



City of Lompoc

June 13, 2013

2013 Water Rate Study *Administrative Draft Report*



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Financial Services

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Temecula Office:

27368 Via Industria, Suite 110

Temecula, California 92590

T 951.587.3500 | T 800.755.6864 | F 951.587.3510

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Executive Summary

The water enterprise of the City of Lompoc (City) is a division of the City which has the mission to produce, treat, and distribute an adequate supply of safe, clean water to its customers.

The City completes an independent review of its rates periodically and the last comprehensive rate study was completed in 2005 and outlined multi-year phased rate increases, with the last increase occurring in 2009. It is common industry practice and highly recommended for water/wastewater agencies to have an independent review of its long-term financial plan and water rates at least every five years. In the case of the City, the last study was conducted over eight (8) years ago.

The City currently has outstanding revenue bond debt that requires 125% coverage on the annual debt service payments pursuant to the bond covenants. Bond covenants are a binding contractual agreement between the City and bondholders that require the City to ensure that the coverage ratio is maintained by increasing rates if necessary. Through the course of this study, the City received a downgrade from A1 to A2 to its bonds by the Moody's Investor Service Rating Agency, in the fourth quarter of 2012, due to a very slim debt service coverage ratio and failure to increase rates in a timely manner in recent years.

Although the City is currently in compliance with its bond covenants by utilizing available rate stabilization reserve fund monies, reserves are depleting and additional revenues will be required to maintain coverage while funding operations, capital and rebuilding reserve fund balances. While revenue adjustments and corresponding rate increases are never desired, the 10-year financial plan developed herein ensures that the appropriate minimum debt service coverage is maintained for its bond covenant.

The financial plan, cost of service analysis, and rate design was comprised of several components and these were presented to the City's Utility Commission and the City Council through multiple publicly noticed meetings. These presentations included educational background on rate design, reserve policies, growth projections, discharge projections, revenue adjustments, and the review of existing customer classes.

The key to developing a sound rate structure of the water utility is to review and confirm the fiscal objectives of the enterprise and create a 10-year financial plan that meets these objectives in the near-term and long-term. There are many ways to reach the end result, but based on the unique characteristics and priorities of the City, a tailored financial plan and rate design was created to meet the City's fiscal objectives. The following are the primary fiscal objectives of the City's Water Utility, in order of priority:

1. Ensure compliance with Bond Covenants
2. Repay internal loan from pool funds of the City
3. Revenue adjustments should be leveled as much as possible
4. Build up Operation Reserve to 90-days of O&M expenses
5. Achieve a self-supporting Utility Enterprise
6. Set money aside on an annual basis to reinvest in capital infrastructure

The City has a sound implementation process for updating its utility rates, which includes multiple layers of review and discussion starting with City staff, then the City Utility Commission, followed by City Council. Through the course of this study, multiple scenarios were developed and presented ranging from meeting the City’s objectives quickly or through a measured approach over the course of 10 years. Each case had different financial implications to the City and rate impacts to affected customers. However, the comparative analysis between scenarios and discussion revealed the most appropriate financial plan to accept for the City and its constituency.

Through three separate meetings with the City’s Utility Commission, two scenarios were refined and presented that included a 5-year financial plan and a 10-year financial plan. The 5-year financial plan was structured to achieve the objectives identified above with revenue adjustments over the next five years equal to 15%, 15%, 14%, 14%, and 13%. Alternatively, the 10-year financial plan wouldn’t fully fund reserves until Fiscal Year 2021-2022, but would minimize revenue adjustments over the next five years as follows: 13%, 13%, 10%, 10%, and 10%. In an effort to rectify the current financial health of the utility in a timely manner, the Utility Commission supported the 5-year financial plan over the 10-year financial plan because it would reach the utility’s fiscal objectives within the 5-year Proposition 218 noticing timeframe and would not require future utility commissioners to approve future revenue adjustments between years 6 through 10 that were not necessitated under their watch.

The two scenarios were also presented to City Council on January 8, 2013 and then again on March 5, 2013 as Council Member Holmdahl was not present at the January 8, 2013 meeting. On March 5, 2013, the City Council reviewed and discussed the 5-year and 10-year financial plans and ultimately gave direction on a hybrid of the two scenarios reflecting revenue adjustments equal to 15%, 15%, 15%, 15%, and 15% (the Financial Plan). The Financial Plan will, in order of priority:

- 1) Ensure compliance with bond covenants,
- 2) Mitigate revenue adjustments in future years,
- 3) Generate positive net income in the second fiscal year,
- 4) Build up at least 90-days of operating reserves within the next 4 years, and
- 5) Set aside funds for reinvestment in the City’s capital replacement program.

Once the financial plan is developed, rate design determines the most fair and equitable way for revenue to be recovered. As the projected volume of water consumption is a key component in rate design and revenue recovery, it is critical that the utility’s revenue requirements are appropriately allocated between fixed and variable cost components. Figure E-1 provides a summary of the water utility’s revenue requirements by function for the next ten (10) years.

Figure E-1: Distribution of Annual Expenditures by Function

	Rate Revenue Required	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection
Percent Allocation	100%	50.0%	15.4%	10.9%	14.7%	9.0%
Fiscal Year Ending		65.0%		35.0%		
FYE 2014	\$ 9,365,372	4,685,571	1,438,470	1,016,335	1,380,798	844,198
FYE 2015	\$ 10,770,172	5,388,404	1,654,239	1,168,784	1,587,917	970,827
FYE 2016	\$ 12,385,672	6,196,651	1,902,371	1,344,099	1,826,101	1,116,449
FYE 2017	\$ 14,243,572	7,126,174	2,187,735	1,545,719	2,100,023	1,283,921
FYE 2018	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2019	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2020	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2021	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2022	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2023	\$ 16,543,872	8,277,032	2,541,048	1,795,349	2,439,172	1,491,271

Based on the detailed analysis within this Report, 65% of the water utility’s revenue requirements will be recovered through the variable rates and 35% of the water utility’s revenue requirements will be recovered through the fixed monthly rates, which differentiate by meter size.

The corresponding monthly fixed charges and variable rates associated with the water utility’s Financial Plan over the next five years are listed below:

Figure E-2: Fixed Charge

Meter Charge	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017
5/8"	\$ 23.71	\$ 27.27	\$ 31.36	\$ 36.06	\$ 41.47
3/4"	31.00	35.65	41.00	47.15	54.22
1"	45.57	52.41	60.27	69.31	79.71
1.5"	82.01	94.31	108.45	124.72	143.43
2"	125.73	144.59	166.28	191.22	219.90
3"	227.75	261.91	301.19	346.37	398.33
4"	373.48	429.51	493.93	568.02	653.22
6"	737.83	848.50	975.78	1,122.15	1,290.46
8"	1,175.04	1,351.30	1,553.99	1,787.09	2,055.15
10"	1,685.13	1,937.89	2,228.57	2,562.87	2,947.29

Figure E-3: Recommended Water Commodity Rate (\$/HCF)

Commodity Charge	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017	
SFR						
Tier (HCF)						
Tier 1	0 - 10	\$ 3.49	\$ 4.02	\$ 4.63	\$ 5.33	\$ 6.13
Tier 2	10.01 - 20	3.73	4.30	4.95	5.70	6.56
Tier 3	20.01 +	4.46	5.14	5.92	6.82	7.85
Multi-Family Residential						
Uniform	\$ 3.50	\$ 4.02	\$ 4.63	\$ 5.32	\$ 6.12	
Commercial						
Uniform	\$ 3.60	\$ 4.14	\$ 4.76	\$ 5.47	\$ 6.29	
Institutional/Landscape						
Uniform	\$ 3.88	\$ 4.46	\$ 5.13	\$ 5.90	\$ 6.78	
Industrial						
Uniform	\$ 3.50	\$ 4.02	\$ 4.63	\$ 5.32	\$ 6.12	

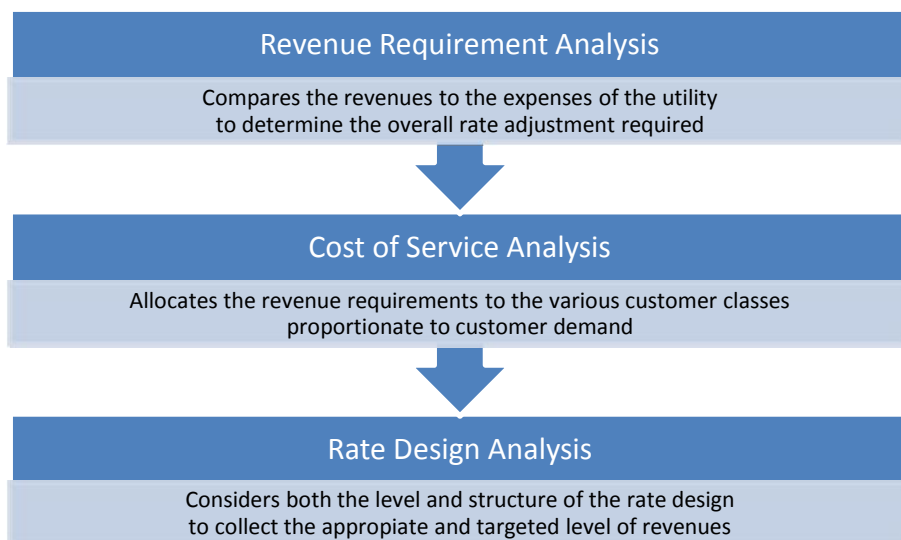
Introduction

In 2012, the City selected Willdan Financial Services to perform a water rate analysis and financial plan. This analysis provides financial recommendations that focus on a number of key objectives, including: short and long-term financial health; bond covenant compliance; policy objectives; and equitable cost-of-service rates.

Overview of the Water Rate Study Process

The scope of this study included the development of cost-based water user charges through a comprehensive cost of service and rate design analysis. Utility rates must be set at a level where a utility’s operating and capital expenses are met with the revenues received from customers. This rate study consists of the following three interrelated analyses:

- I. **Financial Planning/Revenue Requirement Analysis:** A ten-year plan was created to support an orderly, efficient program of on-going maintenance and operating costs, capital improvement and replacement activities, debt financing, and retirement of any outstanding debt. This long-term plan was designed to fund and maintain reserve balances to adequate levels based on industry standards and the City’s fiscal policies.
- II. **Cost of Service Analysis:** Annual revenue requirements were identified and apportioned to distinct customer classes based on the demand placed on the utility system.
- III. **Rate Design:** An equitable and proportional fixed/variable schedule of rates for each customer class was developed to recover the costs attributable to that specific customer class and corresponding accounts. This is also where other policy objectives can be achieved, such as promoting the efficient use of water. The policy objectives were harmonized with cost of service objectives to achieve the delicate balance between customer equity, financial stability and resource conservation goals.



Rate Setting Principles

The primary objective when conducting a comprehensive rate and financial analysis is to determine the adequacy of the existing rates (pricing, structure, and revenue sufficiency) and provide the basis for any necessary adjustments to meet the City’s operating and capital needs as well as policy objectives. The City desires a rate structure that not only fully funds operations, maintenance, and capital costs, but also provides long term funding of reserves and debt service coverage. Furthermore, the City would like to adjust its existing rate structure to one that appropriately reflects and recovers costs based on customer demand. Similar to the existing rate structure, the City’s revenue requirements would be recovered through a monthly fixed charge and a variable charge (based on the amount of water used).

Financial Management, Policies, and Rates

A financial plan revolves around the development of a proper long and short-term balance of revenues and expenditures. The following provides an outline of the City’s financial targets and policies, and the financial foundation of the cost of service and rate analysis. Over the past decade, many generally accepted principles have been established to assist in developing utility rates. The purpose of this section of the report is to provide a general background of the methodology and guidelines used for setting cost based utility rates, in order to provide a higher-level understanding of the rate setting approach detailed later in this report.

As a practical matter, there should be a general set of principles used to guide the development of water rates. For water rates, the American Water Works Association (AWWA) establishes these principles in the M1 Manual – *Principles of Water Rates, Fees and Charges*. These guiding principles help to ensure there is a consistent global approach that is employed by all utilities in the development of their rates (water and water-related utilities, including sewer and reclaimed water). Below is a summary listing the established guidelines, which public utilities should consider when setting their rates. These closely reflect the City’s specified objectives.

Rates should be cost-based, equitable, and set at a level such that they provide revenue sufficiency			
Rates and process of allocating costs should conform to generally accepted rate setting techniques	Rates should provide reliable, stable and adequate revenue to meet the utility’s financial, operational, and regulatory requirements	Rate levels should be stable from year to year - minimize “rate shock” -	Rates should be easy to understand and administer

These guidelines, along with the City’s objectives, were used within this study as a framework to help develop utility rates that are cost-based and equitable.

Overview of Rate Setting Environment, Objectives, Process

Rate analyses are typically performed every few years to ensure that revenues from rates are adequately funding utility operations, maintenance, and future capital needs. In California, rate analyses also require compliance with the cost-of-service principles imposed by California Constitution Article XIII D, Section 6 (Article XIII D, Section 6) to ensure that rates correlate to how costs are incurred. The proposed rate structure for single-family residential customers is a three-tiered rate structure as compared to the City’s existing uniform rate structure. This proposed rate structure will provide customers with an incentive to use water efficiently by recalibrating the allocation of base and max day (peak) variable cost components from what exists in the current rate structure. New rates derived from this study are subject to the requirements for Article XIII D, Section 6 and must be approved by the City Council.

Considerations in Setting Revenue Requirements

There are a multitude of considerations, ranging from financial to political to legal that must be analyzed or discussed during the revenue requirements process of a rate analysis. This section, along with the graphic beside, provides an overview of the considerations that are reviewed during this process.



