FY 2019, and FY 2020.

Under Scenario 4, Sewer Service Charges would be increased from \$1.9 million in FY 2015 to about \$3 million by FY 2018 and \$3.5 million by FY 2020. BWA recommends a bond Issue of \$2.4 million in FY 2016 to fund three years of capital improvements from FY 2016 to FY 2018 and a bond issue of \$3.5 million in FY 2019 to fund two years of capital improvements in FY 2019 and FY 2020.

The Sewer Enterprise would immediately meet fund reserve targets for all years with the exception of FY 2018, where they would be spent down to \$1 million. Debt service coverage would meet BWA’s recommended 1.15x debt service in FY 2017.

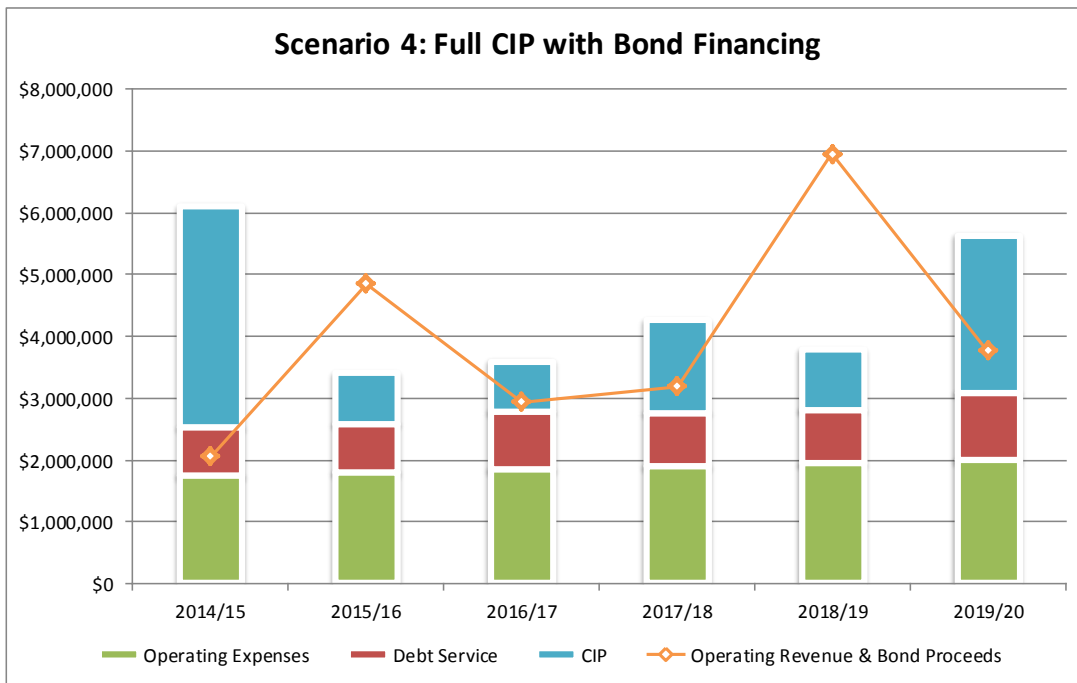
#### Scenario Advantages

1. Spreads required rate increases across the five year period.
2. Fully funds the Sewer Enterprise’s capital needs.
3. Meets reserve targets immediately rather than building them up over time.
4. Results in lower rates than fully funding capital projects through rate revenue.

#### Scenario Disadvantages

1. Future rate payers take on the burden of paying for needed capital improvements due to continuing debt service (est. to be an additional \$380,000 per year for 30 years.)

Figure 4



## AGENDA ITEM 2.3

Table 10: Scenario 4: Full CIP with Bond Financing  
City of Riverbank  
Water and Wastewater Rate Study

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCES</b>							
Fund 106 (Operations)	\$318,694		\$634,000	\$3,685,000	\$4,781,000	\$6,070,000	\$11,072,000
Fund 107 (Debt)	924,834		141,000	(643,000)	(1,582,000)	(2,450,000)	(3,314,000)
Fund 108 (Projects)	3,788,173		202,000	(618,000)	(1,431,000)	(2,931,000)	(3,906,000)
Fund 158 (Connection)	<u>240,128</u>		<u>270,000</u>	<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>
Wastewater Fund Total	5,271,829		1,247,000	2,709,000	2,068,000	1,004,000	4,182,000
Monthly Service Charge	20.15		24.18	29.02	31.34	33.84	36.55
% Change			20.0%	20.0%	8.0%	8.0%	8.0%
<b>Revenues</b>							
Sewer Service Charges	1,871,900	0.5%	2,256,000	2,718,000	2,949,000	3,200,000	3,472,000
Fines, Forfeitures, Penalties	34,500	1.0%	35,000	35,000	35,000	35,000	35,000
Interest Income [1]	3,000		6,000	37,000	48,000	61,000	111,000
Industrial Permits	34,300	1.0%	35,000	35,000	35,000	35,000	35,000
Misc. Revenues	250		1,000	1,000	1,000	1,000	1,000
Transfers In	<u>117,700</u>		<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Total Operating Revenues	2,061,650		2,453,000	2,946,000	3,188,000	3,452,000	3,774,000
<b>Debt Proceeds</b>							
Bond Issue FY2016	0		2,400,000	0	0	0	0
Bond Issue FY2019	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>3,500,000</u>	<u>0</u>
Total Financing Revenue	0		2,400,000	0	0	3,500,000	0
<b>Total Revenues</b>	<b>\$2,061,650</b>		<b>\$4,853,000</b>	<b>\$2,946,000</b>	<b>\$3,188,000</b>	<b>\$6,952,000</b>	<b>\$3,774,000</b>
<b>Expenses</b>							
<i>Wastewater Collection</i>							
Employee Compensation	\$147,500	3.0%	\$152,000	\$157,000	\$162,000	\$167,000	\$172,000
Supplies and Materials	9,250	3.0%	10,000	10,000	10,000	10,000	10,000
Utilities	25,000	5.0%	26,000	27,000	28,000	29,000	30,000
Services	85,000	3.0%	88,000	91,000	94,000	97,000	100,000
Communications	2,000		2,000	2,000	2,000	2,000	2,000
Misc. Expenses and Allowances	14,550	4.0%	15,000	16,000	17,000	18,000	19,000
Transfers Out Management Fee	<u>539,900</u>		<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
Total Wastewater Collection	\$823,200		\$843,000	\$853,000	\$863,000	\$873,000	\$883,000
<i>Wastewater Treatment</i>							
Employee Salaries	201,900	3.0%	208,000	214,000	220,000	227,000	234,000
Employee Benefits	118,900	3.0%	122,000	126,000	130,000	134,000	138,000
Supplies and Materials	6,500		7,000	7,000	7,000	7,000	7,000
Utilities	400,000	5.0%	420,000	441,000	463,000	486,000	510,000
Communications	850		1,000	1,000	1,000	1,000	1,000
Services	132,500	3.0%	136,000	140,000	144,000	148,000	152,000
Misc. Expenses and Allowances	<u>62,550</u>	4.0%	<u>65,000</u>	<u>68,000</u>	<u>71,000</u>	<u>74,000</u>	<u>77,000</u>
Total Wastewater Treatment	\$923,200		\$959,000	\$997,000	\$1,036,000	\$1,077,000	\$1,119,000
<b>Total Wastewater Operations</b>	<b>\$1,746,400</b>		<b>\$1,802,000</b>	<b>\$1,850,000</b>	<b>\$1,899,000</b>	<b>\$1,950,000</b>	<b>\$2,002,000</b>
<b>Net Operating Revenues</b>	<b>\$315,250</b>		<b>\$3,051,000</b>	<b>\$1,096,000</b>	<b>\$1,289,000</b>	<b>\$5,002,000</b>	<b>\$1,772,000</b>
<b>Wastewater Debt Service</b>							
Existing Long-Term Debt	\$784,000		\$784,000	\$784,000	\$713,000	\$709,000	\$709,000
Bond Issue FY2016 [2]	0		0	155,000	155,000	155,000	155,000
Bond Issue FY2019 [3]	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>226,000</u>
Total Annual Debt Service	\$784,000		\$784,000	\$939,000	\$868,000	\$864,000	\$1,090,000
<b>Debt Service Coverage</b>	<b>0.40</b>		<b>0.83</b>	<b>1.17</b>	<b>1.49</b>	<b>1.74</b>	<b>1.63</b>
<b>Wastewater Capital [4]</b>							
Wastewater	\$3,585,843		\$420,000	\$298,000	\$200,000	\$200,000	\$0
Sewer Division CIP	0		<u>400,000</u>	<u>515,000</u>	<u>1,300,000</u>	<u>775,000</u>	<u>2,550,000</u>
Total Capital Expenditures	<b>\$3,585,843</b>		<b>\$820,000</b>	<b>\$813,000</b>	<b>\$1,500,000</b>	<b>\$975,000</b>	<b>\$2,550,000</b>
<b>ENDING BALANCE</b>							
Fund 106 [5]	\$633,944		3,685,000	4,781,000	6,070,000	11,072,000	12,844,000
Fund 107 [6]	140,834		(643,000)	(1,582,000)	(2,450,000)	(3,314,000)	(4,404,000)
Fund 108 [7]	202,330		(618,000)	(1,431,000)	(2,931,000)	(3,906,000)	(6,456,000)
Fund 158 [8]	<u>270,128</u>		<u>285,000</u>	<u>300,000</u>	<u>315,000</u>	<u>330,000</u>	<u>345,000</u>
Wastewater Fund Total	1,247,236		2,709,000	2,068,000	1,004,000	4,182,000	2,329,000
Change from prior fund balance			1,461,764	(641,000)	(1,064,000)	3,178,000	(1,853,000)
<b>Target Balance [9]</b>	<b>1,873,000</b>		<b>1,901,000</b>	<b>1,925,000</b>	<b>1,950,000</b>	<b>1,975,000</b>	<b>2,001,000</b>
	no		yes	yes	no	yes	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2011/12-FY2020/21

[1] Interest Income is 1% of the Beginning Fund 106 Balance if fund balance is positive.

[2] \$2,400,000, 30-year bond with semi-annual payments and an interest rate of 5%. Funds all capital projects from FY2016 to FY2018.

[3] \$3,500,000, 30-year bond with semi-annual payments and an interest rate of 5%. Funds all capital projects for FY2019 & FY2020.

[4] Assumes that the City will complete all Sewer Projects

[5] Fund 106 Ending Balance equals Beginning Balance plus Total Operating Revenues less Total Wastewater Operations

[6] Fund 107 Ending Balance equals Beginning Balance plus Total Fund 107 (Debt) Revenue less Total Annual Debt Service

[7] Fund 108 Ending Balance equals Beginning Balance less Total Capital Expenditures

[8] Fund 158 Ending Balance assumes \$30,000 in revenues from Sewer Connection Fees in FY2014/15 and \$15,000 for each subsequent fiscal year.

