



City of Ceres Water Rate and Connection Fee Update



SEPTEMBER 12, 2017



HF&H Consultants, LLC

CITY OF CERES
2220 MAGNOLIA STREET
CERES, CA, 95307



WATER RATE AND CONNECTION FEE UPDATE

September 12, 2017

HF&H CONSULTANTS, LLC
201 North Civic Drive, Suite 230
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September 12, 2017

Mr. Jeremy Damas
Public Works Director
City of Ceres
2220 Magnolia Street
Ceres, CA, 95307

Subject: Water Rate and Connection Fee Update

Dear Mr. Damas:

HF&H Consultants (HF&H) is pleased to submit this water rate study and connection fee report. The report summarizes the projected revenue requirements, over the next ten fiscal years, and the proposed rates for the next five calendar years, starting January 1, 2018.

Very truly yours,

HF&H CONSULTANTS, LLC

John W. Farnkopf, P.E., Senior Vice President
Richard J. Simonson, Vice President

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ACRONYMS

DUE	Dwelling Unit Equivalent
DWSRF	Drinking Water State Revolving Fund
FY	fiscal year
GCD	gallons per capita per day
GPD	gallons per day
MG	million gallons
MGD	million gallons per day
O&M	Operations and Maintenance
PAYGo	Pay-As-You-Go, in reference to funding capital improvements from cash rather than from borrowed sources of revenue
RSWSP	Regional Surface Water Supply Project
Service charge	Refers to the City's fixed monthly charge per account based on the size of the service or meter.
SFR	single-family residential
TGAL	One thousand gallons of water
Volumetric charge	Refers to the City's monthly charge per TGAL, which varies depending on the amount of water use during the billing period.

ACKNOWLEDGEMENTS

City Council

Chris Vierra, Mayor
Mike Kline, Vice Mayor
Bret Durossette, Councilmember
Linda Ryno, Councilmember
Ken Lane, Councilmember

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LIMITATIONS

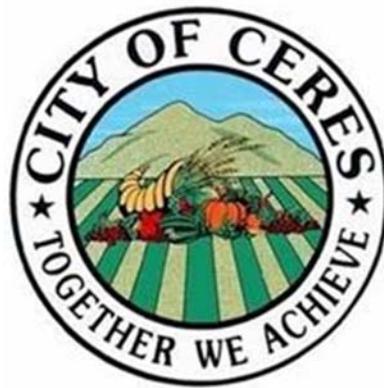
This document was prepared solely for the City of Ceres in accordance with the contract between the City and HF&H and is not intended for use by any other party for any other purpose.

In preparing this study, we relied on information and instructions from the City, which we consider accurate and reliable and did not independently verify.

Rounding differences caused by stored values in electronic models may exist.

This document represents our understanding of relevant laws, regulations, and court decisions but should not be relied upon as legal advice. Questions concerning the interpretation of legal authorities referenced in this document should be referred to a qualified attorney.

CITY OF CERES



WATER RATE AND CONNECTION FEE UPDATE

EXECUTIVE SUMMARY

OVERVIEW

HF&H Consultants, LLC (HF&H) has assisted the City of Ceres (City) with its water rates and connection fees since 2008. The last rate study, completed in 2012, set rates through fiscal year (FY) 2017-18. The City has engaged HF&H Consultants, LLC (HF&H) to update the City's water rates and connection fee charges for a five-year period from FY 2017-18 through FY 2021-22. This section summarizes the findings and recommendations in this report.

In preparing this water rate and connection fee update, expenses, revenues, and reserves were projected for a ten-year planning period through FY 2026-2027; the first five years of this period will be used for setting rates under Article XIID, Section 6 of the State Constitution.¹

The City, along with the City of Turlock and the Turlock Irrigation District, are developing the Regional Surface Water Supply Project (RSWSP) to provide a long-term, sustainable surface water supply, which will help reduce the region's reliance on groundwater. The RSWSP is planned to begin construction in 2020 and to be completed by August 2022. The project will be debt financed. Principal and interest on the debt will begin one year after construction is complete. During the five-year period of this rate study, the City's water rates and connection fees will increase as a result of the additional RSWSP debt service.

Based on our expense projections, revenue increases were derived to meet the funding requirements. The following findings and recommendations were made, which result in proposed water rates and connection fees. It is expected that future rate increases will be effective each January 1 over the next five-year period, beginning January 1, 2018.

FINDINGS AND RECOMMENDATIONS

In preparing this water rate and connection fee update, the following findings were made.

1. **Operating cost increases.** Operating and Maintenance (O&M) expenses (e.g., personnel costs, contractual services, utilities, etc.) are generally increasing at the rate of inflation, with the addition of two new full-time equivalent employees, one each in FYs 2018-19 and 2019-20.
2. **Capital cost increases.** Capital expenses have been funded at lower levels recently. The City projects significant increases in capital improvements beginning in FY 2017-18, which are required to comply with updated groundwater treatment regulations and to renew

¹ This law was enacted by Proposition 218 in 1996. The law contains procedural and substantive requirements that apply to property-related fees and charges such as water rates. The law exempts connection charges, which instead are governed by Section 66000 of the Government Code.

and replace aging infrastructure within the City. These annual capital costs average \$5.0M per year over the next ten years.

3. **Regional Surface Water Supply Project.** Currently, the City's share of the RSWSP is estimated to be \$100,000,000 with construction due to begin in 2020 and be completed by August 2022. The current funding strategy planned for the project is a low-interest Drinking Water State Revolving Fund (DWSRF) loan. The water rate model assumes an interest rate of 2.5% and a term of 30 years, with interest-only payments commencing when construction begins and interest and principal payments beginning one year after project completion.
4. **Operations and capital reserves.** In addition to covering annual expenses, rates need to generate sufficient revenue to maintain adequate operations and capital reserves. To determine what constitutes adequate reserve amounts for rate making purposes, we determine separate operating and capital reserve targets. The Operations Reserve provides working capital for monthly O&M expenses. We recommend an operating reserve of two months of O&M expenses, which is adequate to cover potential cash flow lags between when the City incurs expenses and when it receives revenue from monthly billings. Just as working capital is needed to pay salaries and on-going O&M expenses, working capital is also needed to fund construction of cash-funded (as opposed to debt-funded) capital projects. For purposes of this study, the average annual capital improvement cost (\$5.4 million) for the next five years is recommended.
5. **Projected revenue increases.** Comparing the revenue required to cover the O&M, capital, and reserves, to the revenue from current rates, indicates the need for the revenue increases over the next ten fiscal years as shown in **Figure ES-1**.