Capital Budgeting and Financing

Capital needs are defined by the City’s Water Capital Improvement Plan. As part of its budget and planning process, the City identifies capital improvements that are necessary for the continued delivery of clean, safe, drinking water. The Capital Improvement Plan is funded by a variety of sources including water rates, capacity fees, and capital reserves.

Capital Funding: Debt vs. PAYGO

The selection of the most appropriate funding strategy for capital projects is primarily a policy decision between use of cash (“Pay-as-you-go financing” or PAYGO), the issuance of debt (bonding), or a combination of the two. PAYGO is the use or build-up of cash to fund capital improvements. With debt financing, capital improvements are funded with borrowed funds (usually through the issuance of bonds) with the obligation of repayment, typically with interest, in future years. Development of an optimal capital financial plan depends on the definition of optimal. Each funding mechanism has a different impact on water rates in the short and long run, different net present values, risks, and legal obligations. Due to the borrowing costs associated with debt, cash funding can be cheaper in the end; however, debt typically ensures greater generational equity for larger and longer lasting capital projects.

Revenue Requirements

The method used by most public utilities to establish their revenue requirements is called the “cash basis” approach of setting rates. As the name implies, a public utility combines its cash expenditures over a time period to determine their required revenues from rates and other forms of income. The figure below presents the “cash basis” methodology.

Figure 1-1: Overview of the “Cash Basis” Design

+ Operation and Maintenance Expenses
+ Reserves
+ Capital Additions Financed with Rate Revenue
+ Debt Service (Principal and Interest)
= Total Revenue Requirements

To ensure that existing ratepayers are also investing in the infrastructure of the utility, a capital replacement expense (depreciation) has been included in the cash basis approach to stabilize annual required revenue requirements by spreading the replacement costs of a depreciated asset over the expected life of the asset.

Based on the revenue requirement analysis, the utility can determine the overall level of rate adjustments needed in order for the utility to meet its overall expenditures.

Financial Planning

In the development of the revenue requirements, certain parameters are utilized to project future expenditures, growth in customers and consumption, and necessary revenue adjustments. The City’s budget documents are used as the baseline, which are then projected over a ten-year planning horizon to account for fluctuations in costs from year to year as well as any adjustments to debt service payments.

Conservative growth assumptions and prudent financial planning are fundamental in ensuring adequate rate revenue to promote financial stability. The developed financial model considers the City’s existing debt service coverage ratio and operating cash balances. The cost of depreciated infrastructure and the historically funding of capital improvements were collected and used to fund annual repair and replacement. As existing debt is redeemed, additional bonds may be utilized to fund additional capital improvements required due to aging infrastructure.

Rate Setting Principles Summary

In meeting the overall objectives of the City, the rate design must also conform to the State Constitution and the State's Water Code. Article XIII D, Section 6 requires that property related fees and charges, such as water service fees (as affirmed in *Bighorn-Desert View Water Agency v. Verjil*), must not exceed the reasonable cost of providing the service associated with the fee or charge, and shall also not exceed the proportional cost of the service attributable to the parcel that is subject to the fee or charge.

In conjunction with Article XIII D, Section 6, California Constitution Article X, Section 2 of the State Constitution states it is the policy of the State to preserve the State's water supplies and discourage the wasteful or unreasonable use of water by encouraging conservation. Article X, Section 2 is broad in its declarations; however, the Water Code provides guidance to its application for developing water rates. Section 106 declares that the highest use of water is for domestic purposes, and irrigation is secondary. In connection with meeting the objectives of Article X, Water Code Sections 370 (AB2882) and 375 authorize a water purveyor to utilize its water rate design to incentivize the efficient use of water.

Although incentives to conserve water could be provided by implementing a higher rate for water as consumption increases, a nexus between rates and costs incurred to provide water at those rates must be developed to achieve compliance with Article XIII D, Section 6. For this analysis, the consumption and peaking characteristics of customers were analyzed within each defined tier to determine the proportional share of costs incurred by such tier, which was then divided by consumption to derive a rate per unit of water per tier. This approach harmonizes the constitutional mandates of Article X, Section 2 and Article XIII D, Section 6 in developing a cost of service tiered rate structure.

Rate Design

The final element of the rate design process applies the results from the revenue requirements to the cost of service analysis to develop rates that achieve the objectives of the City and compliance with legal requirements. These objectives were achieved through the development of cost-based rates and accounted for adjustments to expenditures and cash reserves to balance rate impacts, continuity of past rate philosophy, conservation objectives, ease of administration, and legal requirements. This section of the report incorporates the general principles, techniques, and economic theory used to set utility rates. These principles were the starting point for this rate study and the groundwork used to meet the City's key objectives in analyzing and redesigning their utility rates.

This utility rate study was performed to allocate the costs of providing service to users in order to ensure that rates are equitable and in compliance with Article XIII D, Section 6 requirements. The total cost of serving each customer class was determined by distributing each of the utility cost components among the user classes based upon the respective service requirements of each customer class. Therefore, a cost of service rate study will enable the City to adopt rates based on the costs attributable to each customer class and corresponding accounts. The purposes of this water utility cost of service study include defining the proportional allocation of the costs of service to users and deriving unit costs to support the development of rates for City's water service fees.

Water Rate Analysis

This Water Rate Study focused on two main principles. First, the study developed rates that provide sufficient revenues to fund expenditures related to operations, maintenance, capital, and funding of reserves. Second, within the cost of service principles of Article XIII D, Section 6, the study designed water rates that promote efficient use of water and reflect the varying costs of demand to each customer class. This section of the report outlines the details of the analysis and the approach to developing the recommendations.

Water Consumption and User Characteristics

Five fiscal years of billing data were examined from the City's software system. Three to five years of billing data is typically recommended. Billing data was analyzed to determine seasonal demand patterns and overall consumption characteristics. As the projected volume of water consumption is a key component in revenue generation, it is critical that appropriate adjustments and trends are rationalized. Figure 2-1 provides a summary of the City's water consumption characteristics of approximately 9,265 accounts.

Figure 2-1: Water Consumption Characteristics and Projected FY 2012/13 Usage

Category Description	FYE 2012/13 Accounts	Average Month	Peak Month	FYE 2012/13 Consumption
Single Family Residential	7,457	71,982	95,372	863,778
Multi-Family Residential	1,060	41,096	47,721	493,147
Commercial	534	16,189	21,437	194,268
Institutional/Landscape	197	16,892	30,106	202,704
Industrial	17	1,430	1,665	17,163
Total	9,265	N/A	N/A	1,771,060

* Water Consumption is in hundred cubic feet

** These records were compiled by reviewing the City's billing records.

Revenue Requirements Analysis

The first step in a rate analysis is a review of the City's revenue requirements. The result of this review is a picture of the City's existing financial health, which is necessary to determine the current and future revenue needs. To ensure that both short and long term financial health were reviewed, a 10-year financial outlook was performed. However, for the purposes of this study, rates and financial projections will be limited to 5 years. Expenditures (operation and maintenance (O&M), capital, and reserve requirements) were reviewed against revenues (rate revenue, capacity fee revenues, etc). The City's historic and current financial statements were reviewed and analyzed, along with two fiscal years of water consumption records, capital improvement plans and programs, reserve policies, and future expected expenditures through discussion with City staff.

Existing Water Revenues

The City derives revenue from a variety of sources. Annually, 98% of the Water Fund's revenue originated from rate revenues (monthly rates). In Fiscal Year 2012-2013, the City budgeted

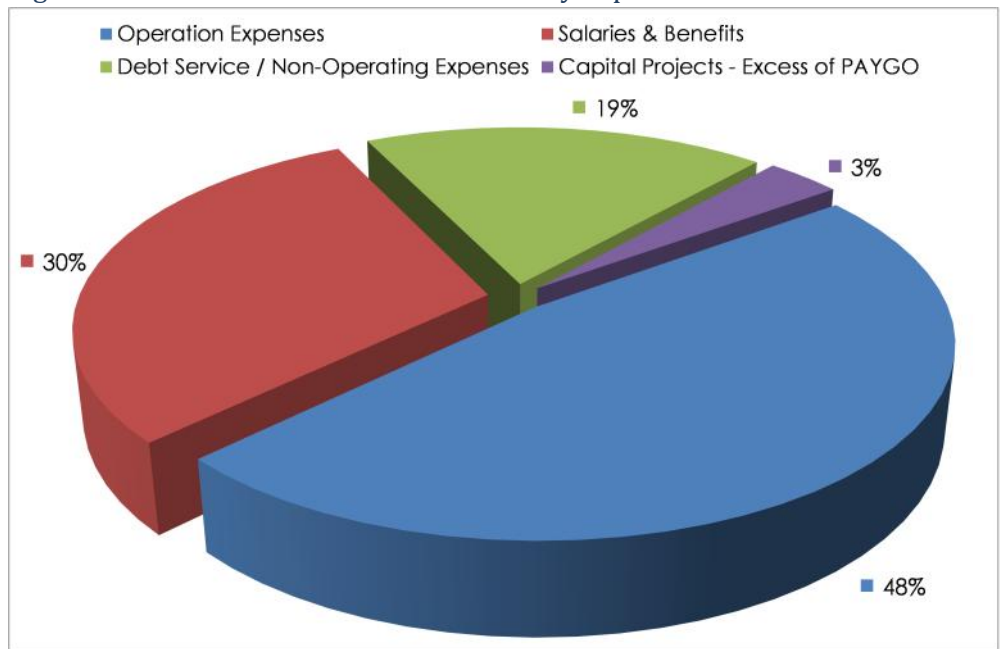
approximately \$8.14 million in operating rate revenue, compared with \$149,000 in non-operating revenue, such as interest income and capacity charges.

Existing Water Expenditures

To achieve long-term financial health, the City’s revenues must be sufficient to meet total expenditures or cash obligations. This “required revenue” includes all incurred costs related to operation and maintenance, capital improvement programs, and principal and interest payments on existing or proposed debt.

As demonstrated by Figure 2-2, water fund expenditures were categorized into one of five classifications: (1) Operation Expenses; (2) Salaries & Benefits; (3) Non-Operating Expenses; (4) Debt Service; and (5) Capital Projects. The pie chart below demonstrates the relative size of the various expense categories over the study period.

Figure 2-2: Water Fund - Cost Distribution by Expenditure Classification



Approximately 48% of the utility’s expenditures are related to operation costs, including pumping water costs, and the remaining 52% of the City’s expenditures are related to debt service (19%), capital improvement projects (3%), and salaries & benefits (30%).

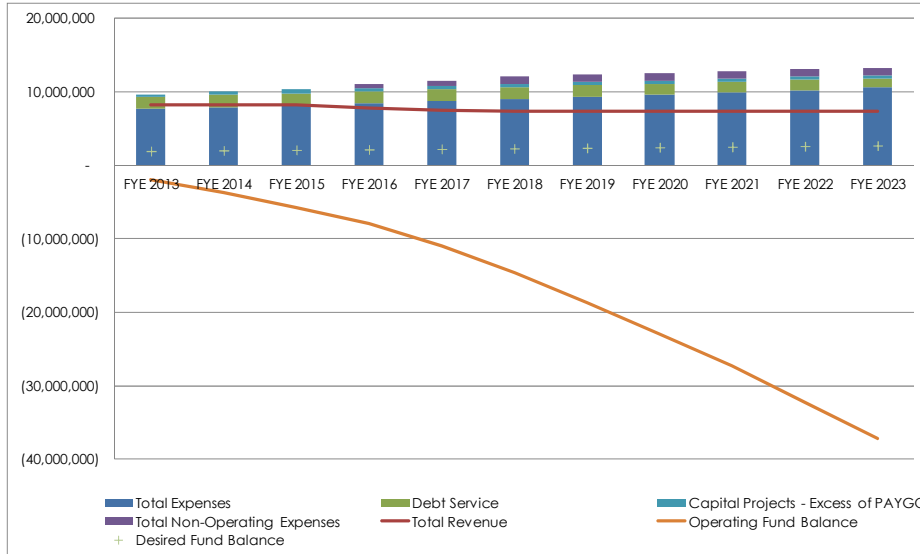
The City prepares a list of capital improvements to address current and future water system needs. The City is currently proceeding with a meter replacement program, but the largest ongoing capital cost of the utility is for its water distribution main replacement program.

Through the study period, debt service costs, related to principal and interest on the existing debt service, account for approximately 19% percent of the water fund’s expenditures. Revenues must be targeted to ensure the water utility meets its 125% debt service coverage requirements pursuant to the Bond Covenants associated with its existing debt service.

Consistent with industry standards recommended by the AWWA, an Operating Reserve of 90 days (approximately \$2 million of cash on hand) is recommended. This will provide the water utility sufficient working capital to fund day-to-day operations and cash outlays. Additionally, a Repair and Replacement Reserve (R&R) Account is proposed to be established to set aside funds for future capital needs.

Figure 2-3 demonstrates the Baseline Scenario for the Water Funds. This represents current and projected financial conditions of the City absent any revenue adjustment (increases) over the next 5 years. As the figure illustrates, without any revenue adjustment or significant cuts in expenses, which may not be possible, the utility would be running a net annual loss and not meeting its bond covenants.

Figure 2-3: Water Fund - Baseline Financial Scenario



* FYE = for Fiscal Year End

Recommended Revenue Requirements

The 10-year financial plan developed as part of this study reviews the City’s future financial outlook collectively as a whole and not on an annual basis that is independent from one another. As such, a financial plan and rate structure was developed with level adjustments to provide continued financial stability throughout the study period. A number of financial scenarios were analyzed and presented over the course of the 9-month study. The results and recommendations provided in the analysis were broken down into discrete components and presented to the Utility Commission and City Council through multiple publicly noticed meetings. These presentations included educational background on rate design, the City’s reserve policies, growth projections, consumption projections, percentage split between fixed revenue versus variable revenue, the creation of customer classes, residential tiering analysis, and illustration of seasonal consumption patterns. The recommended financial plan was forecasted and analyzed to achieve a 90-day operations reserve within the five-year study period and to maintain compliance with the City’s Debt Coverage Ratio.