[9] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

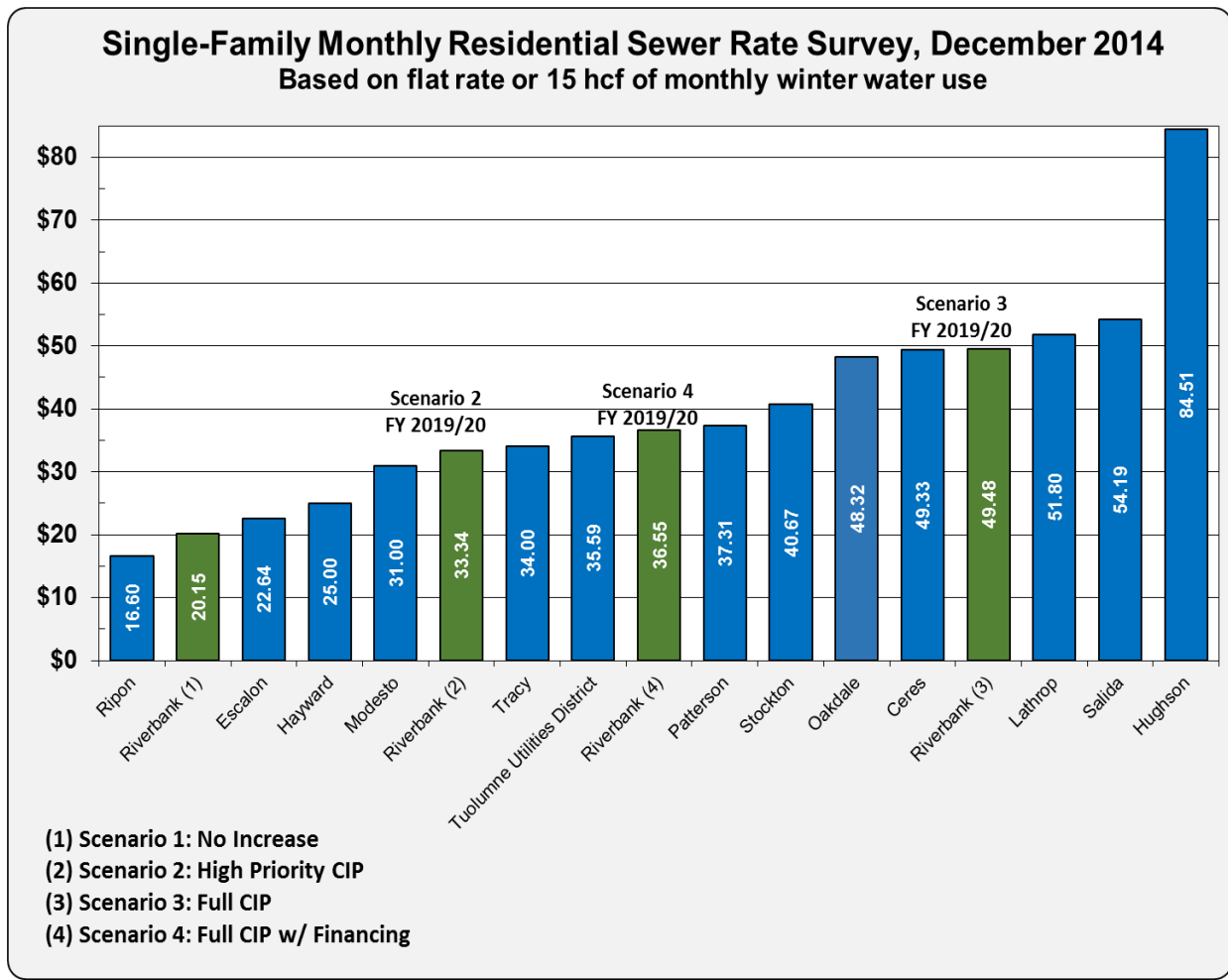
## Summary and Recommendations

BWA recommends the wastewater enterprise raise rates in order to complete its scheduled capital projects and maintain financial health. As shown below, the city currently has one of the lowest rates in the area and has not increases rates since 2009.

After much deliberation with city council and staff, the city has elected to pursue scenario 3: Full CIP. This scenario will raise rates enough to cover all planned capital projects in the five year projection and provide financial health within the enterprise.

## Sewer Rate Survey

Figure 5



**Appendix A: Commercial & Industrial Rate Increase Schedules**

Table 1: Scenario 1: Commercial Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

Commercial Grouping	Old Rate*	New Rate**	FY 2016**	FY 2017**	FY 2018**	FY 2019**	FY 2020**
<i>Group 1</i>							
Schools w/o Cafeteria	-	0.01119	0.01119	0.01119	0.01119	0.01119	0.01119
Offices	0.01325	0.01119	0.01119	0.01119	0.01119	0.01119	0.01119
<b>% Change</b>		<b>-16%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<i>Group 2</i>							
Commercial	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
Hospitals	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
Extended Care Facilities	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
Markets (Without Delicatessens)	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
Automobile Service Facilities	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
Commercial Laundromats	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492	0.01492
<b>% Change</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<i>Group 3</i>							
Schools w/ Cafeteria	-	0.02014	0.02014	0.02014	0.02014	0.02014	0.02014
Restaurants	0.01624	0.02014	0.02014	0.02014	0.02014	0.02014	0.02014
Short Order Facilities	0.01624	0.02014	0.02014	0.02014	0.02014	0.02014	0.02014
Markets (With Delicatessens)	0.01624	0.02014	0.02014	0.02014	0.02014	0.02014	0.02014
<b>% Change</b>		<b>24%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<i>Group 4</i>							
Restaurants (With Full Kitchens)	0.02353	0.03282	0.03282	0.03282	0.03282	0.03282	0.03282
<b>% Change</b>		<b>39%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

\*Rates per CF for usage exceeding 1,000 cubic feet per month

\*\*Rates per CF (subject to minimum monthly charge)

AGENDA ITEM 2.3

Table 2: Scenario 2: Commercial Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

Commercial Grouping	Old Rate*	New Rate**	FY 2016**	FY 2017**	FY 2018**	FY 2019**	FY 2020**
<i>Group 1</i>							
Schools w/o Cafeteria	-	0.01119	0.01343	0.01531	0.01745	0.01797	0.01851
Offices	0.01325	0.01119	0.01343	0.01531	0.01745	0.01797	0.01851
<b>% Change</b>		<b>-16%</b>	<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>
<i>Group 2</i>							
Commercial	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
Hospitals	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
Extended Care Facilities	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
Markets (Without Delicatessens)	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
Automobile Service Facilities	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
Commercial Laundromats	0.01492	0.01492	0.01790	0.02041	0.02327	0.02397	0.02469
<b>% Change</b>		<b>0%</b>	<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>
<i>Group 3</i>							
Schools w/ Cafeteria	-	0.02014	0.02417	0.02755	0.03141	0.03235	0.03332
Restaurants	0.01624	0.02014	0.02417	0.02755	0.03141	0.03235	0.03332
Short Order Facilities	0.01624	0.02014	0.02417	0.02755	0.03141	0.03235	0.03332
Markets (With Delicatessens)	0.01624	0.02014	0.02417	0.02755	0.03141	0.03235	0.03332
<b>% Change</b>		<b>24%</b>	<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>
<i>Group 4</i>							
Restaurants (With Full Kitchens)	0.02353	0.03282	0.03939	0.04490	0.05119	0.05273	0.05431
<b>% Change</b>		<b>39%</b>	<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>

\*Rates per CF for usage exceeding 1,000 cubic feet per month

\*\*Rates per CF (subject to minimum monthly charge)

AGENDA ITEM 2.3

Table 3: Scenario 3: Commercial Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

Commercial Grouping	Old Rate*	New Rate**	FY 2016**	FY 2017**	FY 2018**	FY 2019**	FY 2020**
<i>Group 1</i>							
Schools w/o Cafeteria	-	0.01119	0.01432	0.01833	0.02237	0.02617	0.02748
Offices	0.01325	0.01119	0.01432	0.01833	0.02237	0.02617	0.02748
<b>% Change</b>		<b>-16%</b>	<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>
<i>Group 2</i>							
Commercial	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
Hospitals	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
Extended Care Facilities	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
Markets (Without Delicatessens)	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
Automobile Service Facilities	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
Commercial Laundromats	0.01492	0.01492	0.01910	0.02444	0.02982	0.03489	0.03664
<b>% Change</b>		<b>0%</b>	<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>
<i>Group 3</i>							
Schools w/ Cafeteria	-	0.02014	0.02578	0.03300	0.04026	0.04711	0.04946
Restaurants	0.01624	0.02014	0.02578	0.03300	0.04026	0.04711	0.04946
Short Order Facilities	0.01624	0.02014	0.02578	0.03300	0.04026	0.04711	0.04946
Markets (With Delicatessens)	0.01624	0.02014	0.02578	0.03300	0.04026	0.04711	0.04946
<b>% Change</b>		<b>24%</b>	<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>
<i>Group 4</i>							
Restaurants (With Full Kitchens)	0.02353	0.03282	0.04201	0.05378	0.06561	0.07676	0.08060
<b>% Change</b>		<b>39%</b>	<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>

\*Rates per CF for usage exceeding 1,000 cubic feet per month

\*\*Rates per CF (subject to minimum monthly charge)

AGENDA ITEM 2.3

Table 4: Scenario 4: Commercial Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

Commercial Grouping	Old Rate*	New Rate**	FY 2016**	FY 2017**	FY 2018**	FY 2019**	FY 2020**
<i>Group 1</i>							
Schools w/o Cafeteria	-	0.01119	0.01343	0.01611	0.01740	0.01879	0.02030
Offices	0.01325	0.01119	0.01343	0.01611	0.01740	0.01879	0.02030
<b>% Change</b>		<b>-16%</b>	<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
<i>Group 2</i>							
Commercial	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
Hospitals	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
Extended Care Facilities	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
Markets (Without Delicatessens)	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
Automobile Service Facilities	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
Commercial Laundromats	0.01492	0.01492	0.01790	0.02148	0.02320	0.02506	0.02706
<b>% Change</b>		<b>0%</b>	<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
<i>Group 3</i>							
Schools w/ Cafeteria	-	0.02014	0.02417	0.02900	0.03132	0.03383	0.03654
Restaurants	0.01624	0.02014	0.02417	0.02900	0.03132	0.03383	0.03654
Short Order Facilities	0.01624	0.02014	0.02417	0.02900	0.03132	0.03383	0.03654
Markets (With Delicatessens)	0.01624	0.02014	0.02417	0.02900	0.03132	0.03383	0.03654
<b>% Change</b>		<b>24%</b>	<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
<i>Group 4</i>							
Restaurants (With Full Kitchens)	0.02353	0.03282	0.03939	0.04727	0.05105	0.05513	0.05954
<b>% Change</b>		<b>39%</b>	<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>

\*Rates per CF for usage exceeding 1,000 cubic feet per month

\*\*Rates per CF (subject to minimum monthly charge)

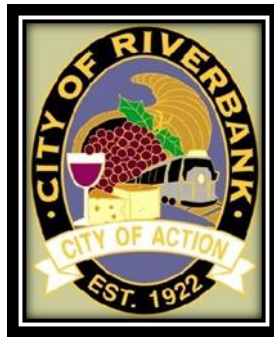
AGENDA ITEM 2.3

Table 5: Industrial Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

<b>Scenario 1</b>	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Annual Volume (Per MG)	\$96.209	\$96.209	\$96.209	\$96.209	\$96.209	\$96.209
<b>% Change</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Annual BOD (Per LB)	\$10	\$10	\$10	\$10	\$10	\$10
<b>% Change</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Scenario 2</b>						
Annual Volume (Per MG)	\$96.209	\$115.451	\$131.614	\$150.040	\$154.541	\$159.177
<b>% Change</b>		<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>
Annual BOD (Per LB)	\$10	\$12	\$14	\$16	\$16	\$17
<b>% Change</b>		<b>20%</b>	<b>14%</b>	<b>14%</b>	<b>3%</b>	<b>3%</b>
<b>Scenario 3</b>						
Annual Volume (Per MG)	\$96.209	\$123.148	\$157.629	\$192.307	\$224.999	\$236.249
<b>% Change</b>		<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>
Annual BOD (Per LB)	\$10	\$13	\$16	\$20	\$23	\$25
<b>% Change</b>		<b>28%</b>	<b>28%</b>	<b>22%</b>	<b>17%</b>	<b>5%</b>
<b>Scenario 4</b>						
Annual Volume (Per MG)	\$96.209	\$115.451	\$138.541	\$149.624	\$161.594	\$174.522
<b>% Change</b>		<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
Annual BOD (Per LB)	\$10	\$12	\$14	\$16	\$17	\$18
<b>% Change</b>		<b>20%</b>	<b>20%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>

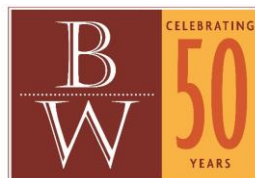
Industrial charges calculated based on the following formula:  $\text{C} = \text{Volume Charge} * (\text{Annual MG}) + \text{BOD Charge} * (\text{Annual BOD/lbs})$

# City of Riverbank



## Water Rate Study

FINAL 6/18/2015



Bartle Wells Associates  
Independent Public Finance Consultants  
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Berkeley, California 94703  
[www.bartlewells.com](http://www.bartlewells.com)  
Tel: 510-653-3399

AGENDA ITEM 2.3

June 18, 2015

City of Riverbank  
6707 Third Street  
Riverbank, CA 95367

Attention: Michael Riddell, Deputy Development Services Director / Operations

Re: Water and Sewer Rate Study

Bartle Wells Associates is pleased to submit to the City of Riverbank the attached Water and Wastewater Rate Study. The report presents BWA's analysis of the capital and operating costs of the water utility. It lists the assumptions and rate design objectives used in BWA's analysis.

The report recommends updating rates to more accurately recover the costs of providing service to the City's water customers. Recommendations were developed with substantial input from City staff.

BWA finds that the water rates and charges proposed in our report to be based on the cost of service, follow generally accepted rate design criteria, and adhere to the substantive requirements of Proposition 218. BWA believes that the proposed rates are fair and reasonable to the City's customers.

We enjoyed working with you on the rate study and appreciate the assistance and cooperation of City staff throughout the project. Please contact us if you ever have any future questions about this study and the rate recommendations.

Sincerely,

BARTLE WELLS ASSOCIATES

A handwritten signature in black ink, appearing to read 'Doug Dove', written in a cursive style.

Douglas Dove, PE, CIPFA  
President/Principal

## Rate Setting Legislation and Principles

In conducting this water rate study, Bartle Wells Associates (BWA) adheres to the Proposition 218 requirements as described in this section. Subsequent sections provide the detailed, cost of service basis for BWA's rate recommendations.