Figure ES-1. Projected Revenue Increases

Fiscal Year	Revenue Increase	Fiscal Year	Revenue Increase
FY 2017-18	20.0%	FY 2022-23	3.5%
FY 2018-19	38.3%	FY 2023-24	3.0%
FY 2019-20	18.5%	FY 2024-25	2.5%
FY 2020-21	5.0%	FY 2025-26	2.0%
FY 2021-22	4.5%	FY 2026-27	2.0%

6. **Projected rate increases.** Historically, the City has adjusted its water rates at the beginning of each fiscal year (July 1), with the most recent adopted rate increase effective July 1, 2017. In light of the need for significant increases in revenue, as shown in **Figure ES-1**, it is assumed that rate increases (summarized in **Figure ES-2**) will become effective January 1 of each year, beginning January 1, 2018.

Waiting to increase rates until the beginning of the next fiscal year (July 1, 2018) would result in larger increases than shown in **Figure ES-2** and the possible delay in necessary capital repairs, which may result in higher costs in the future. The projected rate adjustments shown will be applied as equal percentages across the board to all rates without changing the rate structure.

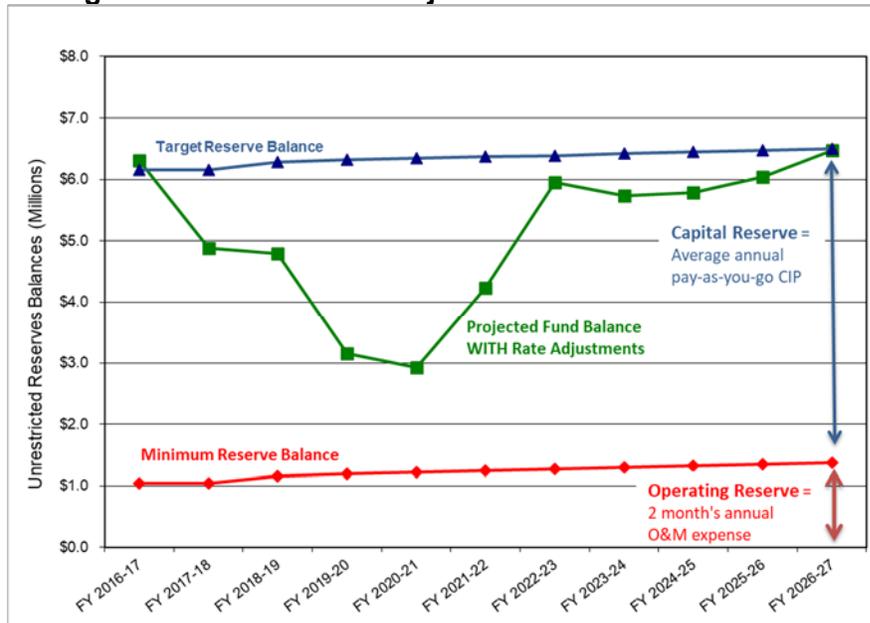
The increase in revenue during each fiscal year differs from the rate adjustments because the rate adjustments are effective mid-fiscal year. For example, the proposed 40% rate adjustment for FY 2017-18 (July 2107 through June 2018) is projected to yield an additional 20% in revenue because the 40% rate adjustment was only in effect for six months (January 2018 through June 2018) of the fiscal year.

Figure ES-2. Projected Rate and Revenue Increases

Fiscal Year	Rate Adjustments	Effective Date of Rate Adjustment	Revenue After Rate Adjustment	Fiscal Year Increase in Revenue
Current Revenue at Current Rates			\$7,443,032	
FY 2017-18	40.0%	1/1/2018	\$8,931,638	20.0%
FY 2018-19	37.0%	1/1/2019	\$12,351,389	38.3%
FY 2019-20	5.0%	1/1/2020	\$14,640,682	18.5%
FY 2020-21	5.0%	1/1/2021	\$15,376,941	5.0%
FY 2021-22	4.0%	1/1/2022	\$16,071,439	4.5%
FY 2022-23	3.0%	1/1/2023	\$16,636,926	3.5%
FY 2023-24	3.0%	1/1/2024	\$17,140,729	3.0%
FY 2024-25	2.0%	1/1/2025	\$17,572,790	2.5%
FY 2025-26	2.0%	1/1/2026	\$17,929,149	2.0%
FY 2026-27	2.0%	1/1/2027	\$18,292,729	2.0%

- Reserve Fund Balance² (Figure ES-3).** With the proposed rate adjustments shown in Figure ES-2, the City’s reserve fund balance (solid green line) will stay above the minimum balance (solid red line), which covers the City’s operating reserve requirements and is projected to return to the target by FY 2026-27.

Figure ES-3. Year End Projected Reserve Fund Balance



² The fund balance includes reserves for operations, capital, and debt

8. **Current and Proposed Water Rates.** Figure ES-4 shows the current and proposed rates, by applying the percentage increases shown in Figure ES-2, for the next five calendar years.

Figure ES-4. Current and Proposed Rates

	Current	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
	(adopted)	(proposed)	(proposed)	(proposed)	(proposed)	(proposed)
% Change		40%	37%	5%	5%	4%
Service Charges (Monthly)						
1" Meter or smaller	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27
1 1/2" Meter	\$45.30	\$63.42	\$86.89	\$91.23	\$95.79	\$99.62
2" Meter	\$80.53	\$112.74	\$154.46	\$162.18	\$170.29	\$177.10
3" Meter	\$201.33	\$281.86	\$386.15	\$405.46	\$425.73	\$442.76
4" Meter	\$402.66	\$563.72	\$772.30	\$810.92	\$851.46	\$885.52
6" Meter	\$805.31	\$1,127.43	\$1,544.58	\$1,621.81	\$1,702.90	\$1,771.02
8" Meter	\$1,431.67	\$2,004.34	\$2,745.94	\$2,883.24	\$3,027.40	\$3,148.50
10" Meter	\$2,452.44	\$3,433.41	\$4,703.78	\$4,938.96	\$5,185.91	\$5,393.35
Volumetric Charges						
<u>Single Family</u>						
Tier 1 per thousand gallons	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40
Tier 2 per thousand gallons	\$2.90	\$4.06	\$5.56	\$5.84	\$6.13	\$6.38
<u>Non-Single Family</u>						
Rate per thousand gallons	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40

Notes: Single family residential tier 1 usage is defined as 0 to 75,000 gallons/month. Tier 2 usage is defined as usage greater than 75,000 gallons/month.