To achieve these results in the Water Fund, the recommended revenue adjustments are fifteen percent (15%) each year for the five year period. These adjustments would occur each July with the first 15% on July 1, 2013, or as soon as possible thereafter. Figure 2-4 details the existing and projected expenditures of the water fund and the corresponding impact of the revenue adjustments on the fund’s financial health.

Figure 2-4: Water - Revenue Requirements Analysis

Description	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Revenue from Rates	Projected				
Residential Sales/Charges	\$ 8,032,663	\$ 8,032,663	\$ 8,032,663	\$ 8,032,663	\$ 8,032,663
Residential Water Outside City	42,598	42,598	42,598	42,598	42,598
Construction Wtr Svc Sales	13,568	13,568	13,568	13,568	13,568
Fire Line Water Service Sales	50,445	50,445	50,445	50,445	50,445
Non Metered Water Sales	4,498	4,498	4,498	4,498	4,498
Total Operating Revenue	\$ 8,143,772	\$ 8,143,772	\$ 8,143,772	\$ 8,143,772	\$ 8,143,772
Additional Rate Revenue Required					
FYE 2014	\$ 1,221,600	\$ 1,221,600	\$ 1,221,600	\$ 1,221,600	\$ 1,221,600
FYE 2015		1,404,800	1,404,800	1,404,800	1,404,800
FYE 2016			1,615,500	1,615,500	1,615,500
FYE 2017				1,857,900	1,857,900
FYE 2018					2,136,500
Total Additional Rate Revenue	\$ 1,221,600	\$ 2,626,400	\$ 4,241,900	\$ 6,099,800	\$ 8,236,300
Total Revenue	\$ 9,365,372	\$ 10,770,172	\$12,385,672	\$14,243,572	\$16,380,072
Operation Expenses	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Salaries & Benefits					
Salaries Full Time	58,659	61,005	63,445	65,983	68,622
Salaries Full Time	955,834	994,067	1,033,830	1,075,183	1,118,190
Salaries Full Time	574,439	597,416	621,313	646,166	672,012
Salaries Full Time	261,717	272,186	283,073	294,396	306,172
Salaries Full Time	198,948	206,906	215,182	223,789	232,741
Salaries Overtime	10,816	11,249	11,699	12,167	12,653
Salaries Overtime	6,490	6,749	7,019	7,300	7,592
Salaries Overtime	5,408	5,624	5,849	6,083	6,327
Salaries Shift Differential	9,475	9,854	10,248	10,658	11,084
Salaries Standby Pay	2,163	2,250	2,340	2,433	2,531
Salaries Standby Pay	16,236	16,885	17,561	18,263	18,994
Credits-Sal & Ben Electric	(186,300)	(193,752)	(201,502)	(209,562)	(217,945)
Credits-Sal&Ben Ww	(62,100)	(64,584)	(67,167)	(69,854)	(72,648)
Insurance Benefits	9,559	9,941	10,339	10,753	11,183
Insurance Benefits	266,868	277,543	288,644	300,190	312,198
Insurance Benefits	233,390	242,726	252,435	262,532	273,033
Insurance Benefits	56,019	58,259	60,590	63,013	65,534
Insurance Benefits	56,572	58,835	61,188	63,636	66,181
Pt Medi-Care/Wc/Unemp Ins	894	930	967	1,006	1,046
Insurance Benefits-Other	2,503	2,603	2,707	2,815	2,928
Insurance Benefits-Other	486	505	525	546	568
Retirement Benefits	15,832	16,465	17,124	17,809	18,521
Retirement Benefits	244,008	253,769	263,919	274,476	285,455
Retirement Benefits	144,572	150,355	156,369	162,624	169,129
Retirement Benefits	70,362	73,176	76,103	79,147	82,313
Retirement Benefits	49,572	51,555	53,617	55,762	57,992
Pt Retire-Non Pers Covered	324	337	351	365	380
Retirement Benefits-Other	4,562	4,745	4,934	5,132	5,337
Other Expenses					
Postage	2,146	2,146	2,146	2,146	2,146
Office Supplies	796	820	844	869	896
Printing	1,082	1,115	1,148	1,182	1,218
Copy Machine Expense	1,875	1,931	1,989	2,048	2,110
Publications	530	546	563	580	597
Opr Sup-Household	530	546	563	580	597
Opr Sup-Computer Equipment	637	656	675	696	716

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Operation Expenses	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Uniforms	88	91	93	96	99
Utilities-Water	7,711	7,942	8,180	8,426	8,678
Utilities-Electric	6,790	6,993	7,203	7,419	7,642
Utilities-Sewer	426	439	452	466	480
Communications-Telephone	1,205	1,241	1,279	1,317	1,356
Communications-Switch Eq	3,640	3,750	3,862	3,978	4,097
Communications-Cell Phone	576	593	611	629	648
Prof Svc-Administration	627,293	646,112	665,495	685,460	706,024
Prof Svc-Financial Service	3,183	3,278	3,377	3,478	3,582
Svc-Security System	700	721	743	765	788
Repair&Maint-Computer Equip	503	518	533	549	566
Training	2,334	2,404	2,476	2,550	2,627
Training-In Service	4,574	4,711	4,852	4,998	5,148
Memberships	3,713	3,825	3,939	4,057	4,179
Meetings-Trvl,Meals,Room Fees	2,122	2,185	2,251	2,319	2,388
Insurance-Fire & Property	28,192	29,038	29,909	30,807	31,731
Property Tax	80	82	84	87	90
Intrl Svc-Fleet Replacements	1,989	2,049	2,110	2,174	2,239
Intrl Svc-Fleet Operations	10,610	10,928	11,256	11,594	11,942
Vehicle Allowance	4,169	4,294	4,423	4,556	4,693
Intrl Svc-Phone Dispatch	7,895	8,132	8,376	8,627	8,886
Shared Security Equip	12,845	12,845	12,845	12,845	12,845
Postage	106	109	113	116	119
Office Supplies	637	656	675	696	716
Printing	470	484	499	514	529
Copy Machine Expense	692	712	734	756	779
Publications	106	109	113	116	119
Opr Sup-Supplies	212	219	225	232	239
Opr Sup-Computer Equipment	318	328	338	348	358
Communications-Telephone	166	170	176	181	186
Communications-Cell Phone	39	40	42	43	44
Training	530	546	563	580	597
Memberships	159	164	169	174	179
Meetings-Trvl,Meals,Room Fees	530	546	563	580	597
Intrl Svc-Fleet Replacements	212	219	225	232	239
Intrl Svc-Fleet Operations	345	355	366	377	388
Community Education	6,365	6,556	6,753	6,956	7,164
Prof Svc-Utility Billing&Actg	356,908	367,615	378,644	390,003	401,703
Postage	122	126	129	133	137
Office Supplies	424	437	450	464	478
Printing	312	321	331	341	351
Publications	212	219	225	232	239
Opr Sup-Small Tools	530	546	563	580	597
Opr Sup-Computer Equipment	530	546	563	580	597
Work & Safety Clothing	1,061	1,093	1,126	1,159	1,194
Uniforms	1,844	1,899	1,956	2,015	2,075
Safety Supplies	530	546	563	580	597
Wtr-Meter Sup/Replacement	5,305	5,464	5,628	5,796	5,970
Utilities-Electric	7	8	8	8	8
Communications-Telephone	318	328	338	348	358
Communications-Switch Eq	214	221	227	234	241
Communications-Cell Phone	2,509	2,584	2,662	2,742	2,824
Prof Svc-Administration	31,120	32,054	33,016	34,006	35,026
Repair&Maint-Data Proces Equip	9,230	9,507	9,792	10,086	10,388
Repair&Maint-Fixed Ntwrk Sys	27,785	28,619	29,477	30,361	31,272
Svc-Itron Fixed Ntwrk Hosting	54,366	55,997	57,677	59,407	61,189
Training	3,395	3,497	3,602	3,710	3,821
Meetings-Trvl,Meals,Room Fees	4,350	4,480	4,615	4,753	4,896
Intrl Svc-Fleet Replacements	4,249	4,376	4,508	4,643	4,782
Intrl Svc-Fleet Operations	18,766	19,329	19,909	20,506	21,122
Intrl Svc-Broadband	238,703	245,864	253,239	260,837	268,662
Credits-Electric Fund	(210,106)	(216,409)	(222,901)	(229,588)	(236,476)

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Operation Expenses	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Credits-Wastewater Fund	(68,508)	(70,563)	(72,680)	(74,860)	(77,106)
100W Encoder,Intergral Conncet	10,962	10,962	10,962	10,962	10,962
Services-Purch & Stores	97,339	100,259	103,267	106,365	109,555
Services-Grounds Maint	8,487	8,742	9,004	9,274	9,552
Utilities-Landfill Tipping Fee	152,830	157,415	162,137	167,002	172,012
Services-Hauling	148,526	152,982	157,571	162,298	167,167
Repair&Maint-Special Equip	23,340	24,040	24,761	25,504	26,269
Opr Sup-Utility	1,061	1,093	1,126	1,159	1,194
Fuels, Oils, Lubricants	318	328	338	348	358
Wtr-Springs & Tunnels Supplies	6,365	6,556	6,753	6,956	7,164
Wtr-Mains Supplies	1,061	1,093	1,126	1,159	1,194
Utilities-Water	757	780	804	828	853
Utilities-Electric	205,929	212,107	218,470	225,024	231,775
Prof Svc-Engineering	106,155	109,339	112,620	115,998	119,478
Prof Svc-Legal	102,846	105,932	109,110	112,383	115,754
Prof Svc-Ground Wtr Mgmt	36,324	37,414	38,536	39,692	40,883
Services-Weed Abatement	530	546	563	580	597
Services-Cloud Seeding	11,882	12,239	12,606	12,984	13,373
Services-Undergrnd Alert	371	382	394	406	418
Services-Usgs Study	37,662	38,792	39,956	41,154	42,389
Repair&Maint-Well Maint	42,436	43,709	45,020	46,371	47,762
Permit-Generator(S)	1,618	1,666	1,716	1,768	1,821
Ground Wtr Pump Charges	50,923	52,451	54,024	55,645	57,315
Dhs Service Charge	7,798	8,032	8,272	8,521	8,776
Intrl Svc-Engineering	1,061	1,093	1,126	1,159	1,194
Office Supplies	743	765	788	811	836
Publications	53	55	56	58	60
Opr Sup-Utility	9,548	9,835	10,130	10,433	10,746
Opr Sup-Household	637	656	675	696	716
Opr Sup-Small Tools	1,750	1,803	1,857	1,913	1,970
Opr Sup-Computer Equipment	1,273	1,311	1,351	1,391	1,433
Work & Safety Clothing	2,334	2,404	2,476	2,550	2,627
Uniforms	3,299	3,398	3,500	3,605	3,714
Safety Supplies	1,697	1,748	1,801	1,855	1,910
Other Sup-Building Maint	530	546	563	580	597
Wtr-Mains Supplies	38,723	39,885	41,081	42,314	43,583
Wtr-Reservoir Supplies	2,122	2,185	2,251	2,319	2,388
Wtr-Meter Sup/Replacement	15,981	16,460	16,954	17,462	17,986
Wtr-Fire Hydrant Supplies	12,731	13,113	13,506	13,911	14,329
Wtr-New Services Materials	2,652	2,732	2,814	2,898	2,985
Utilities-Electric	2,738	2,820	2,905	2,992	3,082
Utilities-Gas	191	197	203	209	215
Utilities-Landfill Tipping Fee	474	488	503	518	534
Communications-Telephone	694	715	736	758	781
Communications-Switch Eq	428	441	454	468	482
Communications-Cell Phone	3,044	3,135	3,229	3,326	3,426
Prof Svc-Other	7,957	8,195	8,441	8,695	8,955
Services-Contract Repair	5,305	5,464	5,628	5,796	5,970
Services-Hauling	53	55	56	58	60
Services-Gis Mapping	39,858	41,054	42,285	43,554	44,861
Svc-Drug & Alcohol Testing	159	164	169	174	179
Services-Other Gen Fd Support	445,959	459,338	473,118	487,311	501,931
Repair&Maint-Special Equip	1,591	1,639	1,688	1,739	1,791
Repair&Maint-Radio Equip	965	994	1,024	1,055	1,087
R&M Ahc (Uplands) Pump Station	4,244	4,371	4,502	4,637	4,776
Repair&Maint-Gis Map System	1,994	2,054	2,116	2,179	2,245
Prof Svc-Archaeological	2,122	2,185	2,251	2,319	2,388
Training	5,305	5,464	5,628	5,796	5,970
Memberships	637	656	675	696	716
Meetings-Trvl,Meals,Room Fees	530	546	563	580	597
Intrl Svc-Fleet Replacements	27,244	28,061	28,903	29,770	30,663