### 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 2006, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates.

BWA recommends that the City of Riverbank follow the procedural requirements of Proposition 218 for all water rate changes. These requirements include:

- **Noticing Requirement:** - The City 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 City 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, wastewater, 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.

## Rate Development Principles

In reviewing the City's current water rates and finances, BWA used the following criteria in developing our recommendations:

1. *Revenue Sufficiency:* Rates should recover the annual cost of service and provide revenue stability.
2. *Rate Impact:* While rates are calculated to generate sufficient revenue to cover operating and capital costs, they should be designed to minimize, as much as possible, the impacts on ratepayers.
3. *Equitable:* Rates should be fairly allocated among all customer classes based on their estimated demand characteristics. Each user class only pays its proportionate share.
4. *Practical:* Rates should be simple in form and, therefore, adaptable to changing conditions, easy to administer and easy to understand.
5. *Provide Incentive:* Rates provide price signals which serve as indicators to conserve water and to use water efficiently.

## Background:

The City of Riverbank is located in Stanislaus County with a population of 23,149. The water division of the city is currently having to deal with one of the most severe droughts in the state of California's history. The city is mandated by the state to reduce water usage, thus affecting the revenues of the department. In addition, the city is planning to complete multiple capital improvement projects that will upgrade its current water system.

The city contracted with BWA to conduct a water rate analysis to determine a rate structure that fits the water division's financial needs.

**Current Water Service Rates:**

The City of Riverbank currently charges customers a bimonthly flat fee based on meter size for up to 1,000 cubic feet (cf) of water use. If usage exceeds 1,000 cf in a bi-monthly period, a declining-block volumetric rate is applied. Customers are charged \$0.34 per 100 cf for the next 4,000 cf, \$0.33 for the next 34,000 cf, and \$.30 for all use above these levels. As you can see, the variable rate decreases as water usage increases, which is not considered a conservation-oriented billing structure. In light of the ongoing California Drought and recent water rate litigation, BWA recommends updating the current volumetric structure to a uniform volumetric rate moving forward. See **table 1** for the current water service charges.

**Table 1**

Current and Historical Water Service Charges  
 City of Riverbank  
 Water and Wastewater Rate Study

Minimum charge for 1,000 cubic feet for two months (bimonthly)								
Meter-Size	2002	2003	2004	2005	2006	2007	2008	2009
Residential								
5/8"	25.58	25.79	26.27	26.88	27.46	28.12	28.92	29.29
3/4"	25.58	25.79	26.27	26.88	27.46	28.12	28.92	29.29
1"	25.58	25.79	26.27	26.88	27.46	28.12	28.92	29.29
Apartments, Commercial, and Industrial								
1-1/2"	25.58	25.79	26.27	26.88	27.46	28.12	28.92	29.29
2"	32.03	32.30	32.91	33.68	34.41	35.24	36.24	36.70
3"	48.16	48.56	49.47	50.62	51.72	52.96	54.47	55.16
4"	66.54	67.09	68.35	69.94	71.46	73.18	75.27	76.23
8"	126.46	127.51	129.91	132.94	135.83	139.09	143.05	144.87
Outside City Limits								
1"	29.59	29.84	30.40	31.11	31.79	32.55	33.48	33.91
2"	43.49	43.85	44.67	45.71	46.70	47.82	49.18	49.81
Year-to-year-increase		0.8%	1.8%	2.3%	2.1%	2.3%	2.8%	1.3%

Volume rates for usage exceeding 1,000 cubic feet for two months (bimonthly)								
	2002	2003	2004	2005	2006	2007	2008	2009
Rates for water exceeding the 1,000 cubic foot minimum charge for the particular meter size (per 100 cubic feet)								
Next 4,000 cubic feet	0.29	0.29	0.30	0.31	0.31	0.32	0.33	0.34
Next 34,000 cubic feet	0.27	0.27	0.28	0.29	0.30	0.31	0.32	0.33
All additional Use in Period	0.25	0.25	0.25	0.26	0.27	0.28	0.29	0.30

## Proposed Water Rate Structure

The Proposed water rate structure is shown in **table 2**. This structure follows a uniform rate that charges customers based on consumption and meter size. The calculated base charges for each meter were derived using guidelines from the American Water Works Association. It is proposed that all customer classes move to this uniform rate structure.

**Table 2**

Proposed Water Rates

City of Riverbank

Water and Wastewater Rate Study

Monthly Base Charge by Meter Size	Flow Capacity (GPM) [1]	Meter Ratio	Projected Monthly Rate with Increases (\$)				
			FY2016	FY2017	FY2018	FY2019	FY2020
<b>Scenario: Drought Full CIP [2]</b>							
1 1/2 Inch and below	100	1.0	\$19.77	\$22.73	\$24.55	\$25.78	\$27.07
2 Inch	160	1.6	\$31.63	\$36.37	\$39.29	\$41.24	\$43.31
3 Inch	320	3.2	\$63.27	\$72.74	\$78.57	\$82.49	\$86.62
4 Inch and above	500	5.0	\$98.85	\$113.65	\$122.77	\$128.89	\$135.34
Volume Charge (per 100 cubic feet)							
Base			0.46	0.53	0.57	0.60	0.63
Drought Surcharge (Conservation Mandate)			-	0.07	0.16	0.28	0.30
Total Variable Charge			0.46	0.60	0.73	0.88	0.92

[1] Source: AWWA Manual M22, 2nd Edition, 2004

[2] Scenario 4: Drought Full CIP selected by city council

## Current Water Service Revenue:

As shown in **table 3**, water service charge revenue accounts for nearly 97% of all operating revenues. The other 3% is derived from backflow inspections, fines/forfeitures/penalties, interest income, and miscellaneous. A 1% increase year over year is assumed for fines/forfeitures/penalties as revenues increase. Additionally, a 0.5% increase in revenue for meter charges and volumetric charges is assumed due to growth. Revenue is projected to total \$1.72MM for FY2014/15.

**Table 3**

Budget FY2014/15

City of Riverbank

Water and Wastewater Rate Study

Budget FY2014/15		
<u>Revenues</u>		
Water Service Charges		
<i>Meter Charge Revenue Estimate</i>	1,149,000	67%
<i>Volumetric Revenue Estimate</i>	523,000	30%
Backflow Inspections	300	<1%
Fines, Forfeitures, Penalties	46,100	3%
Interest Income	2,400	0%
Misc. Revenues	500	<1%
<b>Total Operating Revenues</b>	<b>1,721,300</b>	<b>100%</b>

**Minimum Reserves**

The water enterprise beginning fund balance for FY2014/15 totals about \$2,072,000. Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects. In order to reach these targets the City of Riverbank must increase rates. See **Table 4** for current fund balances for 2014/15.

**Table 4**

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Water Fund Balances FY2014/15  
 City of Riverbank  
 Water and Wastewater Rate Study

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<u>Reserve</u>	<u>Amount</u>
Fund 114: Water Fund	\$697,581
Fund 116: Capital Improvement Fund	395,475
<u>Fund 158: Water Connection Fund</u>	<u>979,339</u>
Total Reserves	\$2,072,395

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Note: These are the fund balances as of July 1, 2014  
 Source: City of Riverbank Annual Operating Budget, FY2014/15

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## Capital Improvements

As summarized in **table 5**, the City of Riverbank has a number of water projects scheduled in the next five years. The Fund 116 and 157 water projects totaling \$6,486,000 are labeled as High Priority CIP and are funded in all rate scenarios analyzed. The full Water Division CIP totals \$13,038,000. Rate increases will help recoup the initial cost of the capital projects and their scheduled loan/bond payments.

**Table 5**

Water Capital Projects City of Riverbank Water and Wastewater Rate Study								
Water Utility	Project #	0	1	2	3	4	5	Total Projected Capital Cost FY2015-2020
		FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	
<b>Project Name</b>								
<b>High-Priority CIP</b>								
<b>Water Projects (Fund 116)</b>								
Central Avenue Water Line Installation	WTR-087	113,000						113,000
Line Replacement Third St. Alley Sierra/Patterson	WTR-075		89,000					89,000
Main Replacement Alley between 3rd and 8th	WTR-063		389,000					389,000
Water Conservation -Implementation of DMMs	WTR-078		25,000	25,000	25,000			75,000
Line Replacement Prospector's to Claribel/Roselle	WTR-074		105,000					105,000
Water Main - Oakdale Road	WTR-022		150,000					150,000
Novi Drive Well Site - Enclosure	WTR-077			300,000				300,000
Talbot/Kentucky Connection (1,330 LF of 12-in pipe)	WTR-079				515,000			515,000
Water Meters [1]		50,000						50,000
<b>Fund 116 Capital Cost</b>		<b>163,000</b>	<b>758,000</b>	<b>325,000</b>	<b>540,000</b>	<b>-</b>	<b>-</b>	<b>1,786,000</b>
<b>Water Connection Projects (Fund 157)</b>								
Water Meter Reading System [2]			4,700,000					4,700,000
<b>Fund 157 Capital Cost</b>		<b>-</b>	<b>4,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,700,000</b>
<b>Total High Priority CIP</b>		<b>163,000</b>	<b>5,458,000</b>	<b>325,000</b>	<b>540,000</b>	<b>-</b>	<b>-</b>	<b>6,486,000</b>
<b>Additional Water CIP</b>								
Mechanic shop with parts & equipment			500,000					500,000
Novi well enclosure for equipment and sound control			75,000					75,000
Water line replaced on Sierra from Patterson to SR 108			75,000					75,000
Water line installation 2800 Block to Santa Fe			50,000					50,000
Water line on 8th Topeka to SR 108			60,000					60,000
Water line on Claus from SR 108 to Santa Fe			75,000					75,000
12 in water line on Santa Fe from 8th to 4th Streets				325,000				325,000
12 in water line in Sierra Alley from 3rd to 8th Street				350,000				350,000
Water line in alley on Riverside from Corp yard to 4th St				325,000				325,000
Water line in Topeka Alley from 1st to Cannery Site				150,000				150,000
Water line on 7th to dead end.					75,000			75,000
Water line in alley on Orange from 2nd to Burneyville					100,000			100,000
Replace all transite water lines					1,250,000			1,250,000
Waterline on 7th from Nevada to Arizona					40,000			40,000
Loop all dead end waterline in Crossroads					500,000			500,000
Install pump to waste on 8th, River Heights & Jackson Wells					150,000			150,000
Install covers on 2nd St. storage tank motors						25,000		25,000
Install SCADA system antenna for 2nd St. storage tank						50,000		50,000
Paint 2nd St. Storage tank						50,000		50,000
Install covers on Crossroads storage tank motors						25,000		25,000
New block wall fences at Crossroads, Jackson & Pioneer wells						200,000		200,000
Install flushing valve on Lane Avenue							2,000	2,000
New chlorine pumps & analyzers at well sites							1,000,000	1,000,000
Install flushing valves or hydrants at all dead end systems							500,000	500,000
<b>Total Additional Water CIP</b>		<b>-</b>	<b>835,000</b>	<b>1,150,000</b>	<b>2,115,000</b>	<b>350,000</b>	<b>1,502,000</b>	<b>5,952,000</b>
<b>Total of all Capital Projects (Full CIP)</b>								<b>12,438,000</b>