9. **Water Rate Implementation.** After increasing rates effective January 1, 2018, the City should monitor its rates before implementing subsequent rate increases. The City does not have to adopt the proposed rates if they are not needed and can adopt lower rates without undergoing a full Proposition 218 notification and protest hearing process. Several factors influence the accuracy of the projections of the revenues and expenses used in the rate model over the ten-year financing plan period. For example, the total cost of the RSWSP may be less than projected, as the rate model is based on the high end of the project cost estimates. In addition, the City may also receive settlement proceeds regarding groundwater contamination.
10. **Connection Fees.** The water connection fee was last studied and updated in June 2013. The connection fee of \$6,697 per dwelling unit equivalent (DUE¹³) was based on growth's share of the cost of constructing proposed facilities specifically identified in the City's 2011 Water Master Plan. The current connection fee does not include the cost of the RSWSP. We have recalculated the connection fee to include a growth's proportionate share of the RSWSP costs, as well as adjustments to reflect construction cost inflation. The results of

¹³ The Dwelling Unit Equivalent (DUE) relates residential and non-residential connections to an equivalent single family residential connection, based on the ratio of estimated average daily water use.

the current analysis increase the current connection fee from \$6,697 per DUE to \$7,657, effective January 1, 2018, increasing to \$8,729 by January 1, 2022.

The base component reflects the costs of capital improvements identified in the City's 2011 Water Master Plan, which has been escalated to reflect construction cost inflation using the Engineering News Record 20-Cities Construction Cost Index (ENR CCI).

The RSWSP component reflects growth's share of cumulative debt service costs for the RSWSP.

Figure ES-5. Current and Proposed Connection Fees

	Current	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
	(adopted)	(proposed)	(proposed)	(proposed)	(proposed)	(proposed)
Connection Fee per DUE						
Base component	\$6,697	\$7,657	\$7,863	\$8,074	\$8,291	\$8,514
RSWSP component	\$0	\$0	\$0	\$43	\$129	\$215
Total	\$6,697	\$7,657	\$7,863	\$8,117	\$8,420	\$8,729

1. INTRODUCTION

STUDY PURPOSE AND REPORT ORGANIZATION

This study was authorized by the City Council in recognition of the need to increase water revenues. The purpose of this report is to determine the amount to increase rates to generate sufficient revenue to cover operating and capital expenditures, which currently exceed revenues and are projected to increase significantly in the short term. This report describes the rate analysis and provides the documentation required to satisfy the City's administrative and legal requirements.

This report begins with a description of the relevant background and a summary of the evaluation of revenue and expense trends. This report then describes the derivation of the rates reflected in the financial planning model. The proposed rates are then compared with the City's and its neighbors' current rates. The appendix contains a copy of the financial planning model.

BACKGROUND

The City has a current population of approximately 48,000 and serves water to approximately 12,000 connections located inside and outside the City. Currently, the City relies on groundwater as the sole source of their water supply to meet demand. The water division maintains 15 active wells located throughout the City; two of these wells are currently being treated for excessive levels of Uranium and Arsenic. The distribution network also includes approximately 154 miles of water lines, with plans for expansion for the future RSWSP. The City, along with the City of Turlock and the Turlock Irrigation District, are developing the RSWSP to provide a long-term, sustainable surface water source, which will help reduce the region's reliance on groundwater. The RSWSP is currently projected to be completed by August 2022.

A water rate study for the City was last completed in 2012 (by HF&H in conjunction with West Yost Associates), which set rates effective July 1 of each year from 2013 through 2017. During that time, the City completed the installation of meters city-wide. This, and other water conservation efforts, have helped to reduce average water use nearly in half to below 150 gallons per day per capita from a high of 262 gallons per day per capita in 2007.

CURRENT RATES

The City's single family and non-single family ratepayers pay the sum of two charges every month for water service: 1) a service charge based on the size of the service connection; plus, 2) a volumetric charge based on metered water use during the billing period. The service charge for a meter of a given size is the same for all meters of that size regardless of which class of customer is served. The volumetric charges vary depending on the customer class.

Single-family customers pay a two-tiered consumption charge. The total volumetric charge is the sum of the water use in each tier multiplied times the respective rate in each tier. Non-single-

family customers pay a uniform rate per thousand gallons of water used. The City last increased its rates effective July 1, 2017. The current rates are summarized in **Figure 1-1**.

Figure 1-1. Current Service and Volumetric Charges

Service Charges	\$/Month
1" Meter or smaller	\$20.13
1 1/2" Meter	\$45.30
2" Meter	\$80.53
3" Meter	\$201.33
4" Meter	\$402.66
6" Meter	\$805.31
8" Meter	\$1,431.67
10" Meter	\$2,452.44
Volumetric Charges	\$/Tgal
<u>Single Family</u>	
Tier 1 per thousand gallons	\$2.00
Tier 2 per thousand gallons	\$2.90
<u>Non-Single Family</u>	
Rate per thousand gallons	\$2.00

Notes: Single family residential tier 1 usage is defined as 0 to 75,000 gallons/month. Tier 2 usage is defined as usage greater than 75,000 gallons/month.

GENERAL RATE-MAKING OBJECTIVES

The derivation of future rates builds on the trend analysis described in Section 2 of this report. In setting future rates, expenses, revenues, and reserve balances are forecasted. This projection should reflect the City's rate-making objectives. The financial planning model that was developed to make these projections reflects the current understanding of the City's objectives, which are summarized below:

1. Revenue increases should never be any higher than necessary to achieve the City's rate-making objectives.
2. The revenue from rates should be as stable and predictable as possible.
3. Rates should be set to generate sufficient revenue to meet the current costs of operations and capital improvements, as well as the long-term financing commitments.
4. The revenue from rates should be sufficient to maintain adequate reserves for operations and capital projects so that the general fund is not burdened by cash flow constraints.
5. The revenue from rates should provide adequate funds so that construction of capital projects and the acquisition of equipment are not delayed because of cash flow constraints.
6. The rate-making process should be as simple as possible to promote understanding and customer acceptance and to facilitate on-going administration.

Any changes in these objectives could affect the financial projections.

2. REVENUE REQUIREMENT PROJECTIONS

To determine whether additional rate revenue is required, projected operating and capital expenses are compared with projected revenue from current rates. Annual surpluses and deficits are then applied to the reserve funds. Rates are then increased so that the expenses are covered and operating and capital reserves are maintained.