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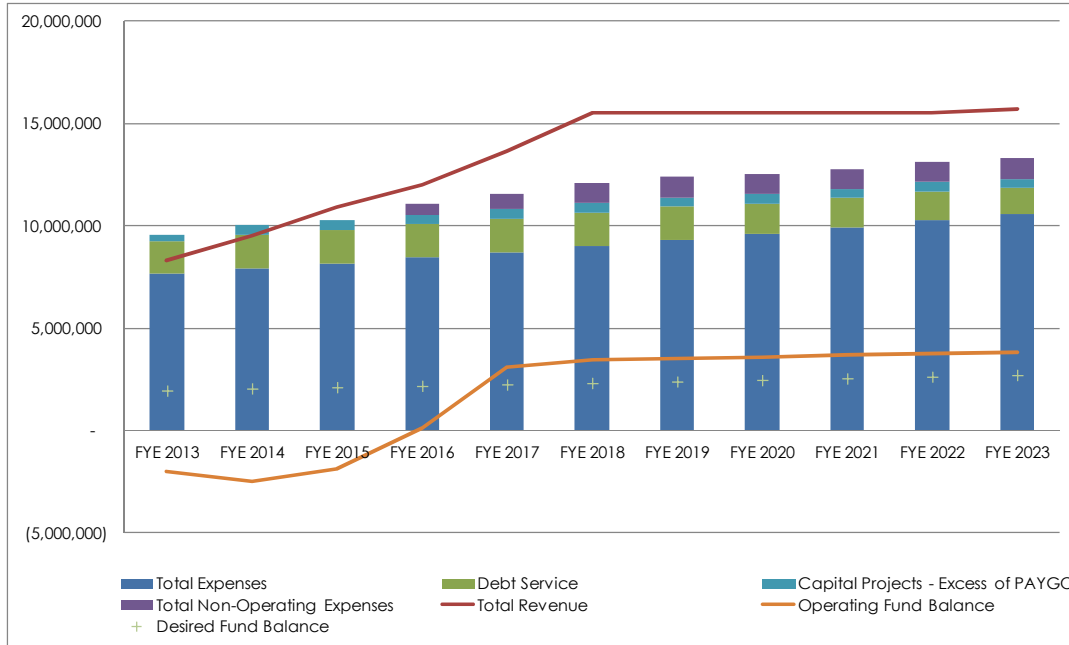
Operation Expenses	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Intrl Svc-Fleet Operations	43,930	45,248	46,605	48,003	49,443
Internal Svcs-Streets	14,853	15,298	15,757	16,230	16,717
Gis Shared Computer Equip	7,095	7,095	7,095	7,095	7,095
Wtr-Distribution Mains	190,000	190,000	190,000	190,000	190,000
Wtr-Fire Hydrants	70,000	70,000	70,000	70,000	70,000
Office Supplies	1,485	1,530	1,576	1,623	1,672
Printing	21	22	23	23	24
Publications	106	109	113	116	119
Opr Sup-Chemicals	769,153	792,227	815,994	840,474	865,688
Opr Sup-Laboratory	30,962	31,891	32,848	33,833	34,848
Opr Sup-Hach Sup/Equipment	4,244	4,371	4,502	4,637	4,776
Opr Sup-Small Tools	2,652	2,732	2,814	2,898	2,985
Opr Sup-Computer Equipment	3,183	3,278	3,377	3,478	3,582
Work & Safety Clothing	1,591	1,639	1,688	1,739	1,791
Uniforms	5,079	5,231	5,388	5,549	5,716
Safety Supplies	1,273	1,311	1,351	1,391	1,433
Other Sup-Building Maint	318	328	338	348	358
Fuels, Oils, Lubricants	4,244	4,371	4,502	4,637	4,776
Wtr-Sludge Bed Supplies	1,061	1,093	1,126	1,159	1,194
Wtr-Struc & Facil Supplies	94,420	97,253	100,170	103,175	106,271
Utilities-Electric	453,469	467,073	481,085	495,518	510,383
Utilities-Sewer	497	511	527	543	559
Utilities-Refuse	7,183	7,399	7,621	7,849	8,085
Utilities-Gas	2,122	2,185	2,251	2,319	2,388
Communications-Telephone	5,481	5,645	5,814	5,989	6,168
Communications-Cell Phone	4,510	4,645	4,785	4,928	5,076
Comm-Portable Radio(\$)	611	629	648	668	688
Prof Svc-Testing	21,218	21,855	22,510	23,185	23,881
Prof Svc-Other	4,244	4,371	4,502	4,637	4,776
Services-Contract Repair	1,910	1,967	2,026	2,087	2,149
Services-Haz Waste Disposal	530	546	563	580	597
Svc-Drug & Alcohol Testing	239	246	253	261	269
Repair&Maint-Radio Equip	1,685	1,735	1,787	1,841	1,896
Svc-Software License	21,430	22,073	22,735	23,417	24,120
Training	12,731	13,113	13,506	13,911	14,329
Memberships	1,591	1,639	1,688	1,739	1,791
Meetings-Trvl,Meals,Room Fees	2,122	2,185	2,251	2,319	2,388
Insurance-Liability	134,946	138,995	143,165	147,460	151,883
Permits-Lab Certification	4,244	4,371	4,502	4,637	4,776
Intrl Svc-Fleet Replacements	20,334	20,944	21,573	22,220	22,886
Intrl Svc-Fleet Operations	15,490	15,955	16,434	16,927	17,434
Wtr-Secure Vulnerabl Upgrades	20,000	20,000	20,000	20,000	20,000
Capital Projects (rate funded)					
PAYGO Capital Improvements	452,864	452,864	452,864	452,864	452,864
Total Operating Expenses	8,377,874	8,636,306	8,903,693	9,180,354	9,466,615
Operating Income	\$ 987,498	\$ 2,133,866	\$ 3,481,979	\$ 5,063,218	\$ 6,913,457
Other Revenue					
Interest Income	2,677	2,677	2,677	2,677	2,677
Int Income-Restricted Funds	7,565	7,565	7,565	7,565	7,565
Int Inc - Chevron Escrow	3	3	3	3	3
Int Inc-Retrofit	3,270	3,270	3,270	3,270	3,270
Flower Festival Services	261	261	261	261	261
Field Service	1,497	1,497	1,497	1,497	1,497
Installation Fees	4,250	4,250	4,250	4,250	4,250
Fire Hydrant Mtr Installtn Chg	1,189	1,189	1,189	1,189	1,189
Water Main Extension	611	611	611	611	611
Ab1600 Impact Fees	95,460	95,460	95,460	95,460	95,460
48 Hour Delivery Charge	14,159	14,159	14,159	14,159	14,159
Damage To Property	6,952	6,952	6,952	6,952	6,952
Miscellaneous Revenue	11,373	11,373	11,373	11,373	11,373
Total Non-Operating Revenue	149,267	149,267	149,267	149,267	149,267

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Non-Operating Expenses	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Depreciation funded above CIP	\$ -	\$ -	\$ 502,079	\$ 741,106	\$ 980,132
Debt Service					
Prof Svc-Financial Service	3,000	3,000	3,000	3,000	3,000
Prof Svc-Trustee Fees	1,000	1,000	1,000	1,000	1,000
Svc-Actuarial	750	750	750	750	750
Int-1998 Wtr/Ww Bond	268,324	267,968	267,502	267,766	268,151
Interest-2005 Ww Bonds	317,189	316,767	316,216	316,529	316,984
Interest-Loans	1,634	1,634	1,634	1,634	1,634
Int-Energy Effic Impr Proj	4,027	4,027	4,027	4,027	4,027
Int-2007 W&Ww Revenue Bonds	102,298	102,162	101,984	102,085	102,232
Int-12/07 Citicap Lease	32,853	32,853	32,853	32,853	32,853
Int-Lease Purch 01-03	249	249	249	249	249
Int 11-12 Lease Financing	6,300	6,300	6,300	6,300	6,300
Principal-2005 Ww Bonds	184,997	184,752	184,430	184,613	184,878
Principal-1998 Wtr/Ww Bond	293,142	292,753	292,243	292,532	292,953
Principal-Eda Loan 99-02	5,656	5,656	5,656	5,656	5,656
Prin-Energy Effic Impr Proj	3,906	3,906	3,906	3,906	3,906
Prin-2007 W&Ww Revenue Bonds	54,999	54,926	54,831	54,885	54,964
Prin-12/07 Citicap Lease	118,654	118,654	118,654	118,654	118,654
Prin-Lease Purch 01-03	11,319	11,319	11,319	11,319	11,319
Prin 11-12 Lease Financing	6,636	6,636	6,636	6,636	6,636
Operating Loan Repayment	222,460	222,460	222,460	222,460	222,460
Water Fund (551)					
Beginning Operating Fund Balance	\$ (2,014,876)	\$ (2,517,504)	\$ (1,872,142)	\$ (378,625)	\$ 2,376,831
Fund Balance Days of O&M	90	90	90	90	90
Desired Fund Balance	2,065,777	2,129,500	2,195,431	2,263,649	2,334,234
Maximum Fund Balance	2,169,066	2,235,975	2,305,203	2,376,831	2,450,946
Transfer Out to R&R	-	-	-	(79,070)	(4,369,871)
Ending Operating Fund Balance	\$ (2,517,504)	\$ (1,872,142)	\$ (378,625)	\$ 2,376,831	\$ 2,450,946
Capital Repair and Replacement Fund					
Beginning Capital R&R Fund Balance	\$ -	\$ -	\$ -	\$ 502,079	\$ 1,322,254
Deposit Based on Depreciation	-	-	502,079	741,106	980,132
Excess from O&M Reserve Fund	-	-	-	79,070	4,369,871
Running Balance	-	-	502,079	1,322,254	6,672,258
Minimum Ending Reserve Balance	40,000	40,000	40,000	40,000	40,000
Ending Capital R&R Fund Balance	\$ -	\$ -	\$ 502,079	\$ 1,322,254	\$ 6,672,258

Similar to Figure 2-3 - Baseline Scenario, Figure 2-5, forecasts the financial health of the water fund; however, as opposed to the baseline scenario, the revenue adjustments provide a more positive outlook and allow for a funding of capital projects, while maintaining appropriate reserves.

Figure 2-5: Water - Recommended Financial Plan



* FYE = Fiscal Year End

Cost of Service Analysis

Following the consumption and revenue requirement analysis, the next stage was to distribute costs (revenue requirements) to functional components, and ultimately, to each customer class. The cost of service analysis is a systematic process by which revenue requirements are allocated by function to generate a classification of fair and equitable costs in proportion to the service received for each user class. The cost of services analysis combined the water consumption and usage characteristics analyses with the revenue requirements and expenditure analysis. This section of the report discusses the methodology of allocating expenditures to the functional cost components to best project each customer classification’s burdens on the system.

Cost Allocation by Function

To equitably allocate the cost of service among the different user classes in proportion to their usage and peaking demands, costs were initially allocated to functional cost components. Figures 2-6 provides a breakdown of the City's revenue requirements by functional cost components, using a 10-year annual average to account for how costs are incurred over time, and Figure 2-7 shows a summary of the City's revenue requirements by function for each year of the study period. To generate this data, the City's budget was analyzed line-item by line-item and expenditures were distributed based on a variety of demand factors: average day (base), maximum day (peak) usage, meters and services, and customer accounts.

Base: Variable operating and capital costs incurred by the water system on all units of water that are associated with servicing all customers, irrespective of customer class or peak demand.

Max Day: Variable costs incurred to meet customer peak demands for water in excess of average day demand. This cost also includes capital costs related to providing excess capacity.

Fixed Costs include customer accounts, and meter service costs. Customer account costs are uniform to all customers and include such costs as meter reading, billing, accounting, and administration. Meter service costs include maintenance and capital costs associated with meters and services.

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Figure 2-6: Distribution of Expenditures by Function