Source: City of Riverbank 2014-2019 Capital Improvement Plan

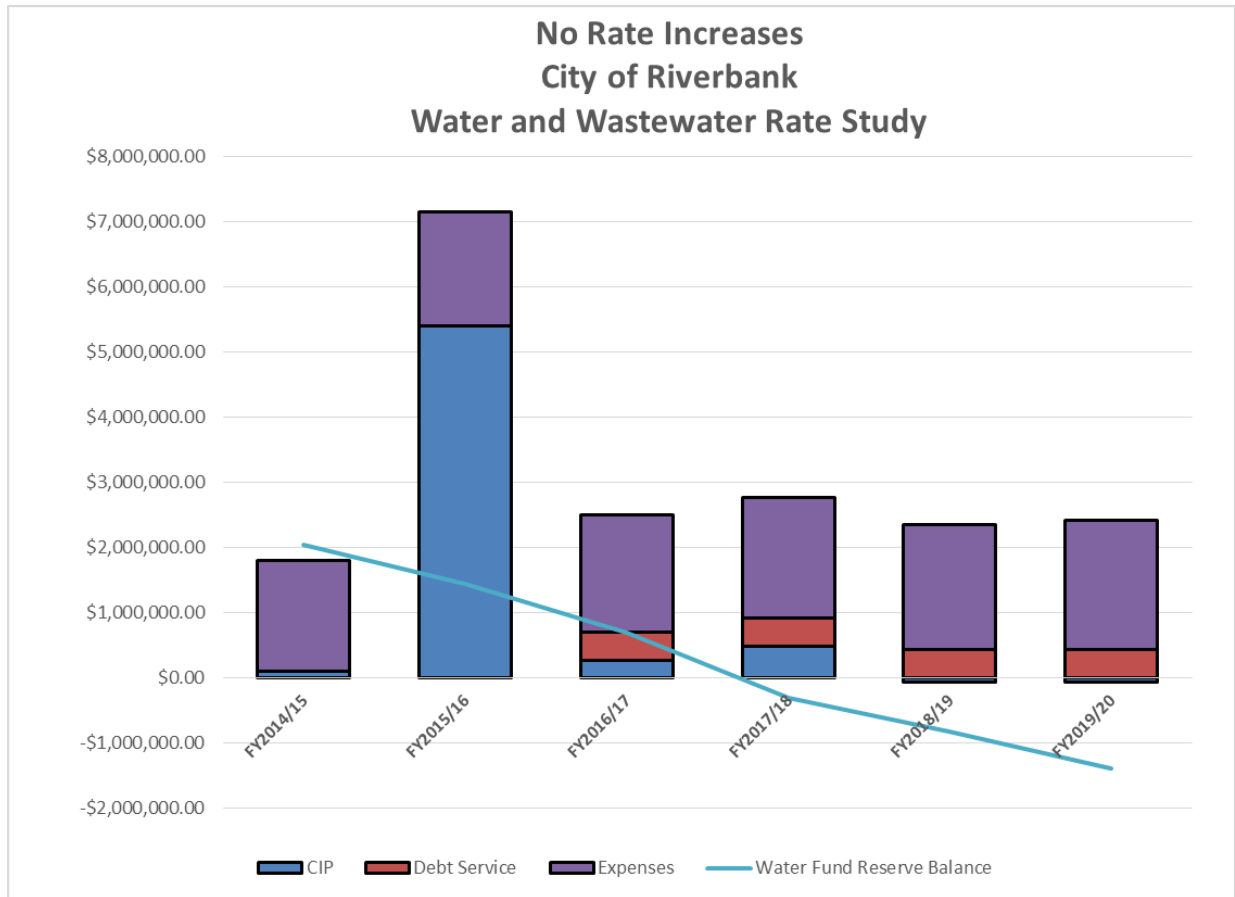
[1] From City of Riverbank FY2014/15 Water Annual Budget, (Fund 114; Dept. 433; Account 707.119)

[2] Phone call with City Staff, 8/21/2014. Funding TBD.

**Projected Revenue and Expenses Without Rate Increases.**

**Table 6** and **figure 1** project the revenue and expenses for the next five years under the status quo (No rate increases). Without making any changes in the rates, the City of Riverbank will run a deficit towards the end of FY2017/18 and will miss its reserve fund target by the end of FY2015/16. In order to further fund any capital projects, the city must raise rates.

**Figure 1**



**Table 6 No Rate Increases**

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCE</b>							
Water Fund Total	2,072,395		2,040,000	1,442,000	700,000	(307,000)	(824,000)
Typical SFR Bill (17 ccf (12,700 gal) per month)	19.75		19.75	19.75	19.75	19.75	19.75
<b>Fixed Charge (for 1,000 ccf of water) [1]</b>	<b>14.65</b>		<b>14.65</b>	<b>14.65</b>	<b>14.65</b>	<b>14.65</b>	<b>14.65</b>
<b>Base Variable Charge (per 100 ccf in excess) [2]</b>	<b>0.34</b>		<b>0.34</b>	<b>0.34</b>	<b>0.34</b>	<b>0.34</b>	<b>0.34</b>
<b>Revenues</b>							
Water Service Charges							
<i>Meter Charge Revenue Estimate</i>	1,149,000	0.5%	1,155,000	1,161,000	1,167,000	1,173,000	1,179,000
<i>Volumetric Revenue Estimate</i>	523,000	0.5%	526,000	529,000	532,000	535,000	538,000
Backflow Inspections	300		1,000	1,000	1,000	1,000	1,000
Fines, Forfeitures, Penalties	46,100	1%	47,000	48,000	49,000	50,000	51,000
Interest Income [3]	2,400		3,000				
Misc. Revenues	500		1,000	1,000	1,000	1,000	1,000
<b>Total Operating Revenues</b>	<b>1,721,000</b>		<b>1,733,000</b>	<b>1,740,000</b>	<b>1,750,000</b>	<b>1,760,000</b>	<b>1,770,000</b>
<b>Debt Proceeds</b>							
Loan Issue FY2016			4,800,000				
<b>Total Financing Revenue</b>			<b>4,800,000</b>				
<b>Total Revenue</b>	<b>\$1,721,000</b>		<b>\$6,533,000</b>	<b>\$1,740,000</b>	<b>\$1,750,000</b>	<b>\$1,760,000</b>	<b>\$1,770,000</b>
<b>Expenses</b>							
Water Collection							
Employee Salaries	300,900	3%	310,000	319,000	329,000	339,000	349,000
Employee Benefits	158,400	3%	163,000	168,000	173,000	178,000	183,000
Supplies and Materials	37,250	4%	39,000	41,000	43,000	45,000	47,000
Utilities	300,000	5%	315,000	331,000	348,000	365,000	383,000
Services	193,000	3%	199,000	205,000	211,000	217,000	224,000
Communications	1,000		1,000	1,000	1,000	1,000	1,000
Misc. Expenses and Allowances	60,000	4%	62,000	64,000	67,000	70,000	73,000
Meter Replacements	55,000		55,000	55,000	55,000	55,000	55,000
Transfers Out Management Fee	530,900	3%	547,000	563,000	580,000	597,000	615,000
Transfers Out Misc.	51,500		52,000	52,000	52,000	52,000	52,000
<b>Total Water Operations</b>	<b>1,688,000</b>		<b>\$1,743,000</b>	<b>\$1,799,000</b>	<b>\$1,859,000</b>	<b>\$1,919,000</b>	<b>\$1,982,000</b>
<b>Net Operating Revenues</b>	<b>33,000</b>		<b>(\$10,000)</b>	<b>(\$59,000)</b>	<b>(\$109,000)</b>	<b>(\$159,000)</b>	<b>(\$212,000)</b>
<b>Water Debt Service</b>							
Loan Issue FY 2016 [4]				429,000	429,000	429,000	429,000
<b>Total Annual Debt Service</b>				<b>\$429,000</b>	<b>\$429,000</b>	<b>\$429,000</b>	<b>\$429,000</b>
<b>Debt Service Coverage [5]</b>				<b>(0.14)</b>	<b>(0.25)</b>	<b>(0.37)</b>	<b>(0.49)</b>
<b>Water Capital</b>							
Fund 116 Expenditures	163,000		758,000	325,000	540,000		
Fund 157 Expenditures			4,700,000				
Transfers In [6]	(51,700)		(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
<b>Total Capital Expenditures</b>	<b>\$111,000</b>		<b>\$5,403,000</b>	<b>\$270,000</b>	<b>\$485,000</b>	<b>(\$55,000)</b>	<b>(\$55,000)</b>
<b>ENDING BALANCE</b>							
Water Fund Total	\$2,040,000		\$1,442,000	\$700,000	(\$307,000)	(\$824,000)	(\$1,394,000)
<b>Target Balance [6]</b>	<b>\$1,844,000</b>		<b>\$1,872,000</b>	<b>\$1,900,000</b>	<b>\$1,930,000</b>	<b>\$1,960,000</b>	<b>\$1,991,000</b>
	yes		no	no	no	no	no

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2014-2019

[1] Minimum charge for 1,000 cubic feet for 2 months (bi-monthly) for 5/8"-1" residential meters is \$29.29. Water usage exceeding 1,000 cubic feet is \$.34 per 100 cubic ft.

[2] Assumes same rate structure for all years.

[3] Interest Income is 1% of the Beginning Fund 116 Balance if fund balance is positive.

[4] \$4,800,000, 15-year loan with semi-annual payments and an interest rate of 4%

[5] Net operating revenue (less financing revenue) must equal at least 1.2x total annual debt service to fulfill Debt Service Coverage

[6] Includes 'Transfers In' and 'Interest Income' revenue. Assumes \$51,700 for FY2014/15 and \$55,000 for FY2015-2017.

[7] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

## Consumption

**Table 7** outlines the historical and projected consumption with and without the Governor’s mandated reduction (32% from Riverbank’s FY2012-FY2014 consumption levels). With the mandated reduction, significant rate increases are required to make up for the drop in usage to maintain funding for operations and capital improvement projects.

**Table 7**

Historical and Projected Consumption (ccf)  
 City of Riverbank  
 Water and Wastewater Rate Study

Projection <b>with</b> Governor's mandate (32% Reduction)									
	Historical			Budget	Projection				
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Variable[1]	1,448,366	1,456,305	1,711,369	1,538,680	1,046,302	1,051,534	1,056,792	1,062,076	1,067,386
Fixed (under 1000 ccf)	344,202	340,733	376,389	390,180	392,131	394,092	396,062	398,042	400,033
<b>Total[2]</b>	<b>1,792,568</b>	<b>1,797,038</b>	<b>2,087,758</b>	<b>1,928,860</b>	<b>1,438,433</b>	<b>1,445,625</b>	<b>1,452,854</b>	<b>1,460,118</b>	<b>1,467,418</b>

Projection <b>without</b> Governor's mandate									
	Historical			Budget	Projection				
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Variable	1,448,366	1,456,305	1,711,369	1,538,680	1,546,373	1,554,105	1,561,876	1,569,685	1,577,534
Fixed (under 1000 ccf)	344,202	340,733	376,389	390,180	392,131	394,092	396,062	398,042	400,033
<b>Total[2]</b>	<b>1,792,568</b>	<b>1,797,038</b>	<b>2,087,758</b>	<b>1,928,860</b>	<b>1,938,504</b>	<b>1,948,197</b>	<b>1,957,938</b>	<b>1,967,727</b>	<b>1,977,566</b>

[1] Projected consumption is based on the Governor's mandated 32% reduction.

[2] A 0.5% increase in growth is assumed for both fixed and variable consumption.

### Cash Flow Projections and Scenarios

Detailed below are four rate scenarios based on the level of capital improvement projects the city selects and the drought impacts. See **table 8** and **figure 2** for an overview of the variable rates among the 4 scenarios:

**Scenario 1: High Priority CIP Only:** Funds the Fund 116 and 157 projects with rate increases, a loan and a bond issuance. Does not factor in the Governor’s 32% conservation mandate.

**Scenario 2: Full CIP:** Funds all capital improvement projects through rate increases, a loan, and multiple bond issuances. Does not factor in the Governor’s 32% conservation mandate.

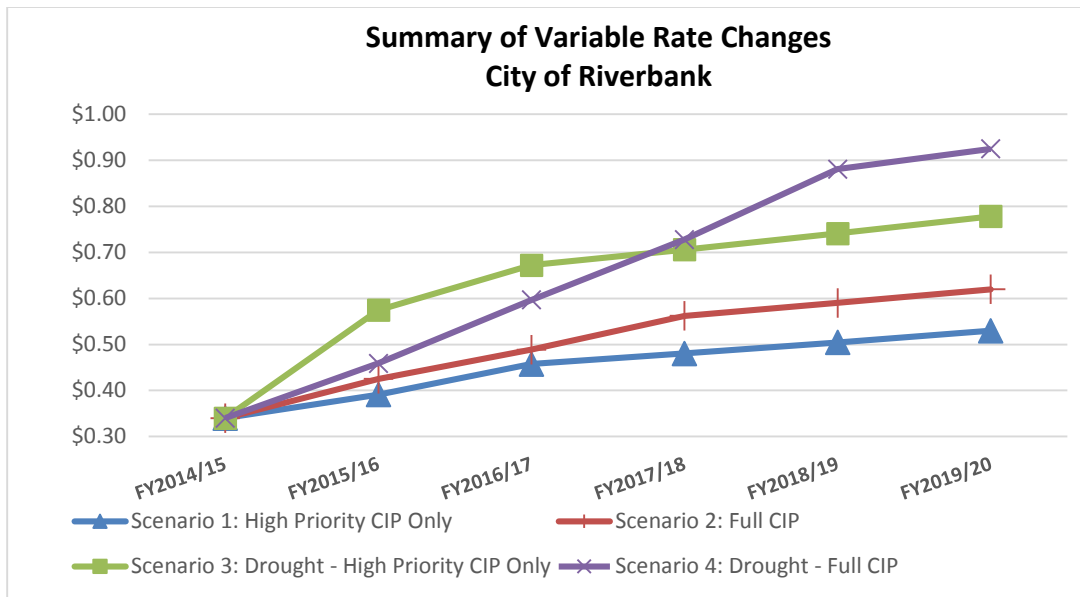
**Scenario 3: Drought – High Priority CIP Only:** Funds the Fund 116 and 157 projects with rate increases, a loan and a bond issuance. **A drought surcharge is initiated to recoup lost revenue due to Governor’s conservation mandate of 32%.**