EXPENSE PROJECTIONS

A spreadsheet model was developed to derive revenue requirements for FY 2017-18 through FY 2027-28. The revenue requirements represent the costs that must be covered by revenue from rates and other sources. The City’s operating and capital budget for FY 2017-18 served as the starting point for projecting the City’s expenses and revenues over the ten-year financial planning period. The escalation factors summarized in **Figure 2-1** were incorporated in the model for projecting expense and revenues.

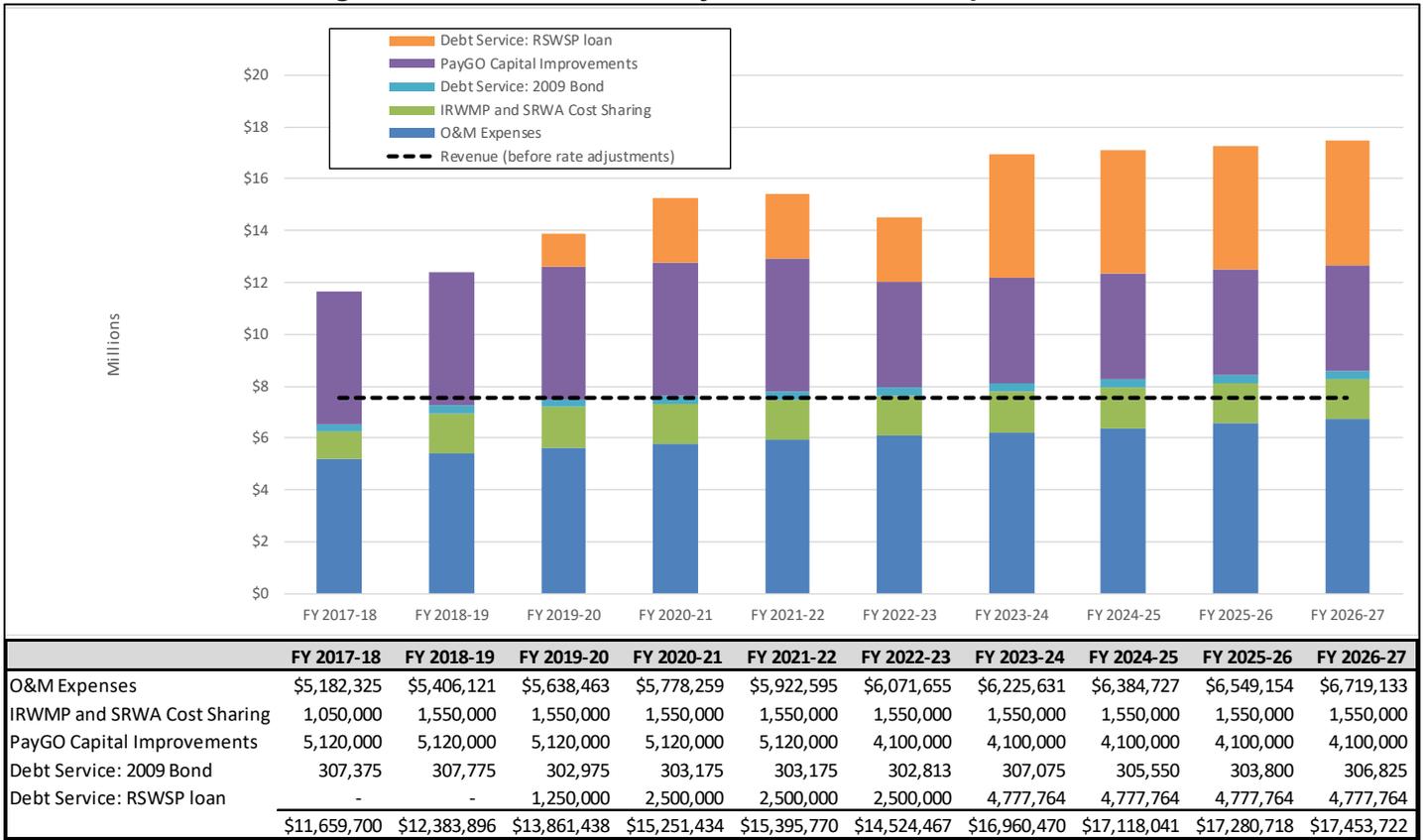
Figure 2-1. Key Modeling Assumptions

	Budget		Projected								
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Annual EMU ¹ Growth Rate		0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
Annual Additional EMUs		10	10	10	10	10	10	10	10	10	10
Total EMUs, End of Year		15,053	15,063	15,073	15,083	15,093	15,103	15,113	15,123	15,133	15,143
General Inflation		Budgeted	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%
Salaries & Wages		Budgeted	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%
Benefits		Budgeted	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Construction Cost Inflation		2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%
Interest on Fund Balance		0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Connection Fee		\$6,697	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bad debt as a percent of rate revenue		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Annual SFR conservation reduction		Budgeted	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The application of these assumptions to the O&M and capital expenses is summarized graphically in **Figure 2-2** and described in more detail below.

Figure 2-2 also indicates the revenue from current rates. It is clear that the expenses for FY 2017-18 will significantly exceed revenue from current rates with the shortfall increasing in subsequent years.

Figure 2-2. Total Annual Projected Revenue Requirements



O&M Expenses

Total O&M expenses are projected to increase from approximately \$5.2 million to \$6.6 million over the ten-year planning period. The City’s projected O&M expenses are summarized in **Figure 2-3** and are anticipated to increase by an average of 2.6% per year, with the exception of FY 2018-19 and FY 2019-20, which is projected to increase 4.3% due to the addition of one additional full-time equivalent employee each of those two fiscal years.

Figure 2-3. Projected O&M Expenses

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Salaries/Wages	\$637,022	\$704,052	\$772,281	\$786,105	\$800,176	\$814,499	\$829,079	\$843,920	\$859,026	\$874,402
Benefits	549,889	621,755	697,215	732,076	768,680	807,114	847,469	889,843	934,335	981,052
Contractual Services	1,371,185	1,394,358	1,417,923	1,441,886	1,466,253	1,491,033	1,516,232	1,541,856	1,567,913	1,594,411
Electricity & Gas	418,040	425,105	432,289	439,595	447,024	454,579	462,261	470,073	478,018	486,096
Materials & Supplies	555,821	563,813	573,341	583,030	592,884	602,903	613,092	623,454	633,990	644,704
Administrative Overhead	1,650,368	1,697,038	1,745,413	1,795,567	1,847,578	1,901,526	1,957,498	2,015,582	2,075,873	2,138,467
Total O&M Expenses	\$5,182,325	\$5,406,121	\$5,638,463	\$5,778,259	\$5,922,595	\$6,071,655	\$6,225,631	\$6,384,727	\$6,549,154	\$6,719,133
<i>% Change</i>		4.3%	4.3%	2.5%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%

IWRMP and SRWA Cost Sharing

The City’s portion of these cost-sharing programs increases slightly in FY 2018-19 and remains fairly constant thereafter. Both of these programs deal with regional water resources planning.