Description		Total Water Expenses	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection
% Allocation			50.0%	15.4%	10.9%	14.7%	9.0%
Total Allocation		12,335,501	6,171,550	1,894,665	1,338,654	1,818,704	1,111,927
Program	Salaries & Benefits						
WATER-SOURCE OF SUPPLY	TOTAL SALARIES & BENEFITS	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	OPR SUP-UTILITY	1,199	436	763	-	-	-
WATER-SOURCE OF SUPPLY	FUELS, OILS, LUBRICANTS	360	131	229	-	-	-
WATER-SOURCE OF SUPPLY	WTR-SPRINGS & TUNNELS SUPPLIES	7,196	2,615	4,581	-	-	-
WATER-SOURCE OF SUPPLY	WTR-MAINS SUPPLIES	1,199	1,199	-	-	-	-
WATER-SOURCE OF SUPPLY	UTILITIES-WATER	856	311	545	-	-	-
WATER-SOURCE OF SUPPLY	UTILITIES-ELECTRIC	232,789	84,594	148,195	-	-	-
WATER-SOURCE OF SUPPLY	PROF SVC-EIR SERVICES	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	PROF SVC-ENGINEERING	120,001	-	-	-	120,001	-
WATER-SOURCE OF SUPPLY	PROF SVC-LEGAL	116,261	-	-	-	116,261	-
WATER-SOURCE OF SUPPLY	PROF SVC-GROUND WTR MGMT	41,062	41,062	-	-	-	-
WATER-SOURCE OF SUPPLY	SERVICES-WEED ABATEMENT	600	-	-	-	600	-
WATER-SOURCE OF SUPPLY	SERVICES-CLOUD SEEDING	13,432	4,881	8,551	-	-	-
WATER-SOURCE OF SUPPLY	SERVICES-UNDERGRND ALERT	420	153	267	-	-	-
WATER-SOURCE OF SUPPLY	SERVICES-USGS STUDY	42,574	-	-	-	42,574	-
WATER-SOURCE OF SUPPLY	REPAIR&MAINT-SPECIAL EQUIP	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	REPAIR&MAINT-WELL MAINT	47,971	17,432	30,539	-	-	-
WATER-SOURCE OF SUPPLY	MEETINGS-TRVL,MEALS,ROOM FEES	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	PERMIT-GENERATOR(S)	1,829	665	1,164	-	-	-
WATER-SOURCE OF SUPPLY	GROUND WTR PUMP CHARGES	57,565	57,565	-	-	-	-
WATER-SOURCE OF SUPPLY	DHS SERVICE CHARGE	8,815	-	-	-	8,815	-
WATER-SOURCE OF SUPPLY	INTRL SVC-ENGINEERING	1,199	436	763	-	-	-
WATER-SOURCE OF SUPPLY	WTR-WELL METERS	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	UPDATE HYDRO GRWTR BASIN MODEL	38,185	38,185	-	-	-	-
WATER-SOURCE OF SUPPLY	WTR-REHAB WELLS	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	WTR-WELL #10	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	WTR-WELL #11	1,014,101	368,517	645,585	-	-	-
WATER-SOURCE OF SUPPLY	CR-CAP OULAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	CIP-CLEAN WELL WTR COLL LINES	-	-	-	-	-	-
WATER-SOURCE OF SUPPLY	ENRGYEFFC-ELECTRICAL IMPRV	-	-	-	-	-	-
WATER-SANTA YNEZ RIVER TASK FORCE	PT MEDI-CARE/WC/UNEMP INS	1,054	-	-	1,054	-	-
WATER-SANTA YNEZ RIVER TASK FORCE	PT RETIRE-NON PERS COVERED	383	-	-	383	-	-
WATER-SANTA YNEZ RIVER TASK FORCE	SERVICES-GROUNDS MAINT	10,201	-	-	10,201	-	-
WATER-CONSERVATION PROGRAM	TOTAL SALARIES & BENEFITS	99,084	36,006	63,078	-	-	-
WATER-CONSERVATION PROGRAM	POSTAGE	120	-	-	120	-	-
WATER-CONSERVATION PROGRAM	OFFICE SUPPLIES	720	-	-	720	-	-
WATER-CONSERVATION PROGRAM	PRINTING	531	-	-	531	-	-
WATER-CONSERVATION PROGRAM	COPY MACHINE EXPENSE	782	-	-	782	-	-
WATER-CONSERVATION PROGRAM	PUBLICATIONS	120	-	-	120	-	-
WATER-CONSERVATION PROGRAM	OPR SUP-SUPPLIES	240	-	-	240	-	-
WATER-CONSERVATION PROGRAM	OPR SUP-PHOTOGRAPHIC	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	OPR SUP-COMPUTER EQUIPMENT	360	-	-	360	-	-
WATER-CONSERVATION PROGRAM	COMMUNICATIONS-TELEPHONE	187	-	-	187	-	-
WATER-CONSERVATION PROGRAM	COMMUNICATIONS-CELL PHONE	44	-	-	44	-	-
WATER-CONSERVATION PROGRAM	REPAIR&MAINT-OFFICE EQUIP	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	REPAIR&MAINT-COMPUTER EQUIP	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	SVC-TEMP SERVICES	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	TRAINING	600	-	-	600	-	-
WATER-CONSERVATION PROGRAM	MEMBERSHIPS	180	-	-	180	-	-
WATER-CONSERVATION PROGRAM	MEETINGS-TRVL,MEALS,ROOM FEES	600	-	-	600	-	-
WATER-CONSERVATION PROGRAM	EMPLOYEE AWARD LUNCHEON	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	EMPLOYEE PICNIC	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	INTRL SVC-FLEET REPLACEMENTS	240	87	153	-	-	-
WATER-CONSERVATION PROGRAM	INTRL SVC-FLEET OPERATIONS	390	142	248	-	-	-
WATER-CONSERVATION PROGRAM	COMMUNITY EDUCATION	7,196	-	-	3,598	3,598	-
WATER-CONSERVATION PROGRAM	CR-CAP OULAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	ENRGYEFFC-IRRIGATION SYS	-	-	-	-	-	-
WATER-CONSERVATION PROGRAM	CHEVRON TRANSFER OUT	-	-	-	-	-	-

Figure 2-6: Distribution of Expenditures by Function - Continued

Description		Total Water Expenses	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection
% Allocation			50.0%	15.4%	10.9%	14.7%	9.0%
Total Allocation		12,335,501	6,171,550	1,894,665	1,338,654	1,818,704	1,111,927
Program	Salaries & Benefits						
WATER-TREATMENT	TOTAL SALARIES & BENEFITS	1,763,870	1,763,870	-	-	-	-
WATER-TREATMENT	OFFICE SUPPLIES	1,679	1,679	-	-	-	-
WATER-TREATMENT	PRINTING	24	24	-	-	-	-
WATER-TREATMENT	PUBLICATIONS	120	120	-	-	-	-
WATER-TREATMENT	OPR SUP-UTILITY	-	-	-	-	-	-
WATER-TREATMENT	OPR SUP-CHEMICALS	869,475	869,475	-	-	-	-
WATER-TREATMENT	OPR SUP-LABORATORY	35,001	35,001	-	-	-	-
WATER-TREATMENT	OPR SUP-HACH SUP/EQUIPMENT	4,797	4,797	-	-	-	-
WATER-TREATMENT	OPR SUP-SMALL TOOLS	2,998	2,998	-	-	-	-
WATER-TREATMENT	OPR SUP-COMPUTER SOFTWARE	-	-	-	-	-	-
WATER-TREATMENT	OPR SUP-COMPUTER EQUIPMENT	3,598	3,598	-	-	-	-
WATER-TREATMENT	OPR SUP-FOOD FOR CONT OVERTIME	-	-	-	-	-	-
WATER-TREATMENT	WORK & SAFETY CLOTHING	1,799	1,799	-	-	-	-
WATER-TREATMENT	UNIFORMS	5,741	5,741	-	-	-	-
WATER-TREATMENT	SAFETY SUPPLIES	1,439	1,439	-	-	-	-
WATER-TREATMENT	OTHER SUP-BUILDING MAINT	360	360	-	-	-	-
WATER-TREATMENT	OTHER SUP-FURNITURE	-	-	-	-	-	-
WATER-TREATMENT	OTHER SUP-APPLIANCE(S)	-	-	-	-	-	-
WATER-TREATMENT	FUELS, OILS, LUBRICANTS	4,797	4,797	-	-	-	-
WATER-TREATMENT	CAPITAL ITEMS EXPENSED	-	-	-	-	-	-
WATER-TREATMENT	WTR-SPRINGS & TUNNELS SUPPLIES	-	-	-	-	-	-
WATER-TREATMENT	WTR-MAINS SUPPLIES	-	-	-	-	-	-
WATER-TREATMENT	WTR-RESERVOIR SUPPLIES	-	-	-	-	-	-
WATER-TREATMENT	WTR-SLUDGE BED SUPPLIES	1,199	1,199	-	-	-	-
WATER-TREATMENT	WTR-STRUC & FACIL SUPPLIES	106,736	106,736	-	-	-	-
WATER-TREATMENT	UTILITIES-ELECTRIC	512,616	512,616	-	-	-	-
WATER-TREATMENT	UTILITIES-SEWER	561	561	-	-	-	-
WATER-TREATMENT	UTILITIES-REFUSE	8,120	8,120	-	-	-	-
WATER-TREATMENT	UTILITIES-GAS	2,399	2,399	-	-	-	-
WATER-TREATMENT	UTILITIES-LANDFILL TIPPING FEE	-	-	-	-	-	-
WATER-TREATMENT	COMMUNICATIONS-TELEPHONE	6,195	6,195	-	-	-	-
WATER-TREATMENT	COMMUNICATIONS-CELL PHONE	5,098	5,098	-	-	-	-
WATER-TREATMENT	COMMUNICATIONS-PAGER	-	-	-	-	-	-
WATER-TREATMENT	COMM-PORTABLE RADIO(S)	691	691	-	-	-	-
WATER-TREATMENT	PROF SVC-TESTING	23,986	23,986	-	-	-	-
WATER-TREATMENT	PROF SVC-ADVERTISING	-	-	-	-	-	-
WATER-TREATMENT	PROF SVC-CLASS "B" PHYSICAL	-	-	-	-	-	-
WATER-TREATMENT	PROF SVC-OTHER	4,797	4,797	-	-	-	-
WATER-TREATMENT	SERVICES-CONTRACT REPAIR	2,159	2,159	-	-	-	-
WATER-TREATMENT	SERVICES-HAZ WASTE DISPOSAL	600	600	-	-	-	-
WATER-TREATMENT	SVC-DRUG & ALCOHOL TESTING	270	270	-	-	-	-
WATER-TREATMENT	REPAIR&MAINT-OFFICE EQUIP	-	-	-	-	-	-
WATER-TREATMENT	REPAIR&MAINT-SPECIAL EQUIP	-	-	-	-	-	-
WATER-TREATMENT	REPAIR&MAINT-COMPUTER EQUIP	-	-	-	-	-	-
WATER-TREATMENT	REPAIR&MAINT-RADIO EQUIP	1,904	1,904	-	-	-	-
WATER-TREATMENT	SVC-SOFTWARE LICENSE	24,225	24,225	-	-	-	-
WATER-TREATMENT	TRAINING	14,391	14,391	-	-	-	-
WATER-TREATMENT	MEMBERSHIPS	1,799	1,799	-	-	-	-
WATER-TREATMENT	MEETINGS-TRVL MEALS, ROOM FEES	2,399	2,399	-	-	-	-
WATER-TREATMENT	EMPLOYEE AWARD LUNCHEON	-	-	-	-	-	-
WATER-TREATMENT	EMPLOYEE PICNIC	-	-	-	-	-	-
WATER-TREATMENT	INSURANCE-LIABILITY	152,548	152,548	-	-	-	-
WATER-TREATMENT	PERMITS-LAB CERTIFICATION	4,797	4,797	-	-	-	-
WATER-TREATMENT	INTRL SVC-FLEET REPLACEMENTS	22,987	22,987	-	-	-	-
WATER-TREATMENT	INTRL SVC-FLEET OPERATIONS	17,511	17,511	-	-	-	-
WATER-TREATMENT	INTRL SVC-ENGINEERING	-	-	-	-	-	-
WATER-TREATMENT	INTERNAL SVCS-ENVIRONMENTAL	-	-	-	-	-	-
WATER-TREATMENT	INTRL SVC-SIGN & PAINT	-	-	-	-	-	-
WATER-TREATMENT	HVAC SYSTEM	7,196	7,196	-	-	-	-
WATER-TREATMENT	LAB INFO MGMT SYSTEM	-	-	-	-	-	-
WATER-TREATMENT	AUTOCLAVE	-	-	-	-	-	-
WATER-TREATMENT	ELECTRIC PALLET STACKER	-	-	-	-	-	-
WATER-TREATMENT	LABORATORY DISHWASHER	-	-	-	-	-	-
WATER-TREATMENT	WTR-BULK LIME DELIVERY SYSTEM	-	-	-	-	-	-
WATER-TREATMENT	WTR-SECURE VULNERABL UPRADES	20,000	20,000	-	-	-	-
WATER-TREATMENT	WTR-FLOCCULATOR SHAFTS	-	-	-	-	-	-
WATER-TREATMENT	WTR-MCC B PANEL/CHEM BLDG	-	-	-	-	-	-
WATER-TREATMENT	WTR-FILTRER TUB SPRAY BARS	-	-	-	-	-	-
WATER-TREATMENT	WTR-FILTRER ADDITION	-	-	-	-	-	-
WATER-TREATMENT	WTR-CLEAN/COAT EXTR WTR INK(S)	-	-	-	-	-	-
WATER-TREATMENT	WTR-WIP IMPROVEMENTS	-	-	-	-	-	-
WATER-TREATMENT	WTR-WIP BOOSTER STA IMPRV	-	-	-	-	-	-
WATER-TREATMENT	SCADA SYSTEM	220,490	220,490	-	-	-	-
WATER-TREATMENT	UHF REPEATER	9,220	9,220	-	-	-	-
WATER-TREATMENT	CR-CAPITAL OUTLAY EXPENSED	-	-	-	-	-	-
WATER-TREATMENT	CR-CAP OUTLAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-TREATMENT	ENRGY EFFIC-FIRE+SECURTY ALRMS	492	492	-	-	-	-
WATER-TREATMENT	ENRGY EFFIC-LIGHTING	-	-	-	-	-	-