**Scenario 4: Drought – Full CIP:** Funds all capital improvement projects through rate increases, a loan, and multiple bond issuances. **A drought surcharge is initiated to recoup lost revenue due to Governor’s conservation mandate of 32%.**

**Table 8**

<b>Summary of Variable Rate Changes (\$)</b>						
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
Scenario 1: High Priority CIP Only	\$ 0.34	\$ 0.39	\$ 0.46	\$ 0.48	\$ 0.50	\$ 0.53
Scenario 2: Full CIP	\$ 0.34	\$ 0.43	\$ 0.49	\$ 0.56	\$ 0.59	\$ 0.62
Scenario 3: Drought - High Priority CIP Only	\$ 0.34	\$ 0.39	\$ 0.46	\$ 0.48	\$ 0.50	\$ 0.53
<i>Drought Surcharge</i>	-	\$ 0.18	\$ 0.21	\$ 0.23	\$ 0.24	\$ 0.25
<i>Total</i>	\$ 0.34	\$ 0.57	\$ 0.67	\$ 0.71	\$ 0.74	\$ 0.78
Scenario 4: Drought - Full CIP	\$ 0.34	\$ 0.43	\$ 0.49	\$ 0.56	\$ 0.59	\$ 0.62
<i>Drought Surcharge</i>	-	\$ 0.03	\$ 0.11	\$ 0.17	\$ 0.29	\$ 0.31
<i>Total</i>	\$ 0.34	\$ 0.46	\$ 0.60	\$ 0.73	\$ 0.88	\$ 0.92

**Figure 2**



**Scenario 1: High Priority CIP Only:**

This scenario involves completing the Fund 116 and 157 High Priority water projects. The expenditures for the Fund 116 and 157 water projects will occur from FY2014/15 to FY2017/18 and will total \$6,486,000. As shown in **table 9**, rates will increase from the current \$0.34 per 100 cubic feet in 2015/16 to \$0.53 per 100 cubic feet in 2019/20. The fixed charge for the first 1,000 cubic feet of water will also increase starting from \$14.65 in FY14/15 to \$22.81 in FY2019/20.

This rate increase will fund the High Priority water projects and bring the city’s water fund balance above the reserve fund targets by FY2019/20. The Fund 157 Water Connection Project will be financed through a 15-year loan issued in FY2015/16. Semi-annual payments for that loan will begin in FY2016/17 and will total \$429,000 each year.

**Figure 3**

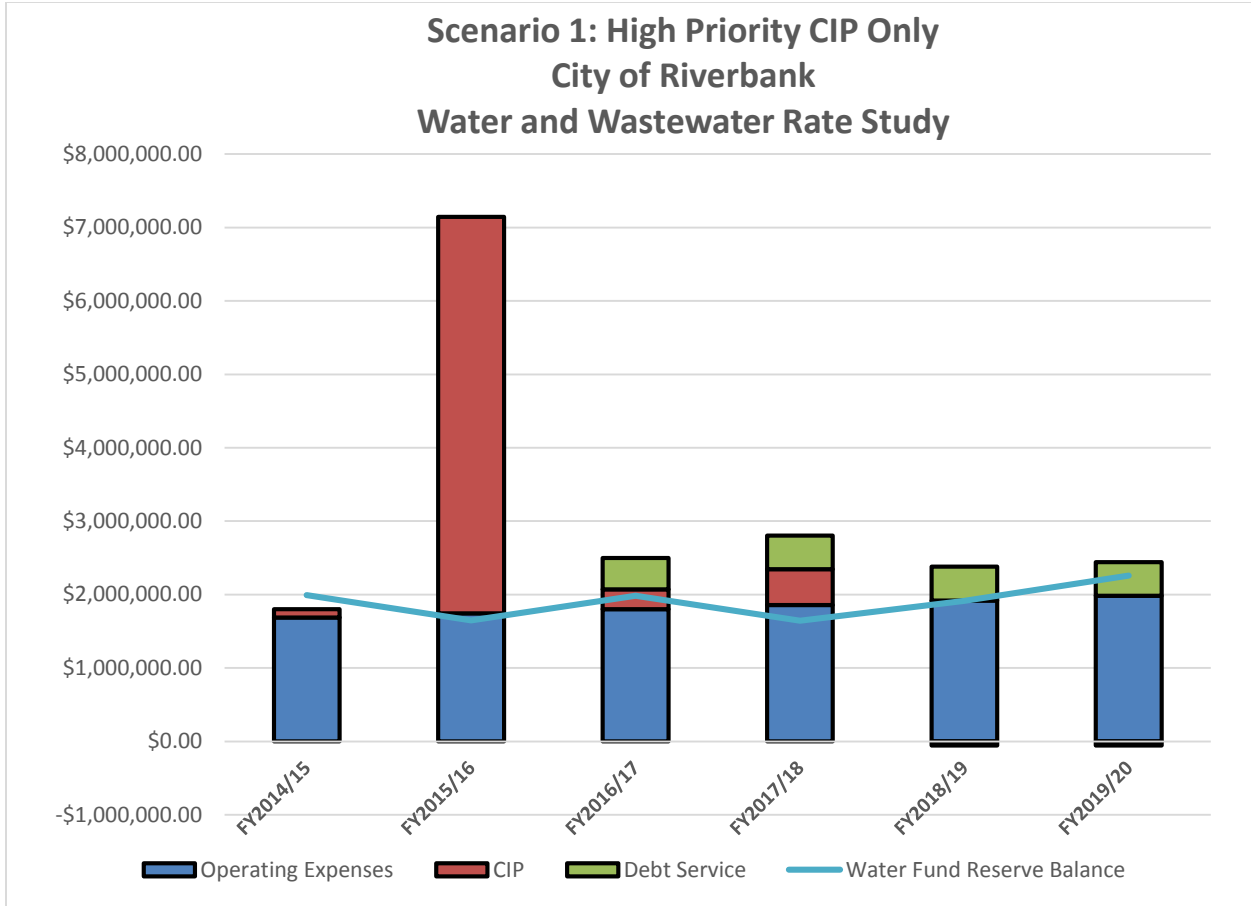


Table 9

Scenario 1

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>Typical SFR Bill (17 ccf (12,700 gal) per month)</b>	<b>19.75</b>		<b>21.94</b>	<b>24.80</b>	<b>25.79</b>	<b>26.82</b>	<b>27.91</b>
<b>Year Over Year % Increase to SFR Bill</b>			<b>11%</b>	<b>13%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
<b>Fixed Charge (for 1,000 ccf of water) [1]</b>	<b>14.65</b>		<b>16.84</b>	<b>19.70</b>	<b>20.69</b>	<b>21.72</b>	<b>22.81</b>
<b>Base Variable Charge (per 100 cubic feet) [2]</b>	<b>0.34</b>		<b>0.39</b>	<b>0.46</b>	<b>0.48</b>	<b>0.50</b>	<b>0.53</b>
<b>% Change in Total Variable Charge</b>			<b>15.0%</b>	<b>17.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<i>Projected Water Consumption (ccf)</i>			<b>1,546,373</b>	<b>1,554,105</b>	<b>1,561,876</b>	<b>1,569,685</b>	<b>1,577,534</b>
<b>Revenues</b>							
<b>Water Service Charges</b>							
<i>Meter Charge Revenue Estimate</i>	1,149,000	0.5%	1,327,000	1,559,000	1,645,000	1,735,000	1,830,000
<i>Volumetric Revenue Estimate</i>	523,000	0.5%	604,000	710,000	749,000	790,000	833,000
Backflow Inspections	300		1,000	1,000	1,000	1,000	1,000
Fines, Forfeitures, Penalties	46,100	1%	47,000	48,000	49,000	50,000	51,000
Interest Income [3]	2,400		20,000	16,000	20,000	16,000	19,000
Misc. Revenues	500		1,000	1,000	1,000	1,000	1,000
<b>Total Operating Revenues</b>	<b>1,721,300</b>		<b>2,000,000</b>	<b>2,335,000</b>	<b>2,465,000</b>	<b>2,593,000</b>	<b>2,735,000</b>
<b>Debt Proceeds</b>							
Loan Issue FY2016			4,800,000				
Bond Issue FY2016				500,000			
<b>Total Financing Revenue</b>			<b>4,800,000</b>	<b>500,000</b>			
<b>Total Revenue</b>	<b>\$1,721,300</b>		<b>\$6,800,000</b>	<b>\$2,835,000</b>	<b>\$2,465,000</b>	<b>\$2,593,000</b>	<b>\$2,735,000</b>
<b>Expenses</b>							
<b>Water Collection</b>							
Employee Salaries	300,900	3%	310,000	319,000	329,000	339,000	349,000
Employee Benefits	158,400	3%	163,000	168,000	173,000	178,000	183,000
Supplies and Materials	37,250	4%	39,000	41,000	43,000	45,000	47,000
Utilities	300,000	5%	315,000	331,000	348,000	365,000	383,000
Services	193,000	3%	199,000	205,000	211,000	217,000	224,000
Communications	1,000		1,000	1,000	1,000	1,000	1,000
Misc. Expenses and Allowances	60,000	4%	62,000	64,000	67,000	70,000	73,000
Meter Replacements	55,000		55,000	55,000	55,000	55,000	55,000
Transfers Out Management Fee	530,900	3%	547,000	563,000	580,000	597,000	615,000
Transfers Out Misc.	51,500		52,000	52,000	52,000	52,000	52,000
<b>Total Water Operations</b>	<b>\$1,687,950</b>		<b>\$1,743,000</b>	<b>\$1,799,000</b>	<b>\$1,859,000</b>	<b>\$1,919,000</b>	<b>\$1,982,000</b>
<b>Net Operating Revenues</b>	<b>\$33,350</b>		<b>\$257,000</b>	<b>\$1,036,000</b>	<b>\$606,000</b>	<b>\$674,000</b>	<b>\$753,000</b>
<b>Water Debt Service</b>							
Loan Issue FY 2016 [4]				429,000	429,000	429,000	429,000
Bond Issue FY 2017 [5]					32,000	32,000	32,000
<b>Total Annual Debt Service</b>				<b>\$429,000</b>	<b>\$461,000</b>	<b>\$461,000</b>	<b>\$461,000</b>
<b>Debt Service Coverage [6]</b>				<b>1.25</b>	<b>1.41</b>	<b>1.57</b>	<b>1.76</b>
<b>Water Capital</b>							
Fund 116 Expenditures	163,000		758,000	325,000	540,000		
Fund 157 Expenditures			4,700,000				
Transfers In [7]	(51,700)		(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
<b>Total Capital Expenditures</b>	<b>\$111,300</b>		<b>\$5,403,000</b>	<b>\$270,000</b>	<b>\$485,000</b>	<b>-\$55,000</b>	<b>-\$55,000</b>
<b>ENDING BALANCE</b>							
<b>Water Fund Total</b>	<b>\$1,994,445</b>		<b>\$1,648,000</b>	<b>\$1,985,000</b>	<b>\$1,645,000</b>	<b>\$1,913,000</b>	<b>\$2,260,000</b>
<b>Target Balance [8]</b>	<b>\$1,844,000</b>		<b>\$1,872,000</b>	<b>\$1,900,000</b>	<b>\$1,930,000</b>	<b>\$1,960,000</b>	<b>\$1,991,000</b>
	yes		no	yes	no	no	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2014-2019

[1] Minimum charge for 1,000 gallons for 2 months (bi-monthly) for 5/8"-1" residential meters is \$29.29. Water usage exceeding 1,000 gallons is \$.34 per 100 cubic feet.

[2] Volumetric Rate is Uniform for FY2016 onwards

[3] Interest Income is 1% of the Beginning Fund Balance if fund balance is positive.

[4] \$4,800,000, 15-year loan with semi-annual payments and an interest rate of 4%

[5] \$1,000,000, 30-year loan with semi-annual payments and an interest rate of 5%

[6] Net operating revenue (less financing revenue) must equal at least 1.2x total annual debt service to fulfill Debt Service Coverage

[7] Includes "Transfers In" and "Interest Income" revenue. Assumes \$51,700 for FY2014/15 and \$55,000 for FY2015-2017.

[8] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

**Scenario 2: Full CIP**

This scenario involves completing all capital improvement projects listed in **table 4**. In order to fund the projects properly, rates will need to increase from the current rate of \$0.34 per 100 cubic feet in FY2014/15 to \$0.63 per 100 cubic feet in FY2019/20, as seen in **table 10**. The fixed charge for the first 1,000 cubic feet of water will also rise the same rate in each year as the variable rates starting from \$14.65 in FY14/15 to \$27.07 in FY2019/20.