PAYGo Capital Projects

The Capital Improvement Program (CIP) has a significant influence on the revenue requirements. **Figure 2-4** lists the individual projects total cost, escalated to the date of construction through FY 2021-22, after which it is assumed that an average of \$4.1 million will be required for projects that will be identified when the capital improvement plan is updated. Annual costs range from a low of \$3.9 million in FY 2017-18 to a high of \$7.2 million in FY 2019-20. The rate model assumes these capital improvements are funded on a pay-as-you-go (PAYGo) basis with debt issuance. The City does not currently plan on issuing debt to fund these local capital expenses.

The City's rates do not directly fund each year's capital improvements. Instead, the funding for the City's capital expenses takes the form of equal annual contributions of \$5.12M (the average projected CIP expenditures from FY 2017-18 through FY 2021-22) in rate revenue to the Capital Reserve. These capital projects will be funded in varying amounts each year from the Capital Reserve. In this way, rates can be modulated smoothly by using the Capital Reserve as a buffer. These contributions are in effect the capital expenses. Note most of these projects are local Ceres projects that improve reliability and protect water quality. Some of the projects are related to the Regional Surface Water Supply Project.

Figure 2-4. Capital Improvement Program

Project Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 to FY 2026-27	Total Project Cost
Corp Yard Facility Improvements	\$400,000						\$400,000
Annual Well Rehabilitation	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000		\$500,000
Annual Water System Rehab & Replacement	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000		\$1,750,000
Conservation, Irrigation and System Improvements	\$125,000	\$100,000	\$100,000	\$100,000	\$100,000		\$525,000
Wellhead Treatment #39, 40	\$2,300,000						\$2,300,000
Wellhead Treatment #27		\$1,500,000					\$1,500,000
Wellhead Treatment #35		\$1,500,000					\$1,500,000
Wellhead Treatment #23,34,16,28			\$1,500,000	\$1,500,000	\$1,500,000		\$4,500,000
DownTown Alleys	\$500,000						\$500,000
Riverbluff 2 MG Tank			\$3,000,000				\$3,000,000
Well 23, Drain to Waste		\$150,000					\$150,000
24" line from Riverbluff tank to Mitchell Rd			\$1,000,000				\$1,000,000
Hatch Road Mainline (Central to Moffett)		\$500,000					\$500,000
Urban Water Management Plan Update			\$75,000				\$75,000
Water Rate Study	\$100,000						\$100,000
Water Blowoff's & Dead-end Upgrade	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000		\$125,000
Replace Reservoirs Boost Pumps	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000		\$125,000
Replace Reservoir Pump House Structure	\$50,000						\$50,000
SRWA Wet Well Construction		\$1,000,000	\$1,000,000	\$1,000,000			\$3,000,000
Miscellaneous				\$2,000,000	\$2,000,000		\$4,000,000
Future Capital Expenses						\$20,500,000	\$20,500,000
Total Project Costs	\$3,975,000	\$5,250,000	\$7,175,000	\$5,100,000	\$4,100,000	\$20,500,000	\$46,100,000

Average Annual Cash-Funded Projects (FY 2017-18 to FY 2020-21) **\$5,120,000**

Average Annual Cash-Funded Projects (FY 2022-23 to FY 2026-27) **\$4,100,000**

Debt Service

The City has existing bonds to service and plans to issue additional bonds for the RSWSP.

Current Bond

The City issued a water revenue bond in 2009. The proceeds were used principally to finance the purchase and installation of water meters, construct a shelter for the Blaker Well, and to complete

the pump station at Lions Park. Annual debt service payments for the 2009 bond will hold relatively constant over the planning period at approximately \$305,000 per year. No additional bond issuance for the CIP listed in **Figure 2-4** is planned during the financial planning period.

Regional Surface Water Supply Program Costs

The City currently relies on groundwater as the sole source of drinking water. The City, along with the City of Turlock and the Turlock Irrigation District, are developing the RSWSP. Some of this groundwater contains contaminants that require well-head treatment processes to remove these impurities prior to use, making it harder and more expensive to continue to treat and use groundwater. As these groundwater treatment standards become even more stringent, well-head treatment costs, and costs for new replacement municipal wells will continue to increase. The surface water supplied by the RSWSP will help by providing a supplemental supply to groundwater and provide a sustainable water supply.

The RSWSP is planned to begin construction in 2020 and be completed by August 2022 and will be debt financed. Principal and interest on the debt will begin one year after construction is complete. Currently, the City's share of the RSWSP is estimated to be \$100,000,000. The financing plan assumes an interest rate of 2.5% and a term of 30 years, with interest-only payments (\$2.5M per year) commencing when construction begins and interest and principal payments (\$4.78M per year) beginning one year after project completion.

REVENUE INCREASES

The required revenue increases are determined by comparing the revenue from existing rates with the revenue requirements. Rate revenue is then increased to reduce or eliminate deficits, provide adequate debt coverage, and maintain reserves. **Figure 2-5** indicates the annual revenue increases that are projected. It should be noted that deficits are projected to occur in FYs 2017-18 and 2018-19 even with the large revenue increases that are projected to become effective by January 2018 and January 2019, respectively. The deficits will draw down the fund balance. Clearly, without the large revenue increase, the deficit would be greater.