Figure 2-6: Distribution of Expenditures by Function - Continued

Description	Total Water Expenses	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection	
	% Allocation	50.0%	15.4%	10.9%	14.7%	9.0%	
	Total Allocation	12,335,501	6,171,550	1,894,665	1,338,654	1,818,704	1,111,927
Program	Salaries & Benefits						
WATER-TRANSMISSION/DISTRIB	TOTAL SALARIES & BENEFITS	1,150,126	319,018	558,870	-	-	272,239
WATER-TRANSMISSION/DISTRIB	OFFICE SUPPLIES	839	-	-	420	420	-
WATER-TRANSMISSION/DISTRIB	PRINTING	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	PUBLICATIONS	60	-	-	30	30	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-UTILITY	10,793	3,922	6,871	-	-	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-HOUSEHOLD	720	-	-	360	360	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-SMALL TOOLS	1,979	719	1,260	-	-	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-COMPUTER SOFTWARE	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-COMPUTER EQUIPMENT	1,439	-	-	720	720	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-FOOD FOR CONT OVERTIME	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WORK & SAFETY CLOTHING	2,638	-	-	1,319	1,319	-
WATER-TRANSMISSION/DISTRIB	UNIFORMS	3,730	-	-	1,865	1,865	-
WATER-TRANSMISSION/DISTRIB	SAFETY SUPPLIES	1,919	-	-	959	959	-
WATER-TRANSMISSION/DISTRIB	OTHER SUP-BUILDING MAINT	600	-	-	300	300	-
WATER-TRANSMISSION/DISTRIB	CAPITAL ITEMS EXPENSED	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-MAINS SUPPLIES	43,774	15,907	27,867	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-RESERVOIR SUPPLIES	2,399	872	1,527	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-METER SUP/REPLACEMENT	18,065	-	-	-	18,065	-
WATER-TRANSMISSION/DISTRIB	WTR-FIRE HYDRANT SUPPLIES	14,391	-	-	-	-	14,391
WATER-TRANSMISSION/DISTRIB	WTR-NEW SERVICES MATERIALS	2,998	2,998	-	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-WATER	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-ELECTRIC	3,095	1,125	1,971	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-SEWER	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-REFUSE	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-GAS	216	78	137	-	-	-
WATER-TRANSMISSION/DISTRIB	UTILITIES-LANDFILL TIPPING FEE	536	195	341	-	-	-
WATER-TRANSMISSION/DISTRIB	COMMUNICATIONS-TELEPHONE	784	-	-	392	392	-
WATER-TRANSMISSION/DISTRIB	COMMUNICATIONS-SWITCH EQ	484	-	-	242	242	-
WATER-TRANSMISSION/DISTRIB	COMMUNICATIONS-CELL PHONE	3,441	-	-	1,720	1,720	-
WATER-TRANSMISSION/DISTRIB	PROF SVC-CLASS "B" PHYSICAL	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	PROF SVC-OTHER	8,995	3,269	5,726	-	-	-
WATER-TRANSMISSION/DISTRIB	SERVICES-CONTRACT REPAIR	5,996	2,179	3,817	-	-	-
WATER-TRANSMISSION/DISTRIB	SERVICES-HAULING	60	22	38	-	-	-
WATER-TRANSMISSION/DISTRIB	SERVICES-GIS MAPPING	45,057	-	-	-	45,057	-
WATER-TRANSMISSION/DISTRIB	SERVICES-HAZ WASTE DISPOSAL	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	SVC-DRUG & ALCOHOL TESTING	180	-	-	90	90	-
WATER-TRANSMISSION/DISTRIB	SERVICES-OTHER GEN FD SUPPORT	504,126	139,833	244,965	-	-	119,328
WATER-TRANSMISSION/DISTRIB	REPAIR&MAINT-OFFICE EQUIP	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	REPAIR&MAINT-SPECIAL EQUIP	1,799	-	-	899	899	-
WATER-TRANSMISSION/DISTRIB	REPAIR&MAINT-RADIO EQUIP	1,091	-	-	546	546	-
WATER-TRANSMISSION/DISTRIB	R&M AHC (UPLANDS) PUMP STATION	4,797	1,743	3,054	-	-	-
WATER-TRANSMISSION/DISTRIB	REPAIR&MAINT-GIS MAP SYSTEM	2,255	-	-	-	2,255	-
WATER-TRANSMISSION/DISTRIB	PROF SVC-ARCHAEOLOGICAL	2,399	872	1,527	-	-	-
WATER-TRANSMISSION/DISTRIB	TRAINING	5,996	-	-	2,998	2,998	-
WATER-TRANSMISSION/DISTRIB	MEMBERSHIPS	720	-	-	360	360	-
WATER-TRANSMISSION/DISTRIB	MEETINGS-TRVL,MEALS,ROOM FEES	600	-	-	300	300	-
WATER-TRANSMISSION/DISTRIB	EMPLOYEE PICNIC	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	INTRL SVC-FLEET REPLACEMENTS	30,797	11,192	19,606	-	-	-
WATER-TRANSMISSION/DISTRIB	INTRL SVC-FLEET OPERATIONS	49,660	18,046	31,614	-	-	-
WATER-TRANSMISSION/DISTRIB	INTERNAL SVCS-STREETS	16,790	-	-	8,395	8,395	-
WATER-TRANSMISSION/DISTRIB	INTRL SVC-SIGN & PAINT	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	INVENTORY WRITE-OFF	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	INT-ENERGY EFFIC IMPR PROJ	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	PRIN-ENERGY EFFIC IMPR PROJ	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	PAVEMENT RESURF/OVERLAY	58,764	-	-	29,382	29,382	-
WATER-TRANSMISSION/DISTRIB	VEHICLE/EQUIP STORAGE BLDG	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	GIS SHARED COMPUTER EQUIP	8,509	-	-	4,254	4,254	-
WATER-TRANSMISSION/DISTRIB	WTR-REMOTE METERS	339,492	-	-	-	339,492	-
WATER-TRANSMISSION/DISTRIB	WTR-SINGLE-JET METERS	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-DISTRIBUTION MAINS	126,943	46,130	80,813	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-NEW SERVICE METERS	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	REPL UTIL-RIVER CROSSING	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-CATHODIC PROTECTION	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-MIG BRIDGE/ACCESS RD IMPRV	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	WTR-FIRE HYDRANTS	167,899	-	-	-	-	167,899
WATER-TRANSMISSION/DISTRIB	CR-CAPITAL OUTLAY EXPENSED	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	CR-CAP OUTLAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	CIP-FRICK SPRING IMPRV	93,269	-	-	46,635	46,635	-
WATER-TRANSMISSION/DISTRIB	ENRGY EFFIC-FIRE+SECURTY ALRMS	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	ENRGY EFFIC-ELECTRICAL IMPRV	-	-	-	-	-	-
WATER-TRANSMISSION/DISTRIB	OPR SUP-SUPPLIES	-	-	-	-	-	-
WATER-SLUDGE DEWATERING	UTILITIES-LANDFILL TIPPING FEE	172,764	-	-	86,382	86,382	-
WATER-SLUDGE DEWATERING	SERVICES-HAULING	167,899	-	-	83,949	83,949	-
WATER-SLUDGE DEWATERING	REPAIR&MAINT-SPECIAL EQUIP	26,384	-	-	13,192	13,192	-

Figure 2-6: Distribution of Expenditures by Function - Continued

Description	Total Water Expenses	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection	
	% Allocation	50.0%	15.4%	10.9%	14.7%	9.0%	
	Total Allocation	12,335,501	6,171,550	1,894,665	1,338,654	1,818,704	1,111,927
Program	Salaries & Benefits						
WATER-ADMINISTRATION/GENERAL	TOTAL SALARIES & BENEFITS	457,519	-	-	174,611	174,611	108,296
WATER-ADMINISTRATION/GENERAL	POSTAGE	2,574	-	-	2,574	-	-
WATER-ADMINISTRATION/GENERAL	OFFICE SUPPLIES	899	-	-	899	-	-
WATER-ADMINISTRATION/GENERAL	PRINTING	1,223	-	-	1,223	-	-
WATER-ADMINISTRATION/GENERAL	COPY MACHINE EXPENSE	2,119	-	-	2,119	-	-
WATER-ADMINISTRATION/GENERAL	PUBLICATIONS	600	-	-	600	-	-
WATER-ADMINISTRATION/GENERAL	OPR SUP-HOUSEHOLD	600	-	-	600	-	-
WATER-ADMINISTRATION/GENERAL	OPR SUP-PHOTOGRAPHIC	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	OPR SUP-SMALL TOOLS	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	OPR SUP-COMPUTER SOFTWARE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	OPR SUP-COMPUTER EQUIPMENT	720	-	-	720	-	-
WATER-ADMINISTRATION/GENERAL	UNIFORMS	100	-	-	100	-	-
WATER-ADMINISTRATION/GENERAL	CAPITAL ITEMS EXPENSED	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	UTILITIES-WATER	9,267	-	-	9,267	-	-
WATER-ADMINISTRATION/GENERAL	UTILITIES-ELECTRIC	8,160	-	-	8,160	-	-
WATER-ADMINISTRATION/GENERAL	UTILITIES-SEWER	513	-	-	513	-	-
WATER-ADMINISTRATION/GENERAL	COMMUNICATIONS-TELEPHONE	1,362	-	-	1,362	-	-
WATER-ADMINISTRATION/GENERAL	COMMUNICATIONS-SWITCH EQ	4,115	-	-	4,115	-	-
WATER-ADMINISTRATION/GENERAL	COMMUNICATIONS-CELL PHONE	651	-	-	651	-	-
WATER-ADMINISTRATION/GENERAL	COMMUNICATIONS-PAGER	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	COMM-CABLE SERVICE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	PROF SVC-ADMINISTRATION	709,112	-	-	354,556	354,556	-
WATER-ADMINISTRATION/GENERAL	PROF SVC-FINANCIAL SERVICE	3,598	-	-	3,598	-	-
WATER-ADMINISTRATION/GENERAL	SVC-SECURITY SYSTEM	792	-	-	792	-	-
WATER-ADMINISTRATION/GENERAL	REPAIR&MAINT-OFFICE EQUIP	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	REPAIR&MAINT-COMPUTER EQUIP	568	-	-	568	-	-
WATER-ADMINISTRATION/GENERAL	REPAIR&MAINT-RADIO EQUIP	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	PROF SVC-REVERSE 911 MAINT FEE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	PROF SVC - AMR PILOT PROJECT	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	SVC-SOFTWARE SYSTEM MAINT	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	SVC-RADIO ADDL TECH SUPPORT	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	TRAINING	2,638	-	-	2,638	-	-
WATER-ADMINISTRATION/GENERAL	TRAINING-TUITION REIMB	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	TRAINING-IN SERVICE	5,170	-	-	5,170	-	-
WATER-ADMINISTRATION/GENERAL	MOVING EXPENSE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	MEMBERSHIPS	4,197	-	-	4,197	-	-
WATER-ADMINISTRATION/GENERAL	MEETINGS-TRVL,MEALS,ROOM FEES	2,399	-	-	2,399	-	-
WATER-ADMINISTRATION/GENERAL	EMPLOYEE AWARD LUNCHEON	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	EMPLOYEE AWARD PINS	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	EMPLOYEE PICNIC	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	INSURANCE-FIRE & PROPERTY	31,870	-	-	31,870	-	-
WATER-ADMINISTRATION/GENERAL	PROPERTY TAX	90	-	-	90	-	-
WATER-ADMINISTRATION/GENERAL	STORM DRAIN PERMIT	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	INTRNL SVC-FLEET REPLACEMENTS	2,249	-	-	1,124	1,124	-
WATER-ADMINISTRATION/GENERAL	INTRNL SVC-FLEET OPERATIONS	11,994	-	-	5,997	5,997	-
WATER-ADMINISTRATION/GENERAL	VEHICLE ALLOWANCE	4,713	-	-	4,713	-	-
WATER-ADMINISTRATION/GENERAL	INTRNL SVC-PHONE DISPATCH	8,925	-	-	8,925	-	-
WATER-ADMINISTRATION/GENERAL	INTRNL SVC-ENGINEERING	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	INTRNL SVC-BROADBAND	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	DEPRECIATION	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	UTIL BILLING SALES WRITE OFF	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	FIRE SUPPRESS SYS COMPUTER RM	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	CASH REGISTER SYSTEM	6,232	-	-	6,232	-	-
WATER-ADMINISTRATION/GENERAL	DOCUMENT IMAGING SYS & EQUIP	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	FILE SERVER COMPUTER	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	NETWORK EQUIPMENT	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	COMPUTER PRINTER	3,902	-	-	3,902	-	-
WATER-ADMINISTRATION/GENERAL	UPS UNINTERUPT PWR SOURCE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	DEC ALPHA>WINDOWS BASED SERVER	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	UPGRADE E-MAIL SERV EXCHANGE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	SPAM FIREWALL	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	SHARED SECURITY EQUIP	15,405	-	-	15,405	-	-
WATER-ADMINISTRATION/GENERAL	NETWORK OS SOFTWARE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	NETWORK SOFTWARE & PROGRAMS	7,599	-	-	7,599	-	-
WATER-ADMINISTRATION/GENERAL	NETWORK INTRUSION PROTECT SYS	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	DISK BACKUP	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	ZENWORKS MGT SOFTWARE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	BENTLEY MAP SOFTWARE	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	RECLAIMED WATER STUDY	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	BF-REBUILD FLAT ROOF	585	-	-	585	-	-
WATER-ADMINISTRATION/GENERAL	CR-CAPITAL OULAY EXPENSED	-	-	-	-	-	-
WATER-ADMINISTRATION/GENERAL	CR-CAP OULAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-CUST BILLING & ACTG	PROF SVC-UTILITY BILLING&ACTG	403,460	-	-	307,960	-	95,500
WATER-PURCH & STORES	SERVICES-PURCH & STORES	110,035	-	-	55,017	55,017	-

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Figure 2-6: Distribution of Expenditures by Function - Continued