Rate increases alone will not be enough to fund all capital improvement projects. Loans and Bonds will be issued to fund a portion of the projects. Under this scenario, a 15-year loan totaling \$4,800,000 will be secured in FY2015/16 to finance the Fund 157 Water Connection Project. Semi-annual payments for that loan will begin in FY2016/2017 and will total \$429,000 each year. A 30-year bond will be issued in FY2016/17 totaling \$4,600,000 to fund part of the water division capital improvement project. Semi-annual payments for that loan will begin in FY2017/2018 and will total \$298,000 each year. To fully fund the Water Division capital improvement project, another 30-year bond will be issued totaling \$1,000,000. Semi-annual payments for this bond will begin in FY2019/2020 and will total \$65,000 each year. Under this scenario, the Water Fund balance will stay above the target balance by FY2016/17 and the city will have a surplus by FY2019/20. While rates do increase more than the ‘High Priority CIP’ scenario, the advantage in this scenario is that all capital improvement projects are funded.

**Figure 4**

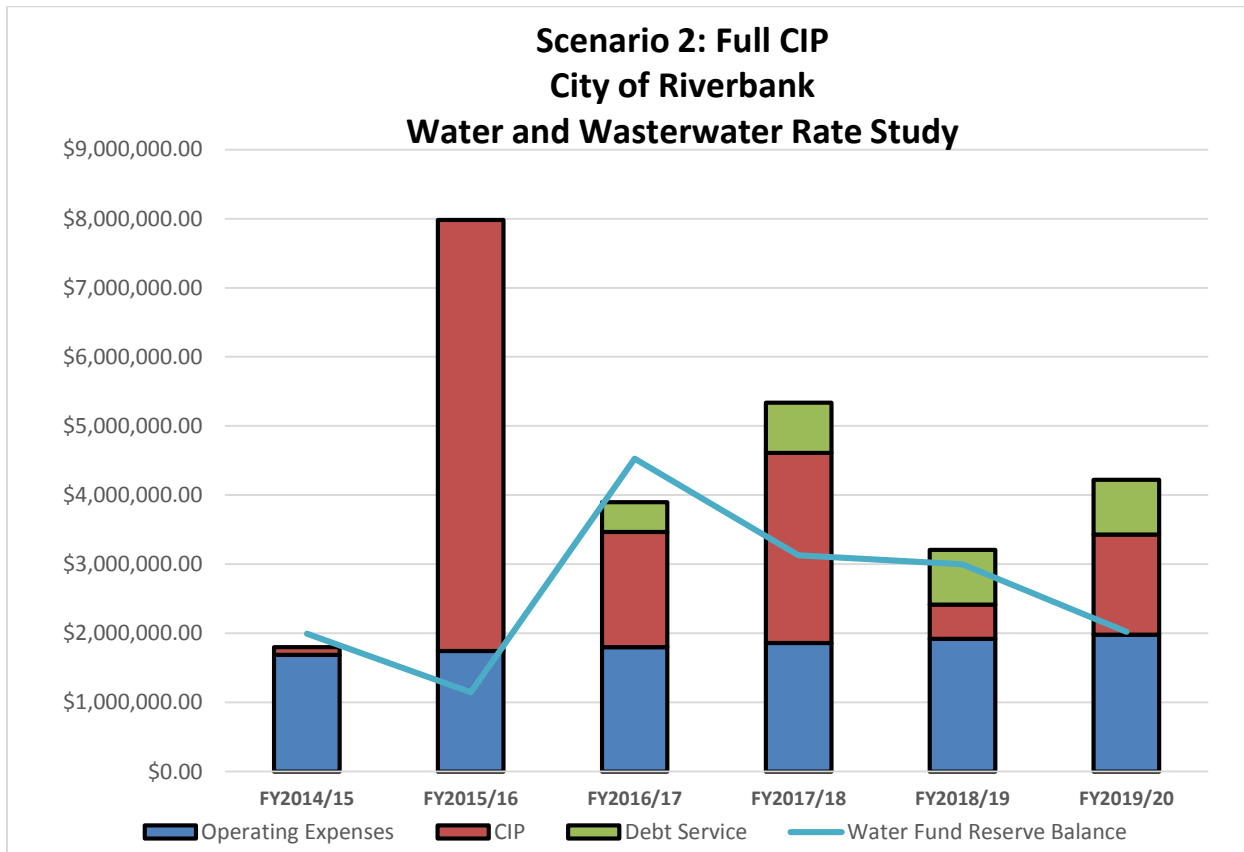


Table 10

Scenario 2

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
<b>Typical SFR Bill (17 ccf (12,700 gal) per month)</b>	<b>19.75</b>		<b>26.66</b>	<b>30.65</b>	<b>33.11</b>	<b>34.76</b>	<b>36.50</b>
<b>Year Over Year % Increase to SFR Bill</b>			<b>35%</b>	<b>15%</b>	<b>8%</b>	<b>5%</b>	<b>5%</b>
<b>Fixed Charge (for 1,000 ccf of water) [1]</b>	<b>14.65</b>		<b>19.77</b>	<b>22.74</b>	<b>24.56</b>	<b>25.78</b>	<b>27.07</b>
<b>Base Variable Charge (per 100 cubic feet) [2]</b>	<b>0.34</b>		<b>0.46</b>	<b>0.53</b>	<b>0.57</b>	<b>0.60</b>	<b>0.63</b>
<b>% Change in Total Variable Charge</b>			<b>35.0%</b>	<b>15.0%</b>	<b>8.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<i>Projected Water Consumption (ccf)</i>			<b>1,546,373</b>	<b>1,554,105</b>	<b>1,561,876</b>	<b>1,569,685</b>	<b>1,577,534</b>
<b>Revenues</b>							
<b>Water Service Charges</b>							
<i>Meter Charge Revenue Estimate</i>	1,149,000	0.5%	1,557,000	1,798,000	1,951,000	2,058,000	2,171,000
<i>Volumetric Revenue Estimate</i>	523,000	0.5%	709,000	819,000	889,000	938,000	990,000
Backflow Inspections	300		1,000	1,000	1,000	1,000	1,000
Fines, Forfeitures, Penalties	46,100	1%	47,000	48,000	49,000	50,000	51,000
Interest Income [3]	2,400		20,000	11,000	48,000	35,000	36,000
Misc. Revenues	500		1,000	1,000	1,000	1,000	1,000
<b>Total Operating Revenues</b>	<b>1,721,300</b>		<b>2,335,000</b>	<b>2,678,000</b>	<b>2,939,000</b>	<b>3,083,000</b>	<b>3,250,000</b>
<b>Debt Proceeds</b>							
Loan Issue FY2016			4,800,000				
Bond Issue FY2017				4,600,000			
Bond Issue FY2019					1,000,000		
<b>Total Financing Revenue</b>			<b>4,800,000</b>	<b>4,600,000</b>	<b>1,000,000</b>		
<b>Total Revenue</b>	<b>\$1,721,300</b>		<b>\$7,135,000</b>	<b>\$7,278,000</b>	<b>\$3,939,000</b>	<b>\$3,083,000</b>	<b>\$3,250,000</b>
<b>Expenses</b>							
<b>Water Collection</b>							
Employee Salaries	300,900	3%	310,000	319,000	329,000	339,000	349,000
Employee Benefits	158,400	3%	163,000	168,000	173,000	178,000	183,000
Supplies and Materials	37,250	4%	39,000	41,000	43,000	45,000	47,000
Utilities	300,000	5%	315,000	331,000	348,000	365,000	383,000
Services	193,000	3%	199,000	205,000	211,000	217,000	224,000
Communications	1,000		1,000	1,000	1,000	1,000	1,000
Misc. Expenses and Allowances	60,000	4%	62,000	64,000	67,000	70,000	73,000
Meter Replacements	55,000		55,000	55,000	55,000	55,000	55,000
Transfers Out Management Fee	530,900	3%	547,000	563,000	580,000	597,000	615,000
Transfers Out Misc.	51,500		52,000	52,000	52,000	52,000	52,000
<b>Total Water Operations</b>	<b>\$1,687,950</b>		<b>\$1,743,000</b>	<b>\$1,799,000</b>	<b>\$1,859,000</b>	<b>\$1,919,000</b>	<b>\$1,982,000</b>
<b>Net Operating Revenues</b>	<b>\$33,350</b>		<b>\$5,392,000</b>	<b>\$5,479,000</b>	<b>\$2,080,000</b>	<b>\$1,164,000</b>	<b>\$1,268,000</b>
<b>Water Debt Service</b>							
Loan Issue FY 2016 [4]				429,000	429,000	429,000	429,000
Bond Issue FY2016 [5]					298,000	298,000	298,000
Bond Issue FY2019 [6]						65,000	65,000
<b>Total Annual Debt Service</b>				<b>\$429,000</b>	<b>\$727,000</b>	<b>\$792,000</b>	<b>\$792,000</b>
<b>Debt Service Coverage [7]</b>				<b>2.05</b>	<b>1.49</b>	<b>1.47</b>	<b>1.60</b>
<b>Water Capital</b>							
Fund 116 Expenditures	163,000		758,000	325,000	540,000		
Fund 157 Expenditures			4,700,000				
Water Division CIP			835,000	1,150,000	2,115,000	350,000	1,502,000
Transfers In [8]	(51,700)		(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
<b>Total Capital Expenditures</b>	<b>\$111,300</b>		<b>\$6,238,000</b>	<b>\$1,420,000</b>	<b>\$2,600,000</b>	<b>\$295,000</b>	<b>\$1,447,000</b>
<b>ENDING BALANCE</b>							
<b>Water Fund Total</b>	<b>\$1,994,050</b>		<b>\$1,148,050</b>	<b>\$4,778,050</b>	<b>\$3,531,050</b>	<b>\$3,608,050</b>	<b>\$2,637,050</b>
<b>Target Balance [9]</b>	<b>\$1,844,000</b>		<b>\$1,872,000</b>	<b>\$1,900,000</b>	<b>\$1,930,000</b>	<b>\$1,960,000</b>	<b>\$1,991,000</b>
	yes		no	yes	yes	yes	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2014-2019

[1] Minimum charge for 1,000 cubic feet for 2 months (bi-monthly) for 5/8"-1" residential meters is \$29.29. Water usage exceeding 1,000 cubic feet is \$.34 per 100 cubic feet.

[2] Volumetric Rate is Uniform for FY2016 onwards

[3] Interest Income is 1% of the Beginning Fund Balance if fund balance is positive.

[4] \$4,800,000, 15-year loan with semi-annual payments and an interest rate of 4%

[5] \$4,600,000, 30-year bond with semi-annual payments and an interest rate of 5%

[6] \$2,500,000, 30-year bond with semi-annual payments and an interest rate of 5%

[7] Net operating revenue (less financing revenue) must equal at least 1.2x total annual debt service to fulfill Debt Service Coverage

[8] Includes 'Transfers In' and 'Interest Income' revenue. Assumes \$51,700 for FY2014/15 and \$55,000 for FY2015-2017.

[9] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

### Scenario 3: Drought – High Priority CIP

This scenario is based on a 32% reduction in water usage from 2013 levels due to the governor’s mandate. Rates will increase from the current rate of \$0.34 per 100 cubic feet in FY2014/15 to \$0.78 per 100 cubic feet in FY2019/20, as seen in **table 11**. The Fund 157 Water Connection Project will be funded by a 15-year \$4,800,000 loan that will be secured in FY2015/16. Semi-annual payments for that loan will begin in FY2016/2017 and will total \$429,000 each year. The rate increases will not be enough to cover the costs of the Fund 116 Water Projects. In order to cover these costs, a 30-year bond will be issued in FY2016/17 totaling \$500,000. Under Scenario 3, the target fund will be met by FY2019/20.