Figure 2-5. Projected Revenue Increases

	Months Increase In Effect	Budgeted	Projected								
		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Current Revenue											
Rate Revenue from Existing Accounts		\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560	\$7,440,560
Rate Revenue from Account Growth		\$2,472	\$4,521	\$6,568	\$8,615	\$10,660	\$12,704	\$14,746	\$16,787	\$18,827	\$20,865
Total Revenue at Current Rates		\$7,443,032	\$7,445,081	\$7,447,129	\$7,449,175	\$7,451,220	\$7,453,264	\$7,455,306	\$7,457,347	\$7,459,387	\$7,461,425
Revenue Requirement		(\$11,529,833)	(\$12,322,424)	(\$13,845,751)	(\$15,250,473)	(\$15,408,699)	(\$14,548,706)	(\$16,994,785)	(\$17,160,997)	(\$17,330,801)	(\$17,511,076)
Surplus/(Deficit) BEFORE Rate Increases		(\$4,086,801)	(\$4,877,343)	(\$6,398,623)	(\$7,801,298)	(\$7,957,478)	(\$7,095,442)	(\$9,539,479)	(\$9,703,650)	(\$9,871,414)	(\$10,049,651)
Rate Increases		40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%
Increase in Rate Revenue¹		20.0%	38.3%	18.5%	5.0%	4.5%	3.5%	3.0%	2.5%	2.0%	2.0%
Revenue from Rate Increases											
FY 2017-18 (eff. Jan 1, 2018)	6	\$1,488,606	\$2,978,032	\$2,978,851	\$2,979,670	\$2,980,488	\$2,981,306	\$2,982,122	\$2,982,939	\$2,983,755	\$2,984,570
FY 2018-19 (eff. Jan 1, 2019)	6		\$1,928,276	\$3,857,613	\$3,858,673	\$3,859,732	\$3,860,791	\$3,861,849	\$3,862,906	\$3,863,962	\$3,865,018
FY 2019-20 (eff. Jan 1, 2020)	6			\$357,090	\$714,376	\$714,572	\$714,768	\$714,964	\$715,160	\$715,355	\$715,551
FY 2020-21 (eff. Jan 1, 2021)	6				\$375,047	\$750,301	\$750,506	\$750,712	\$750,918	\$751,123	\$751,328
FY 2021-22 (eff. Jan 1, 2022)	6					\$315,126	\$630,425	\$630,598	\$630,771	\$630,943	\$631,116
FY 2022-23 (eff. Jan 1, 2023)	6						\$245,866	\$491,867	\$492,001	\$492,136	\$492,270
FY 2023-24 (eff. Jan 1, 2024)	6							\$253,311	\$506,761	\$506,900	\$507,038
FY 2024-25 (eff. Jan 1, 2025)	6								\$173,988	\$348,071	\$348,166
FY 2025-26 (eff. Jan 1, 2026)	6									\$177,516	\$355,130
FY 2026-27 (eff. Jan 1, 2027)	6										\$181,116
Revenue from Rate Increases		\$1,488,606	\$4,906,308	\$7,193,554	\$7,927,766	\$8,620,219	\$9,183,662	\$9,685,423	\$10,115,443	\$10,469,762	\$10,831,304
Revenue at Current Rates		\$7,443,032	\$7,445,081	\$7,447,129	\$7,449,175	\$7,451,220	\$7,453,264	\$7,455,306	\$7,457,347	\$7,459,387	\$7,461,425
Total Revenue		\$8,931,638	\$12,351,389	\$14,640,682	\$15,376,941	\$16,071,439	\$16,636,926	\$17,140,729	\$17,572,790	\$17,929,149	\$18,292,729
Revenue Requirement		(\$11,529,833)	(\$12,322,424)	(\$13,845,751)	(\$15,250,473)	(\$15,408,699)	(\$14,548,706)	(\$16,994,785)	(\$17,160,997)	(\$17,330,801)	(\$17,511,076)
Surplus/(Deficit) after Rate Increases		(\$2,598,195)	\$28,965	\$794,931	\$126,468	\$662,740	\$2,088,220	\$145,944	\$411,793	\$598,347	\$781,652

¹ The increase in revenue during fiscal years may differ from the rate adjustments because the rate adjustments are effective mid-fiscal year.

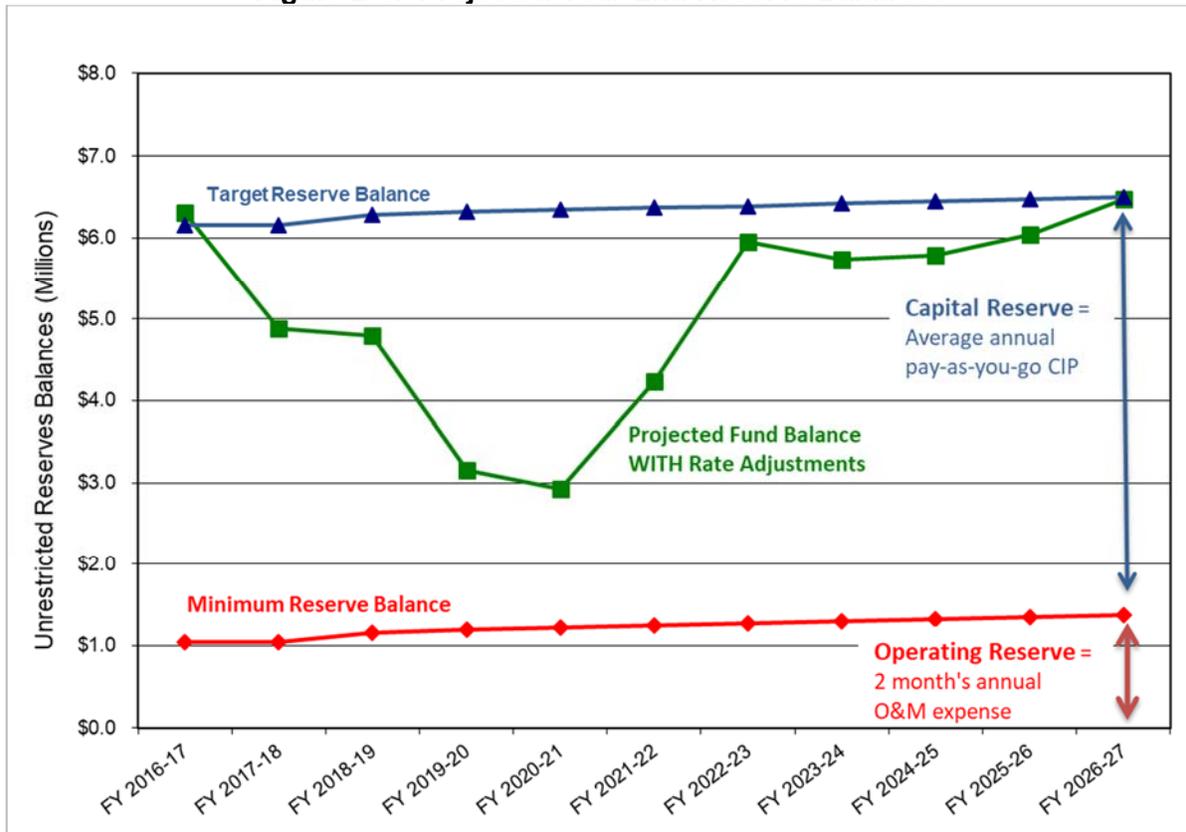
RESERVE FUNDS

The rate revenue increases in **Figure 2-5** are required to cover O&M and capital expenses. In addition to covering annual expenses, water rates need to generate revenue to maintain adequate operations and capital reserves. To determine what constitutes adequate reserve amounts, the reserve balance was subdivided into operations and capital reserves. In this way, it is possible to set recommended target balances for each purpose.