Description		Total Water Expenses	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection
% Allocation			50.0%	15.4%	10.9%	14.7%	9.0%
Total Allocation		12,335,501	6,171,550	1,894,665	1,338,654	1,818,704	1,111,927
Program	Salaries & Benefits						
WATER-CUSTOMER SVC/METER READING	TOTAL SALARIES & BENEFITS	73,208	-	-	-	73,208	-
WATER-CUSTOMER SVC/METER READING	POSTAGE	138	-	-	-	138	-
WATER-CUSTOMER SVC/METER READING	OFFICE SUPPLIES	480	-	-	-	480	-
WATER-CUSTOMER SVC/METER READING	PRINTING	353	-	-	-	353	-
WATER-CUSTOMER SVC/METER READING	PUBLICATIONS	240	-	-	-	240	-
WATER-CUSTOMER SVC/METER READING	OPR SUP-SMALL TOOLS	600	-	-	-	600	-
WATER-CUSTOMER SVC/METER READING	OPR SUP-COMPUTER EQUIPMENT	600	-	-	-	600	-
WATER-CUSTOMER SVC/METER READING	WORK & SAFETY CLOTHING	1,199	-	-	-	1,199	-
WATER-CUSTOMER SVC/METER READING	UNIFORMS	2,084	-	-	-	2,084	-
WATER-CUSTOMER SVC/METER READING	SAFETY SUPPLIES	600	-	-	-	600	-
WATER-CUSTOMER SVC/METER READING	WTR-METER SUP/REPLACEMENT	5,996	-	-	-	5,996	-
WATER-CUSTOMER SVC/METER READING	UTILITIES-ELECTRIC	8	8	-	-	-	-
WATER-CUSTOMER SVC/METER READING	COMMUNICATIONS-TELEPHONE	300	-	-	-	300	-
WATER-CUSTOMER SVC/METER READING	COMMUNICATIONS-SWITCH EQ	202	-	-	-	202	-
WATER-CUSTOMER SVC/METER READING	COMMUNICATIONS-CELL PHONE	2,365	-	-	-	2,365	-
WATER-CUSTOMER SVC/METER READING	PROF SVC-ADMINISTRATION	35,180	-	-	-	35,180	-
WATER-CUSTOMER SVC/METER READING	PROF SVC-ENGINEERING	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	SVC-DRUG & ALCOHOL TESTING	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	REPAIR&MAINT-DATA PROCES EQUIP	10,434	-	-	-	10,434	-
WATER-CUSTOMER SVC/METER READING	REPAIR&MAINT-RADIO EQUIP	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	REPAIR&MAINT-FIXED NTRWK SYS	31,409	-	-	-	31,409	-
WATER-CUSTOMER SVC/METER READING	SVC-ITRON FIXED NTRWK HOSTING	61,457	-	-	-	61,457	-
WATER-CUSTOMER SVC/METER READING	TRAINING	3,838	-	-	-	3,838	-
WATER-CUSTOMER SVC/METER READING	MEETINGS-TRVL,MEALS,ROOM FEES	4,917	-	-	-	4,917	-
WATER-CUSTOMER SVC/METER READING	EMPLOYEE AWARD LUNCHEON	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	EMPLOYEE PICNIC	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	INTRL SVC-FLEET REPLACEMENTS	4,803	-	-	-	4,803	-
WATER-CUSTOMER SVC/METER READING	INTRL SVC-FLEET OPERATIONS	21,214	-	-	-	21,214	-
WATER-CUSTOMER SVC/METER READING	RENT-EQUIPMENT	-	-	-	-	-	-
WATER-CUSTOMER SVC/METER READING	INTRL SVC-BROADBAND	225,000	-	-	-	225,000	-
WATER-CUSTOMER SVC/METER READING	CREDITS-ELECTRIC FUND	(198,045)	-	-	-	(198,045)	-
WATER-CUSTOMER SVC/METER READING	CREDITS-WASTEWATER FUND	(64,575)	-	-	-	(64,575)	-
WATER-CUSTOMER SVC/METER READING	SPARE FC300 HANDHELD	5,452	-	-	-	5,452	-
WATER-CUSTOMER SVC/METER READING	BF-REBUILD FLAT ROOF	5	-	-	-	5	-
WATER-CUSTOMER SVC/METER READING	100W ENCODER,INTERGRAL CONNCT	13,146	-	-	-	13,146	-
WATER-CUSTOMER SVC/METER READING	CR-CAP OUTLAY TO FIXED ASSETS	-	-	-	-	-	-
WATER-DEBT SERVICE	PROF SVC-FINANCIAL SERVICE	3,000	-	-	1,500	1,500	-
WATER-DEBT SERVICE	PROF SVC-TRUSTEE FEES	1,000	-	-	500	500	-
WATER-DEBT SERVICE	SVC-ACTUARIAL	750	-	-	375	375	-
WATER-DEBT SERVICE	INT-1998 WTR/WW BOND	268,328	204,814	-	-	-	63,514
WATER-DEBT SERVICE	INTEREST-2005 WW BONDS	317,193	242,112	-	-	-	75,081
WATER-DEBT SERVICE	INTEREST-LOANS	1,634	1,247	-	-	-	387
WATER-DEBT SERVICE	INT-ENERGY EFFIC IMPR PROJ	4,027	3,074	-	-	-	953
WATER-DEBT SERVICE	INT-2007 W&WW REVENUE BONDS	102,299	78,084	-	-	-	24,215
WATER-DEBT SERVICE	INT-12/07 CITICAP LEASE	32,853	25,077	-	-	-	7,776
WATER-DEBT SERVICE	INT-LEASE PURCH 01-03	249	190	-	-	-	59
WATER-DEBT SERVICE	INT 11-12 LEASE FINANCING	6,300	4,809	-	-	-	1,491
WATER-DEBT SERVICE	PRINCIPAL-2005 WW BONDS	185,000	141,210	-	-	-	43,790
WATER-DEBT SERVICE	PRINCIPAL-1998 WTR/WW BOND	293,146	223,757	-	-	-	69,389
WATER-DEBT SERVICE	PRINCIPAL-EDA LOAN 99-02	5,656	4,317	-	-	-	1,339
WATER-DEBT SERVICE	PRIN-ENERGY EFFIC IMPR PROJ	3,906	2,981	-	-	-	925
WATER-DEBT SERVICE	PRIN-2007 W&WW REVENUE BONDS	55,000	41,981	-	-	-	13,019
WATER-DEBT SERVICE	PRIN-12/07 CITICAP LEASE	118,654	90,568	-	-	-	28,086
WATER-DEBT SERVICE	CR-DEBT SVC PRIN TO BAL SHEET	-	-	-	-	-	-
WATER-DEBT SERVICE	PRIN-LEASE PURCH 01-03	11,319	8,640	-	-	-	2,679
WATER-DEBT SERVICE	PRIN 11-12 LEASE FINANCING	6,636	5,065	-	-	-	1,571

Figure 2-7: Distribution of Annual Expenditures by Function

	Rate Revenue Required	Total Consumption	Peak Demand	Customer Account	Meters & Services	Fire Protection
Percent Allocation	100%	50.0%	15.4%	10.9%	14.7%	9.0%
Fiscal Year Ending		65.0%		35.0%		
FYE 2014	\$ 9,365,372	4,685,571	1,438,470	1,016,335	1,380,798	844,198
FYE 2015	\$ 10,770,172	5,388,404	1,654,239	1,168,784	1,587,917	970,827
FYE 2016	\$ 12,385,672	6,196,651	1,902,371	1,344,099	1,826,101	1,116,449
FYE 2017	\$ 14,243,572	7,126,174	2,187,735	1,545,719	2,100,023	1,283,921
FYE 2018	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2019	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2020	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2021	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2022	\$ 16,380,072	8,195,082	2,515,889	1,777,573	2,415,022	1,476,506
FYE 2023	\$ 16,543,872	8,277,032	2,541,048	1,795,349	2,439,172	1,491,271

Rate Design Analysis

Rate design is the process of analysis that determines how the revenue requirements are allocated to each customer class through water rates. In the cost allocation section of this Report, horizontal equity (equity and proportionate share among customer classes) was considered in the rate design process, and vertical equity (equity among accounts within each class), was also considered to ensure each account is paying its fair and proportionate share.

Criteria and Considerations

In determining the appropriate rate level and structure, various financial scenarios were analyzed relative to the proposed adjustments and the implications of those decisions.

A simplified list of some of the rate design considerations that were reviewed is listed:

- Clear and understandable rates
- Easily administered
- Cost of service principles (fair and equitable)
- Revenue stability (month to month and year to year)
- Prudent financial planning
- Capital Replacement Program financing (improving the existing system)
- Minimize rate increases
- Comply with legal and regulatory requirements
- Appropriate functional cost allocations

Every consideration has merit and plays an important role in a comprehensive rate study. When developing the City’s proposed water rates, all of the aforementioned criteria were taken into consideration. Determining the appropriate balance is crucial as certain criteria may conflict with one another.

Existing Rate Structure

The existing rate structure is a two-tiered rate structure for all classes. The structure is comprised of the following two cost components.

Meter Charge: This component of the water rate reflects the cost of metering support, customer service, maintaining accounts and provides a certain allotment of water based on meter size. This charge is assessed per month and is based on having an account and the size of water meter serving a property.

Commodity Charge: This component supports the variable cost of the system that brings the water to homes or businesses. This charge is presently \$2.75 per hundred cubic feet (HCF) of water.

Proposed Rate Structure

It is recommended that the existing single class rate structure be expanded into unique and equitable class-based structures. Based on a detailed multi-year consumption analysis and detailed billing records, it is recommended that customers be grouped based on user classifications and peaking factors to create an appropriate and equitable rate design.

As the consumption analysis confirmed, different customer types use water differently and thus have different consumption patterns and service demands on the utility. As necessary data was available, the proposed rate structures were customized to provide additional horizontal equity (equity among different customer classes) and vertical equity (equity among users in that class) over the existing structure.

Beyond changing the rate structure, some components of the rate structure were modified to reflect the current review and allocation of the costs incurred. Below are the proposed components of the recommended rate structure – while each customer class rate(s) is comprised of these charges, the specific rates may differ based on demand.

Fixed Charge: Charge is per month and based on total accounts and the size of water meter serving a property. This component of the water rate recovers the fixed costs as previously defined under the section entitled “Cost Allocation by Function.”

Commodity Charge: Charge is applied to all units of water used per month and split between two tiers for Single-Family Residential customers, and a uniform rate for Multi-Residential, Commercial, Institutional/Landscape and Industrial customers. Starting in July 2013, or as soon thereafter, Single-Family residential customers will be charged \$3.35 per HCF for the first 10 HCF, \$3.58 per HCF for usage over 10 and up to 20 units and, \$4.29 per HCF for each additional unit above 20 HCF.

Recommended Water Charges

The proposed revenue adjustments as a percentage do not equal or necessarily correlate to an equivalent percentage increase to rates or monthly bills. The results of the cost-of-service analysis and rate redesign will affect users differently, at both the customer class and account level.

The cost of service analysis created two notable rate impacts related to rate design: (1), the recalibration between fixed and variable charges; and, (2), the increased focus of a cost of service nexus and ensuring proper cost recognition and recovery from the different customer classes.

The distribution factors that appear at the top of Figure 2-7 are utilized to allocate system expenditures among the customer classes based on each class’ demand on the system. The cost of service allocation completed in this study is established on the base-extra capacity method endorsed by the American Water Works Association (AWWA). Under the base-extra capacity method, revenue requirements are allocated to the different user classes proportionate to their demand on the water system. Allocations are established on average day (base) usage, maximum day (peak) usage, meters and services, and billing and collection. Use of this methodology results in an AWWA-accepted cost distribution among customer classes and a means of calculating and designing rates to proportionately recover those costs.

Fixed Charge

There are two components to the proposed fixed charge: Customer Account costs; and Meters and Services. Per Figure 3-1, roughly \$1,016,335 of required revenue is allocated to Customer Accounts. These costs are distributed to each account evenly, as each account benefits equally from those expenditure functions. Therefore, regardless of meter size, each customer account is charged a minimum of \$9.14 per month.

Figure 3-1: Total Charge per Account

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Total Customer Accounts Cost	\$ 1,016,335	\$ 1,168,784	\$ 1,344,099	\$ 1,545,719	\$ 1,777,573
Total CA and PFP Costs	\$ 1,016,335	\$ 1,168,784	\$ 1,344,099	\$ 1,545,719	\$ 1,777,573
Number of Accounts	9,268	9,268	9,268	9,268	9,268
Annual CA and PFP Charge per Account	\$ 109.66	\$ 126.11	\$ 145.03	\$ 166.78	\$ 191.80
Monthly Charge per Account	\$ 9.14	\$ 10.51	\$ 12.09	\$ 13.90	\$ 15.98

Costs related to Meters and Services are distributed on an equivalent meter factor, as endorsed by the AWWA. Larger meters require greater level of investment, depending on consideration such as size of pipe, type of materials, and other local characteristics for various size meters, which in turn cause higher maintenance costs. Figure 3-2, shows the determined meter equivalency factor based on investment. This factor ensures meter costs are proportionate to the investment cost incurred by the utility.

Figure 3-2: Total Charge per Meter

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Total Meters and Services Cost	\$ 1,380,798	\$ 1,587,917	\$ 1,826,101	\$ 2,100,023	\$ 2,415,022
Total Public Fire Protection Cost	\$ 786,472	\$ 904,442	\$ 1,040,106	\$ 1,196,126	\$ 1,375,542
Number of Equivalent Meters	12,393	12,393	12,393	12,393	12,393
Monthly Meter Charge per 5/8" Meter	\$ 14.57	\$ 16.76	\$ 19.27	\$ 22.16	\$ 25.49

Meter Size	Eq Meter Factor	Monthly Meters and Services Charge				
5/8"	1.0	14.57	16.76	19.27	22.16	25.49
3/4"	1.5	21.86	25.14	28.91	33.25	38.23
1"	2.5	36.43	41.90	48.18	55.41	63.72
1.5"	5.0	72.87	83.80	96.37	110.82	127.45
2"	8.0	116.59	134.08	154.19	177.32	203.92
3"	15.0	218.61	251.40	289.11	332.47	382.34
4"	25.0	364.35	419.00	481.85	554.12	637.24
6"	50.0	728.69	837.99	963.69	1,108.25	1,274.48
8"	80.0	1,165.90	1,340.79	1,541.90	1,773.20	2,039.17
10"	115.0	1,675.99	1,927.38	2,216.49	2,548.97	2,931.31

- 1) The equivalent meter factor, based on the meter's flow rating (in gallons per minute), is used to convert a standard 5/8" meter charge for larger meter sizes, as recommended by AWWA.

The following figure (Figure 3-3) outlines the recommended fixed charge, which is the sum of the per account charge listed in Figure 3-1 and the meter charge listed in Figure 3-2. These costs are classified as "fixed" as they are incurred by the utility regardless of consumption. This influences all users, regardless of water use and efficiency.