Figure 5

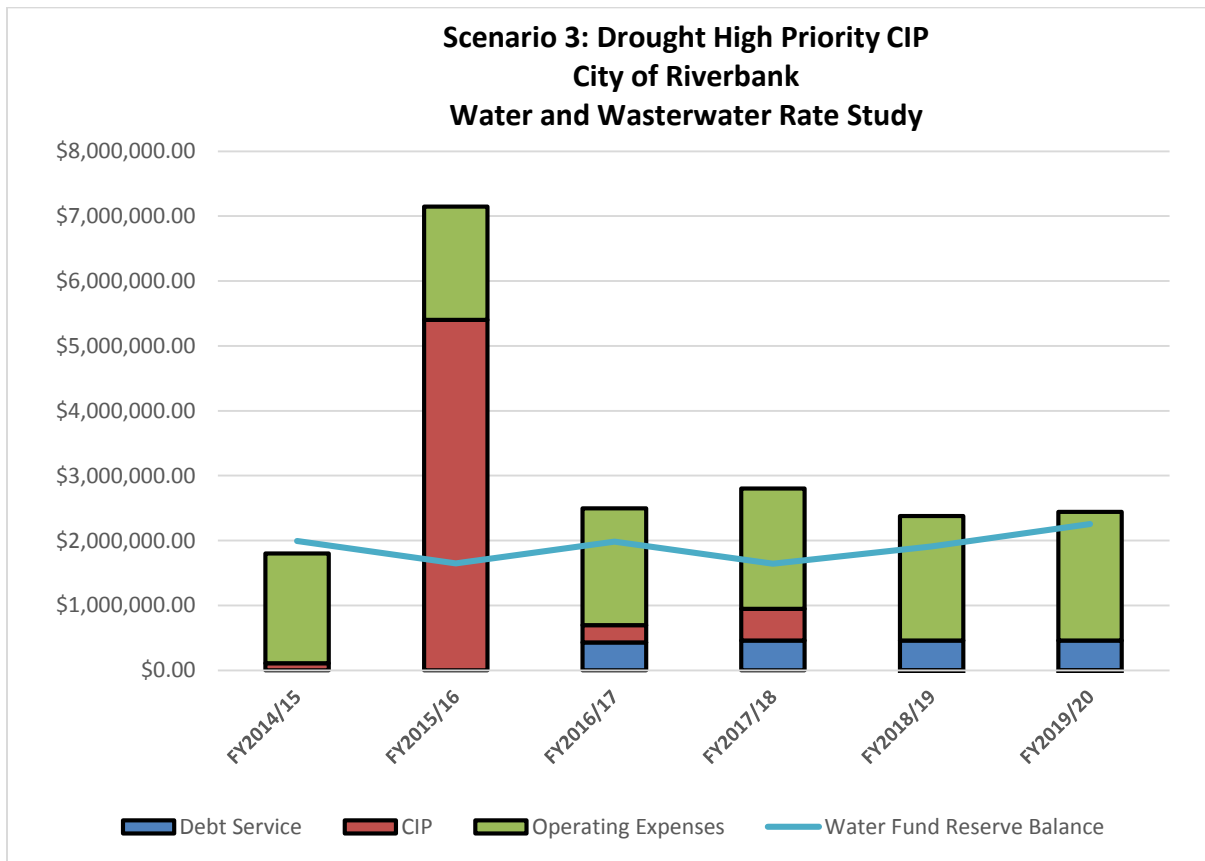


Table 11

Scenario 3

	Budget	Annual % Increase	Five Year Projection (Prop 218)				
	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
Typical SFR Bill (17 ccf (12,700 gal) per month)	19.75		25.46	29.79	31.28	32.84	34.48
Year Over Year % Increase to SFR Bill			29%	17%	5%	5%	5%
Fixed Charge (for 1,000 ccf of water) [1]	14.65		16.84	19.70	20.69	21.72	22.81
<b>Variable Charge (per 100 cubic feet)</b>							
	<i>Base</i>		0.39	0.46	0.48	0.50	0.53
	<i>Drought Surcharge (Conservation Mandate)</i>		0.18	0.21	0.23	0.24	0.25
	<i>Total Variable Charge [2]</i>	0.34	0.57	0.67	0.71	0.74	0.78
% Change in Total Variable Charge			69%	17%	5%	5%	5%
<i>Projected Water Consumption (ccf)</i>			1,046,302	1,051,534	1,056,792	1,062,076	1,067,386
<b>Revenues</b>							
<i>Water Service Charges</i>							
Meter Charge Revenue Estimate	1,149,000	0.5%	1,327,000	1,559,000	1,645,000	1,735,000	1,830,000
<i>Volumetric Revenue Estimate [3]</i>							
	<i>Base</i>		411,000	483,000	510,000	538,000	568,000
	<i>Drought Surcharge (Conservation Mandate)</i>		192,000	226,000	238,000	251,000	264,000
	<i>Total Variable Charge</i>	523,000	603,000	709,000	748,000	789,000	832,000
Backflow Inspections	300		1,000	1,000	1,000	1,000	1,000
Fines, Forfeitures, Penalties	46,100	1%	47,000	48,000	49,000	50,000	51,000
Interest Income [4]	2,400		20,000	16,000	20,000	16,000	19,000
Misc. Revenues	500		1,000	1,000	1,000	1,000	1,000
<i>Total Operating Revenues</i>	1,721,300		1,999,000	2,334,000	2,464,000	2,592,000	2,734,000
<i>Debt Proceeds</i>							
Loan Issue FY2016			4,800,000				
Bond Issued FY2016				500,000			
<i>Total Financing Revenue</i>			4,800,000	500,000			
<b>Total Revenue</b>	<b>\$1,721,300</b>		<b>\$6,799,000</b>	<b>\$2,834,000</b>	<b>\$2,464,000</b>	<b>\$2,592,000</b>	<b>\$2,734,000</b>
<b>Expenses</b>							
<i>Water Collection</i>							
Employee Salaries	300,900	3%	310,000	319,000	329,000	339,000	349,000
Employee Benefits	158,400	3%	163,000	168,000	173,000	178,000	183,000
Supplies and Materials	37,250	4%	39,000	41,000	43,000	45,000	47,000
Utilities	300,000	5%	315,000	331,000	348,000	365,000	383,000
Services	193,000	3%	199,000	205,000	211,000	217,000	224,000
Communications	1,000		1,000	1,000	1,000	1,000	1,000
Misc. Expenses and Allowances	60,000	4%	62,000	64,000	67,000	70,000	73,000
Meter Replacements	55,000		55,000	55,000	55,000	55,000	55,000
Transfers Out Management Fee	530,900	3%	547,000	563,000	580,000	597,000	615,000
Transfers Out Misc.	51,500		52,000	52,000	52,000	52,000	52,000
<b>Total Water Operations</b>	<b>\$1,687,950</b>		<b>\$1,743,000</b>	<b>\$1,799,000</b>	<b>\$1,859,000</b>	<b>\$1,919,000</b>	<b>\$1,982,000</b>
<b>Net Operating Revenues</b>	<b>\$33,350</b>		<b>\$5,056,000</b>	<b>\$1,035,000</b>	<b>\$605,000</b>	<b>\$673,000</b>	<b>\$752,000</b>
<i>Water Debt Service</i>							
Loan Issue FY 2016 [5]				429,000	429,000	429,000	429,000
Bond Issued FY2016 [6]					32,000	32,000	32,000
<b>Total Annual Debt Service</b>				<b>\$429,000</b>	<b>\$461,000</b>	<b>\$461,000</b>	<b>\$461,000</b>
<b>Debt Service Coverage [7]</b>				<b>2.41</b>	<b>1.41</b>	<b>1.57</b>	<b>1.75</b>
<i>Water Capital</i>							
Fund 116 Expenditures	163,000		758,000	325,000	540,000		
Fund 157 Expenditures			4,700,000				
Transfers In [8]	(51,700)		(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
<b>Total Capital Expenditures</b>	<b>\$111,300</b>		<b>\$5,403,000</b>	<b>\$270,000</b>	<b>\$485,000</b>	<b>(\$55,000)</b>	<b>(\$55,000)</b>
<b>ENDING BALANCE</b>							
<b>Water Fund Total</b>	<b>\$1,994,050</b>		<b>\$1,647,050</b>	<b>\$1,983,050</b>	<b>\$1,642,050</b>	<b>\$1,909,050</b>	<b>\$2,255,050</b>
<b>Target Balance [9]</b>	<b>\$1,844,000</b>		<b>\$1,872,000</b>	<b>\$1,900,000</b>	<b>\$1,930,000</b>	<b>\$1,960,000</b>	<b>\$1,991,000</b>
	yes		no	yes	no	no	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2014-2019

[1] Minimum charge for 1,000 gallons for 2 months (bi-monthly) for 5/8"-1" residential meters is \$29.29. Water usage exceeding 1,000 gallons is \$.33 per 100 cubic feet.

[2] Volumetric Rate is Uniform for FY2016 onwards

[3] Based on a 32% reduction in consumption due to Governor's mandate.

[4] Interest Income is 1% of the Beginning Fund Balance if fund balance is positive.

[5] \$4,800,000, 15-year loan with semi-annual payments and an interest rate of 4%

[6] \$1,000,000, 30-year bond issued with semi-annual payments and an interest rate of 5%

[7] Net operating revenue (less financing revenue) must equal at least 1.2x total annual debt service to fulfill Debt Service Coverage

[8] Includes 'Transfers In' and 'Interest Income' revenue. Assumes \$51,700 for FY2014/15 and \$55,000 for FY2015-2017.

[9] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

### Scenario 4: Drought – Full CIP

This scenario assumes a 32% reduction in variable water usage due to the governor’s conservation mandate. As seen in **table 12**, the volumetric rate increases from \$0.34 per 100 cubic feet in FY14/15 to \$0.92 per 100 cubic feet in 2019/20.

Rate increases alone will not be adequate to fund the costs of all the capital improvement projects and will require financing to complete. A 15-year loan totaling \$4,800,000 will be secured in FY2015/16 to finance the Fund 157 Water Connection Project. Semi-annual payments for that loan will begin in FY2016/2017 and will total \$429,000 each year. A 30-year bond will be issued in FY2016/17 totaling \$4,600,000 to fund part of the Water Division capital improvement projects. Semi-annual payments for that loan will begin in FY2016/2017 and will total \$298,000 each year. To fully fund the Water Division capital improvement projects, another 30-year bond will be issued totaling \$1,000,000. Semi-annual payments for this bond will begin in FY2019/20120 and will total \$65,000 each year.

Under Scenario 4, the target fund balance will be met by 2016/17. The budget also has the City of Riverbank running a surplus by FY2019/20.