Figure 2-6 shows the minimum fund balance that is recommended. The minimum fund balance represents the working capital that is needed to meet month-to-month cash flow for O&M expenses. **Figure 2-6** also shows the target balance that is recommended. The target balance is derived by adding a contingency for capital improvements to the minimum fund balance. With this contingency, the City should have sufficient cash on hand to fund its cash-funded capital improvements without cash flow constraints. This contingency is also available to help fund short-term deficits such as emergency expenditures and revenue shortfalls resulting from low water sales, which could be significant as rates increase.

Figure 2-6 shows the combined balance for the operating and capital reserves that is projected based on the revenue increases shown in **Figure 2-5**. With the proposed rate adjustments, the City’s reserve fund balance (solid green line) will be above the minimum balance (solid red line), which covers the City’s operating reserve requirements and is projected to reach the target (operating and capital reserve requirements) by FY 2026-27.

Figure 2-6. Projected Year-End Reserve Balances



3. PROPOSED RATES

CURRENT AND PROPOSED RATES

The City's single family and non-single family ratepayers pay the sum of two charges every month for water service: 1) a service charge based on the size of the service connection; plus, 2) a volumetric charge based on metered water use during the billing period.

The service charge for a meter of a given size is the same for all meters of that size regardless of which class of customer is served. The volumetric charges vary depending on the customer class. Single-family customers pay a two-tiered consumption charge.

The total volumetric charge is the sum of the water use in each tier multiplied times the respective rate in each tier. Non-single-family customers pay a uniform rate per thousand gallons of water used.

Figure 3-1. Current and Proposed Monthly Rates (Inside City)⁴

	Current (adopted)	1/1/2018 (proposed)	1/1/2019 (proposed)	1/1/2020 (proposed)	1/1/2021 (proposed)	1/1/2022 (proposed)
<i>% Change</i>		40%	37%	5%	5%	4%
Service Charges (Monthly)						
1" Meter or smaller	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27
1 1/2" Meter	\$45.30	\$63.42	\$86.89	\$91.23	\$95.79	\$99.62
2" Meter	\$80.53	\$112.74	\$154.46	\$162.18	\$170.29	\$177.10
3" Meter	\$201.33	\$281.86	\$386.15	\$405.46	\$425.73	\$442.76
4" Meter	\$402.66	\$563.72	\$772.30	\$810.92	\$851.46	\$885.52
6" Meter	\$805.31	\$1,127.43	\$1,544.58	\$1,621.81	\$1,702.90	\$1,771.02
8" Meter	\$1,431.67	\$2,004.34	\$2,745.94	\$2,883.24	\$3,027.40	\$3,148.50
10" Meter	\$2,452.44	\$3,433.41	\$4,703.78	\$4,938.96	\$5,185.91	\$5,393.35
Volumetric Charges						
<u>Single Family</u>						
Tier 1 per thousand gallons	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40
Tier 2 per thousand gallons	\$2.90	\$4.06	\$5.56	\$5.84	\$6.13	\$6.38
<u>Non-Single Family</u>						
Rate per thousand gallons	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40

Notes: Single family residential tier 1 usage is defined as 0 to 75,000 gallons/month. Tier 2 usage is defined as usage greater than 75,000 gallons/month.

We propose increasing the current rates across-the-board by the percentages indicated in the financial plan and as summarized in **Figure 3-1** above. No change in the rate structure for the tiered volumetric charges is required. The current breakpoint between Tier 1 and Tier 2 was set by the City Council at 75,000 thousand gallons (tgal) per month, which is 2,500 tgal per day.

⁴ County customers pay 1.5 times inside City rates because of the increased cost of service.

Considering that water demand averages 150 gallons per day per capita, very few customers exceed Tier 1 (less than 1% of total bills exceed Tier 1). In effect, the single family volumetric rate is a uniform rate.

CUSTOMER BILL IMPACTS

Because of the structure of the rates, the impact on bills depends on the size of the water service and the amount of water use. Based on the rates in **Figure 3-1**, customer bill impacts were evaluated over the next five years. **Figure 3-2** presents the monthly bills for an average single family residential customer, a commercial customer with a 3/4-inch connection, and a commercial customer with a two-inch connection. The water use assumptions (i.e., 10,000 gallons for a Single Family customer with a 3/4" connection, etc.) to calculate the volumetric charges for each sample customer are the average water use by the respective customer type and meter size based on the City's monthly billing data from May 2016 through April 2017.

Figure 3-2. Sample Monthly Bill Impacts

	Current (adopted)	1/1/2018 (proposed)	1/1/2019 (proposed)	1/1/2020 (proposed)	1/1/2021 (proposed)	1/1/2022 (proposed)
Single Family (average water use)						
Service charge (3/4" meter)	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27
Volumetric Charge (10 TGAL)	\$20.00	\$28.00	\$38.36	\$40.28	\$42.29	\$43.98
Monthly bill	\$40.13	\$56.18	\$76.97	\$80.82	\$84.86	\$88.25
Monthly dollar increase		\$16.05	\$20.79	\$3.85	\$4.04	\$3.39
Annual percentage increase		40.0%	37.0%	5.0%	5.0%	4.0%
Non-Single Family (average water use)						
Service charge (3/4" meter)	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27
Volumetric Charge (20 TGAL)	\$40.00	\$56.00	\$76.72	\$80.56	\$84.58	\$87.97
Monthly bill	\$60.13	\$84.18	\$115.33	\$121.10	\$127.15	\$132.24
Monthly dollar increase		\$24.05	\$31.15	\$5.77	\$6.05	\$5.09
Annual percentage increase		40.0%	37.0%	5.0%	5.0%	4.0%
Non-Single Family (above average water use)						
Service charge (2" meter)	\$80.53	\$112.74	\$154.46	\$162.18	\$170.29	\$177.10
Volumetric Charge (75 TGAL)	\$150.00	\$210.00	\$287.70	\$302.09	\$317.19	\$329.88
Monthly bill	\$230.53	\$322.74	\$442.16	\$464.26	\$487.48	\$506.98
Monthly dollar increase		\$92.21	\$119.41	\$22.11	\$23.21	\$19.50
Annual percentage increase		40.0%	37.0%	5.0%	5.0%	4.0%

BILL COMPARISONS WITH NEIGHBORING AGENCIES

A regional water rate survey was conducted to compare the City's proposed water rates for January 1, 2018 to other regional agencies that provide similar service. **Figure 3-3** compares the City's current and proposed water bills (effective January 1, 2018) for a single family customer with a 3/4" connection and average flow (10 tgal per month) with neighboring agencies.