Figure 3-3: Fixed Charge

Meter Charge	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017
5/8"	\$ 23.71	\$ 27.27	\$ 31.36	\$ 36.06	\$ 41.47
3/4"	31.00	35.65	41.00	47.15	54.22
1"	45.57	52.41	60.27	69.31	79.71
1.5"	82.01	94.31	108.45	124.72	143.43
2"	125.73	144.59	166.28	191.22	219.90
3"	227.75	261.91	301.19	346.37	398.33
4"	373.48	429.51	493.93	568.02	653.22
6"	737.83	848.50	975.78	1,122.15	1,290.46
8"	1,175.04	1,351.30	1,553.99	1,787.09	2,055.15
10"	1,685.13	1,937.89	2,228.57	2,562.87	2,947.29

Commodity Charge

Similar to the existing rate structure, remaining expenditures (approximately 65% of the utility’s revenue requirements) not recovered from the fixed charge, will be collected by means of a variable charge.

Variable costs are first apportioned to each defined customer class based on their consumption characteristics (total water used and peaking factor). Doing so ensures that the accounts within each customer class will only recover the costs allocated to their respective customer class and no account is subsidizing any other account. Figures 3-4 through Figure 3-6 take the variable costs for Fiscal Year 2013-2014 identified in Figure 2-7 and steps through how those costs are allocated among the distinct customer classes. Once the variable costs are allocated to each customer class, the next step is to design the most equitable and appropriate rate structure to proportionately recover such costs.

Figure 3-4: Base Variable Cost

Category Description	2012/13 Consumption	% of Consumption	Water Consumption Base Cost	Cost per unit of Water
Single Family Residential	862,369	48.7%	\$ 2,407,000	\$ 2.79
Multi-Family Residential	493,147	27.9%	\$ 1,376,446	\$ 2.79
Commercial	194,268	11.0%	\$ 542,231	\$ 2.79
Institutional/Landscape	202,704	11.5%	\$ 565,777	\$ 2.79
Industrial	17,163	1.0%	\$ 47,904	\$ 2.79
Total			\$ 4,939,358	

Figure 3-5: Peak Variable Cost

Category Description	Peaking Factor	Weighted Peak Factor	% of Peak	Peak Variable Cost
Single Family Residential	1.32	1,142,598	48.5%	\$ 698,287.96
Multi-Family Residential	1.16	572,652	24.3%	\$ 349,970.94
Commercial	1.32	257,244	10.9%	\$ 157,212.27
Institutional/Landscape	1.78	361,272	15.3%	\$ 220,788.02
Industrial	1.16	19,980	0.8%	\$ 12,210.59
Total				\$ 1,438,470

- 1) Peak factors were derived using consumption data by comparing each customer class’ average usage per account versus peak use per account.

Figure 3-6: Total Variable Cost by Customer Class

Category Description	Total Variable Cost	% of Variable Cost
Single Family Residential	\$ 3,105,288	48.7%
Multi-Family Residential	\$ 1,726,417	27.1%
Commercial	\$ 699,443	11.0%
Institutional/Landscape	\$ 786,565	12.3%
Industrial	\$ 60,115	0.9%
Total	\$ 6,377,828	100.0%

Commodity Charge Rate Design

The *Residential rate structure* is designed to reflect the additional costs associated with greater service demand. Each tier of the proposed two-tiered rate structure is designed to mirror how additional costs are incurred by the utility with increasing levels of demand.

Tier Design- To encourage conservation the residential rate structure was redesigned from the City's current uniform rate structure to a three-tiered rate structure to reflect the proportionate increase in costs associated with the additional demand placed on the utility by different single-family customers. In keeping with the cost-of-service requirements of Article XIII D, Section 6 – the proposed rate structure reflects the higher cost of providing water, and the proportional costs of each tier based on each tier's peak demand when compared to customers that remain in Tier 1 (base).

The *Tier 1* water allotment targets an average water usage in winter which is a reflection of indoor consumption for Single-Family accounts. The indoor usage equals an allotment of approximately 8 HCF per month per account. However, usage varies on a monthly basis; therefore, the break point was set at 10 HCF.

The *Tier 2* water allotment provides the typical single family residence with a suitable amount for outdoor needs based on the average irrigable area (landscape) of a single family home within the City's boundaries. Utilizing parcel data, the average residential lot size and home square footage was calculated to determine the outdoor needs of a typical single-family residence. The Tier 2 allotment provides sufficient water for the average irrigable area assuming the water needs of turf (8 gallons per day per 100 sq ft), which in total provides up to 110 gallons per capita per day (based on the City's current Single-Family Residential population density factor) and represents efficient use of water. The outdoor usage equals an allotment of approximately 10 HCF per month per account. However, usage varies on a monthly basis; therefore, the break point was set at 20 HCF.

Tier 3 allots water for all usage above Tier 2.

Costs related to the base variable rate component are allocated to each tier distributed by the overall consumption and calculated peak in that tier. This design reflects how the utility incurs higher costs to meet additional demand and increased peaking among accounts within the residential customer class.

Figure 3-7: Residential Variable Cost Tier Analysis

Residential Cost Allocation					
	Total	% of Base	Residential Cost		
Base Cost	\$ 2,346,537	78.22%	\$	1,835,565	
Peak Costs	\$ 2,562,711	77.59%	\$	1,988,524	
Total	\$ 4,909,248		\$	3,824,089	

Residential Consumption Characteristics					
	FY 2013-14 Projected Consumption	Percent of Consumption (Base)	Peak Factor per Account	Weighted Peak by Consumption	Percentage of Peak (Max Day)
Tier 1	2,160,305	88.03%	1.00	2,160,305	70.22%
Tier 2	293,733	11.97%	3.12	916,235	29.78%
Total	2,454,039	100.00%		3,076,540	100.0%

Base Cost Allocation to Tiers			
	Base Allocation	Max Day Allocation	Total
Tier 1	88.03%	70.22%	\$ 3,012,174
Tier 2	11.97%	29.78%	811,915
Total	100.0%	100.0%	\$ 3,824,089

Multi-Residential, Commercial, Institutional/Landscape and Industrial's rate structure are uniform rate structures (i.e., all units of water charged a single rate) rather than the tiered rate structure designed for residential. Customers within these customer classes vary considerably in size, use profile and needs, which makes it impractical and inequitable to place them in a “one size fits all” tiered rate structure without additional detailed data and analysis. However, despite not being tiered, the uniform rate structure is built on the same cost components, and is derived based on the demand caused by these types of customers, as those used for residential customers, and ensures that these customer classes are paying for their proportionate share of incurred costs. Although presented together, Multi-residential, Commercial, Institutional/Landscape and Industrial rates vary due to the different peaking factors associated with each class.

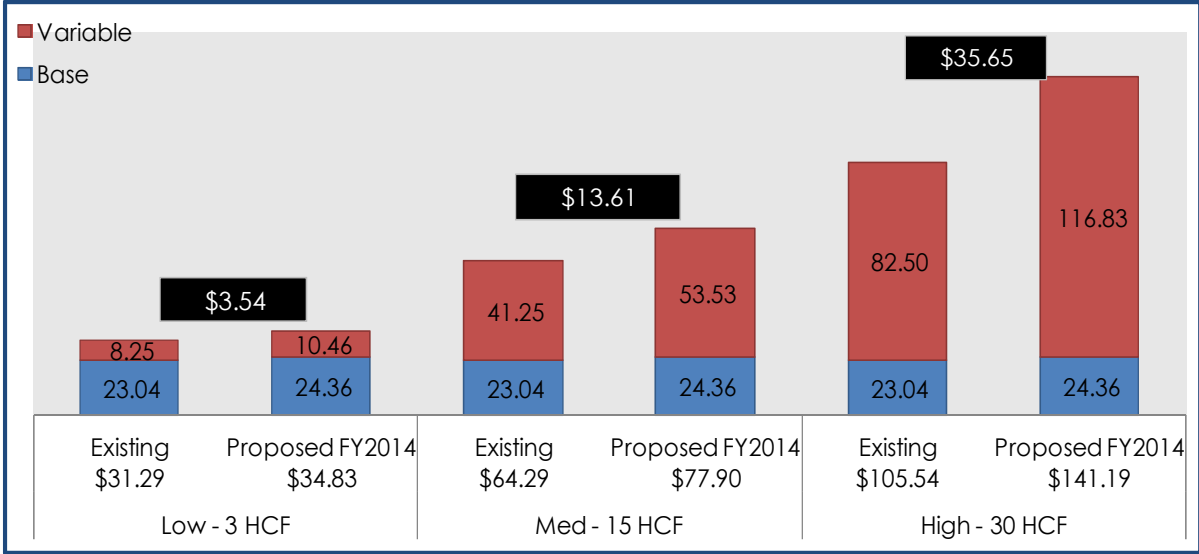
Figure 3-8: Recommended Water Commodity Rate (\$/HCF)

Commodity Charge	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017
SFR	Tier (HCF)				
Tier 1	0 - 10	\$ 3.49	\$ 4.02	\$ 4.63	\$ 5.33
Tier 2	10.01 - 20	3.73	4.30	4.95	5.70
Tier 3	20.01 +	4.46	5.14	5.92	6.82
					7.85
Multi-Family Residential					
Uniform	\$ 3.50	\$ 4.02	\$ 4.63	\$ 5.32	\$ 6.12
Commercial					
Uniform	\$ 3.60	\$ 4.14	\$ 4.76	\$ 5.47	\$ 6.29
Institutional/Landscape					
Uniform	\$ 3.88	\$ 4.46	\$ 5.13	\$ 5.90	\$ 6.78
Industrial					
Uniform	\$ 3.50	\$ 4.02	\$ 4.63	\$ 5.32	\$ 6.12

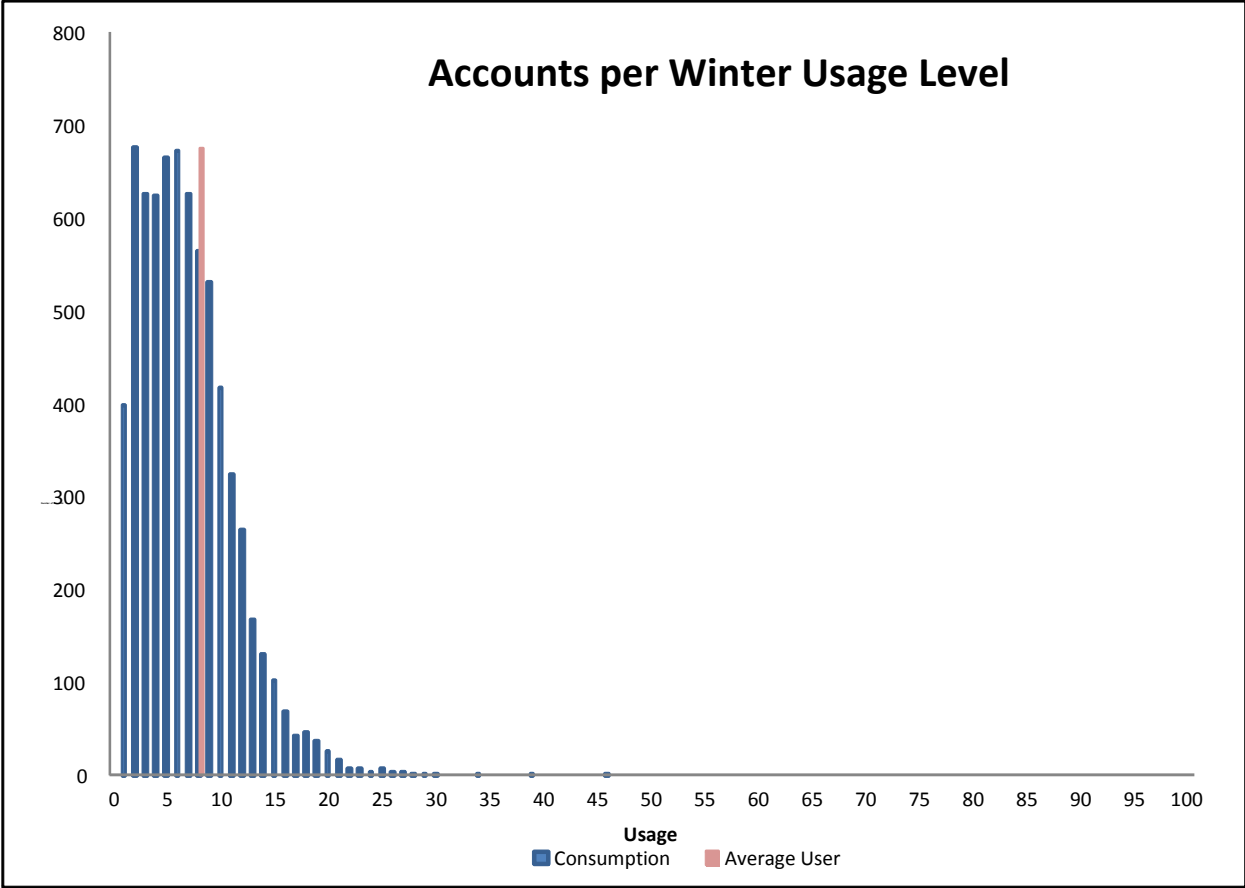
Customer Impacts

The recommended rates will provide the City with the necessary revenue to provide continued quality service without a significant impact on the average ratepayer. The figure below provides a sample water bill for a variety of single-family consumption levels. Appendix A provides seasonal usage characteristics of single-family residential accounts.

Figure 3-9: Single-Family Monthly Bill Comparison



Appendix A



Appendix A (Cont.)