Figure 6

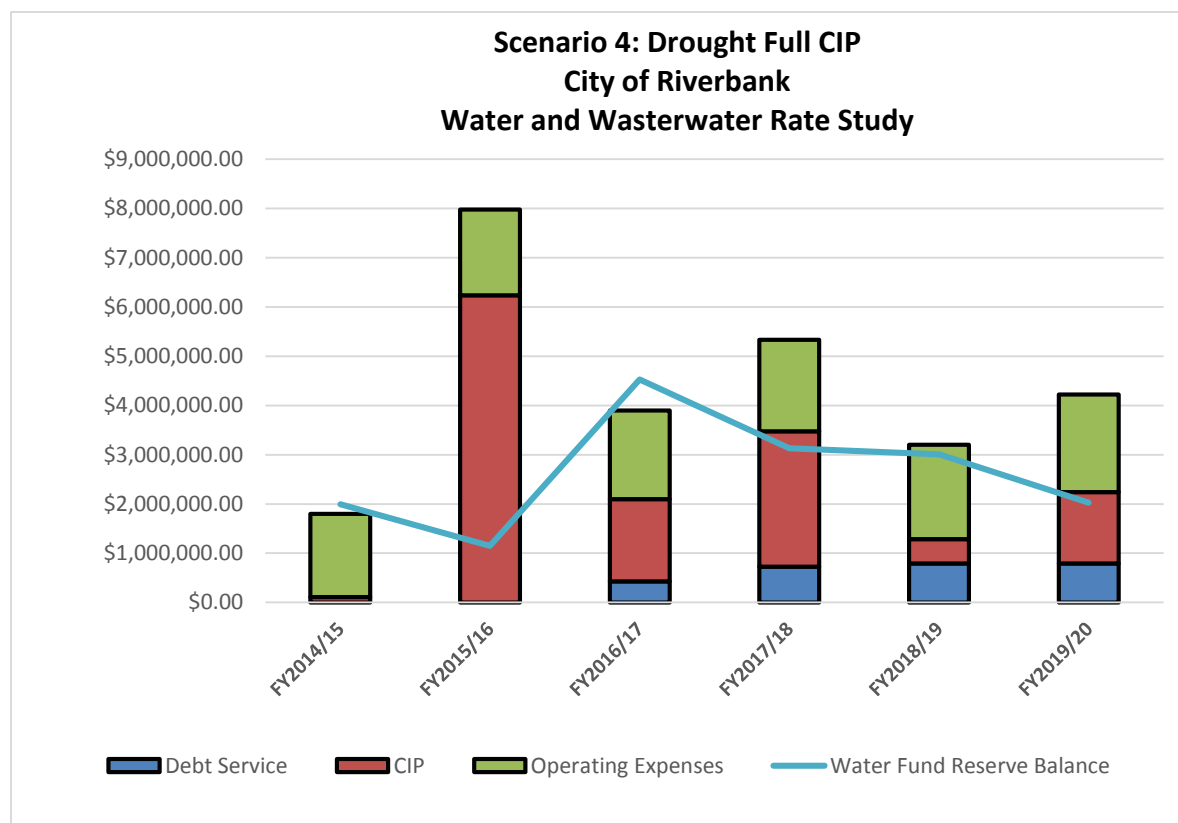


Table 12

Scenario 4

	Budget 2014/15	Annual % Increase	Five Year Projection (Prop 218)				
			2015/16	2016/17	2017/18	2018/19	2019/20
<b>BEGINNING BALANCE</b>							
Water Fund Total	2,072,000		1,994,000	921,000	4,359,000	2,990,000	3,061,000
<b>Typical SFR Bill (17 ccf (12,700 gal) per month)</b>	<b>18.73</b>		<b>25.28</b>	<b>29.90</b>	<b>33.29</b>	<b>36.35</b>	<b>38.17</b>
<b>Year Over Year % Increase to SFR Bill</b>			<b>35%</b>	<b>18%</b>	<b>11%</b>	<b>9%</b>	<b>5%</b>
<b>Fixed Charge (for 1,000 ccf of water) [1]</b>	<b>14.65</b>		<b>19.77</b>	<b>22.74</b>	<b>24.56</b>	<b>25.78</b>	<b>27.07</b>
<b>Variable Charge (per 100 cubic feet)</b>							
	<b>Base</b>		<b>0.46</b>	<b>0.53</b>	<b>0.57</b>	<b>0.60</b>	<b>0.63</b>
	<b>Drought Surcharge (Conservation Mandate)</b>		<b>-</b>	<b>0.07</b>	<b>0.16</b>	<b>0.28</b>	<b>0.30</b>
	<b>Total Variable Charge[2]</b>	<b>0.34</b>	<b>0.46</b>	<b>0.60</b>	<b>0.73</b>	<b>0.88</b>	<b>0.92</b>
<b>% Change in Total Variable Charge</b>			<b>35%</b>	<b>30%</b>	<b>22%</b>	<b>21%</b>	<b>5%</b>
<i>Projected Variable Consumption (ccf)</i>			<b>1,046,302</b>	<b>1,051,534</b>	<b>1,056,792</b>	<b>1,062,076</b>	<b>1,067,386</b>
<b>Revenues</b>							
Water Service Charges							
Meter Charge Revenue Estimate	1,149,000	0.5%	1,557,000	1,798,000	1,951,000	2,058,000	2,171,000
<b>Volumetric Revenue Estimate [3]</b>							
	<b>Base</b>		<b>482,000</b>	<b>557,000</b>	<b>604,000</b>	<b>637,000</b>	<b>672,000</b>
	<b>Drought Surcharge (Conservation Mandate)</b>		<b>-</b>	<b>72,000</b>	<b>167,000</b>	<b>300,000</b>	<b>317,000</b>
	<b>Total Variable Charge</b>	<b>523,000</b>	<b>482,000</b>	<b>629,000</b>	<b>771,000</b>	<b>937,000</b>	<b>989,000</b>
Backflow Inspections	300		1,000	1,000	1,000	1,000	1,000
Fines, Forfeitures, Penalties	46,100	1%	47,000	48,000	49,000	50,000	51,000
Interest Income [4]	2,400		20,000	9,000	44,000	30,000	31,000
Misc. Revenues	500		1,000	1,000	1,000	1,000	1,000
<b>Total Operating Revenues</b>	<b>1,721,300</b>		<b>2,108,000</b>	<b>2,486,000</b>	<b>2,817,000</b>	<b>3,077,000</b>	<b>3,244,000</b>
<b>Debt Proceeds</b>							
Loan Issue FY2016			4,800,000				
Bond Issue FY2017				4,600,000			
Bond Issue FY2018					1,000,000		
<b>Total Financing Revenue</b>			<b>4,800,000</b>	<b>4,600,000</b>	<b>1,000,000</b>		
<b>Total Revenue</b>	<b>\$1,721,300</b>		<b>\$6,908,000</b>	<b>\$7,086,000</b>	<b>\$3,817,000</b>	<b>\$3,077,000</b>	<b>\$3,244,000</b>
<b>Expenses</b>							
<i>Water Collection</i>							
Employee Salaries	300,900	3%	310,000	319,000	329,000	339,000	349,000
Employee Benefits	158,400	3%	163,000	168,000	173,000	178,000	183,000
Supplies and Materials	37,250	4%	39,000	41,000	43,000	45,000	47,000
Utilities	300,000	5%	315,000	331,000	348,000	365,000	383,000
Services	193,000	3%	199,000	205,000	211,000	217,000	224,000
Communications	1,000		1,000	1,000	1,000	1,000	1,000
Misc. Expenses and Allowances	60,000	4%	62,000	64,000	67,000	70,000	73,000
Meter Replacements	55,000		55,000	55,000	55,000	55,000	55,000
Transfers Out Management Fee	530,900	3%	547,000	563,000	580,000	597,000	615,000
Transfers Out Misc.	51,500		52,000	52,000	52,000	52,000	52,000
<b>Total Water Operations</b>	<b>\$1,687,950</b>		<b>\$1,743,000</b>	<b>\$1,799,000</b>	<b>\$1,859,000</b>	<b>\$1,919,000</b>	<b>\$1,982,000</b>
<b>Net Operating Revenues</b>	<b>\$33,350</b>		<b>\$5,165,000</b>	<b>\$5,287,000</b>	<b>\$1,958,000</b>	<b>\$1,158,000</b>	<b>\$1,262,000</b>
<b>Water Debt Service</b>							
Loan Issue FY2016 [5]				429,000	429,000	429,000	429,000
Bond Issue FY2016 [6]					298,000		298,000
Bond Issue FY2018 [7]						65,000	65,000
<b>Total Annual Debt Service</b>				<b>\$429,000</b>	<b>\$727,000</b>	<b>\$792,000</b>	<b>\$792,000</b>
<b>Debt Service Coverage [8]</b>				<b>1.60</b>	<b>2.69</b>	<b>1.46</b>	<b>1.59</b>
<b>Water Capital</b>							
Fund 116 Expenditures	163,000		758,000	325,000	540,000		
Fund 157 Expenditures			4,700,000				
Water Division CIP			835,000	1,150,000	2,115,000	350,000	1,502,000
Transfers In [9]	(51,700)		(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
<b>Total Capital Expenditures</b>	<b>\$111,300</b>		<b>\$6,238,000</b>	<b>\$1,420,000</b>	<b>\$2,600,000</b>	<b>\$295,000</b>	<b>\$1,447,000</b>
<b>ENDING BALANCE</b>							
<b>Water Fund Total</b>	<b>\$1,994,000</b>		<b>\$921,000</b>	<b>\$4,359,000</b>	<b>\$2,990,000</b>	<b>\$3,061,000</b>	<b>\$2,084,000</b>
<b>Target Balance [10]</b>	<b>\$1,844,000</b>		<b>\$1,872,000</b>	<b>\$1,900,000</b>	<b>\$1,930,000</b>	<b>\$1,960,000</b>	<b>\$1,991,000</b>
	yes		no	yes	yes	yes	yes

Source: Budget FY2014/15, Audit FYE 2013, and Capital Improvement Program FY2014-2019

[1] Minimum charge for 1,000 cubic feet for 2 months (bi-monthly) for 5/8"-1" residential meters is \$29.29. Water usage exceeding 1,000 cubic feet is \$.34 per 100 cubic feet.

[2] Volumetric Rate is Uniform for FY2016 onwards

[3] Based on a 32% reduction in consumption due to Governor's mandate.

[4] Interest Income is 1% of the Beginning Fund Balance if fund balance is positive.

[5] \$4,800,000, 15-year loan with semi-annual payments and an interest rate of 4%

[6] \$4,600,000, 30-year bond with semi-annual payments and an interest rate of 5%

[7] \$1,000,000, 30-year bond with semi-annual payments and an interest rate of 5%

[8] Net operating revenue (less financing revenue) must equal at least 1.2x total annual debt service to fulfill Debt Service Coverage

[9] Includes 'Transfers In' and 'Interest Income' revenue. Assumes \$51,700 for FY2014/15 and \$55,000 for FY2015-2017.

[10] Reserve Fund targets are 50% of O&M and \$1,000,000 for capital projects

## Water Enterprise Cost Analysis

A cost of allocation is provided in **table 13** for FY2020. As shown, the fixed revenue generated from fixed charges will cover \$1.9MM (70%) of annual costs, the remaining costs of \$832,000 (30%) will be covered by variable revenue from volume charges. The city council has selected to move forward with scenario 4: Drought Full CIP. The surplus funds that remain after covering the costs shown below will go towards building the target fund balance and capital projects.

**Table 13**

Water Enterprise Cost of Service Analysis			
City of Riverbank			
Water and Wastewater Rate Study			
<u>FY2020 [1]</u>			
Fixed Revenue	2,171,000		70%
Variable Revenue	<u>989,000</u>		<u>30%</u>
Total Meter/Variable Revenue [2]	3,160,000		100%
<u>Operating Expenses</u>			
<i>Water Collection</i>	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>
Employee Salaries	244,300	104,700	349,000
Employee Benefits	128,100	54,900	183,000
Supplies and Materials	32,900	14,100	47,000
Utilities	268,100	114,900	383,000
Services	156,800	67,200	224,000
Communications	700	300	1,000
Misc. Expenses and Allowances	51,100	21,900	73,000
Meter Replacements	38,500	16,500	55,000
Transfers Out Management Fee	430,500	184,500	615,000
Transfers Out Misc.	<u>36,400</u>	<u>15,600</u>	<u>52,000</u>
Subtotal	1,387,400	594,600	1,982,000
FY2020 Total Debt Service Payments	<u>554,400</u>	<u>237,600</u>	<u>792,000</u>
Total Costs	1,941,800	832,200	2,774,000
Percent Allocation	70%	30%	100%

[1] Based on city council selected scenario: Drought Full CIP, **table 12**

[2] Remaining Balance used for target fund balance build up and capital projects

## Summary of Scenarios and Recommendations

The City of Riverbank must raise its rates in order to fund projects. The city currently has one of the lowest rates in the area and has not increased rates since 2009. BWA recommends using the combination of rate increases and financing to pursue its capital improvement projects. Regardless of the level of capital improvement projects the city decides to pursue, BWA recommends taking a more conservative approach and follow scenarios 3 and 4 to reflect the Governor’s mandate. The city should anticipate a drop in usage and impose a drought surcharge as seen in **Table 14** to fully recoup the loss in revenue.

After discussion amongst city council and city officials, the city of Riverbank has selected to move forward with scenario 4: Drought – Full CIP. The city understands the need to improve its current infrastructure while maintaining financial stability. This scenario will accomplish both tasks.

**Table 14**

<b>Summary of Variable Rate Changes (\$)</b>						
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
Scenario 1: High Priority CIP Only	\$ 0.34	\$ 0.39	\$ 0.46	\$ 0.48	\$ 0.50	\$ 0.53
Scenario 2: Full CIP	\$ 0.34	\$ 0.46	\$ 0.53	\$ 0.57	\$ 0.60	\$ 0.63
Scenario 3: Drought - High Priority CIP Only	\$ 0.34	\$ 0.39	\$ 0.46	\$ 0.48	\$ 0.50	\$ 0.53
<i>Drought Surcharge</i>	-	\$ 0.18	\$ 0.21	\$ 0.23	\$ 0.24	\$ 0.25
<i>Total</i>	\$ 0.34	\$ 0.57	\$ 0.67	\$ 0.71	\$ 0.74	\$ 0.78
Scenario 4: Drought - Full CIP	\$ 0.34	\$ 0.46	\$ 0.53	\$ 0.57	\$ 0.60	\$ 0.63
<i>Drought Surcharge</i>	-	\$ -	\$ 0.07	\$ 0.16	\$ 0.28	\$ 0.30
<i>Total</i>	\$ 0.34	\$ 0.46	\$ 0.60	\$ 0.73	\$ 0.88	\$ 0.92

<b>Summary of Variable Rate Changes (%)</b>						
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
Scenario 1: High Priority CIP Only	-	15.0%	17.0%	5.0%	5.0%	5.0%
Scenario 2: Full CIP	-	35.0%	15.0%	8.0%	5.0%	5.0%
Scenario 3: Drought - High Priority CIP Only	-	69.0%	17.0%	5.0%	5.0%	5.0%
Scenario 4: Drought - Full CIP	-	35.0%	30.0%	22.0%	21.0%	5.0%

<b>Summary of Base Rate Changes</b>						
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
Scenario 1: High Priority CIP Only	\$ 14.65	\$ 16.84	\$ 19.70	\$ 20.69	\$ 21.72	\$ 22.81
Scenario 2: Full CIP	\$ 14.65	\$ 19.77	\$ 22.74	\$ 24.56	\$ 25.78	\$ 27.07
Scenario 3: Drought - High Priority CIP Only	\$ 14.65	\$ 16.84	\$ 19.70	\$ 20.69	\$ 21.72	\$ 22.81
Scenario 4: Drought - Full CIP	\$ 14.65	\$ 19.77	\$ 22.74	\$ 24.56	\$ 25.78	\$ 27.07

### Rate Survey

Water rate survey of the surrounding area.

Figure 7