Figure 3-3. Single Family Monthly Bill Comparison (3/4" meter)

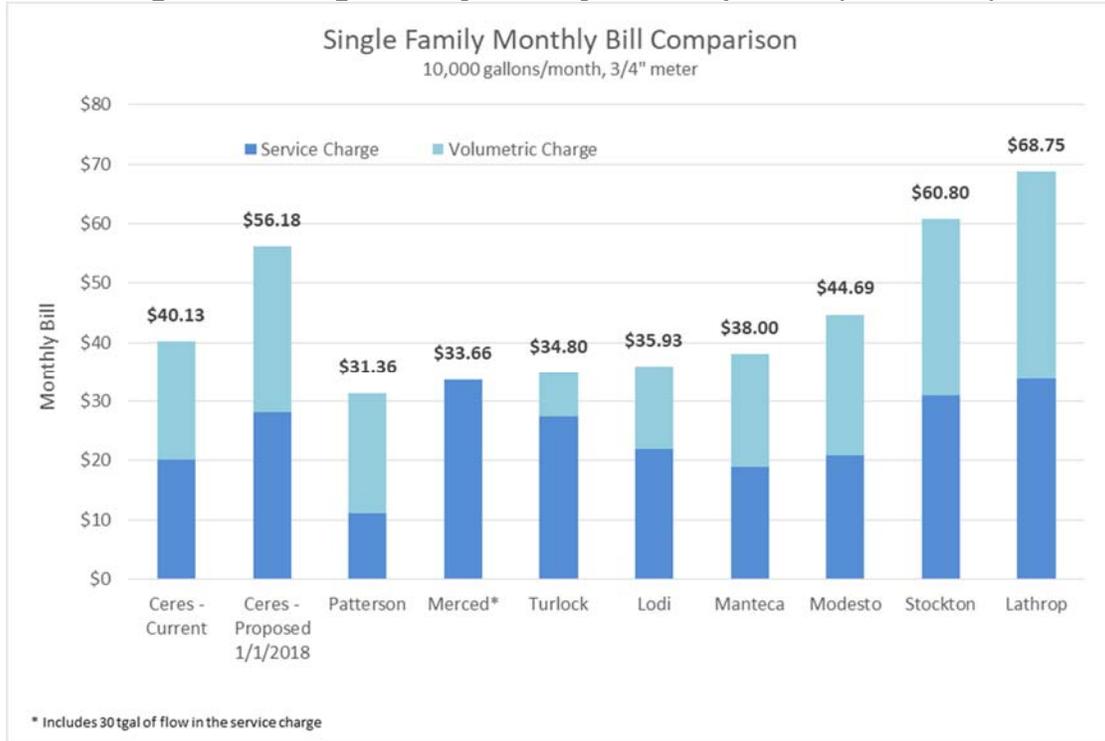


Figure 3-4 compares the City’s current and proposed water bills (effective January 1, 2018) for a non-single family customer with a 3/4" connection and average flow (20 tgal per month) with neighboring agencies.

Figure 3-4. Non-Single Family Monthly Bill Comparison (3/4" meter)

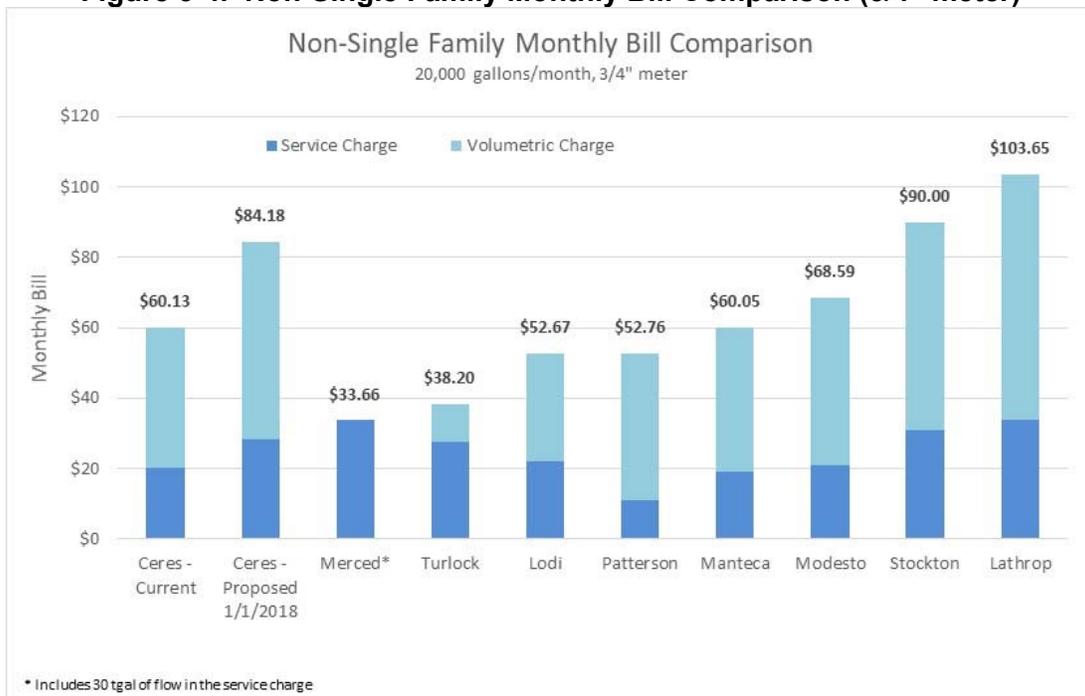
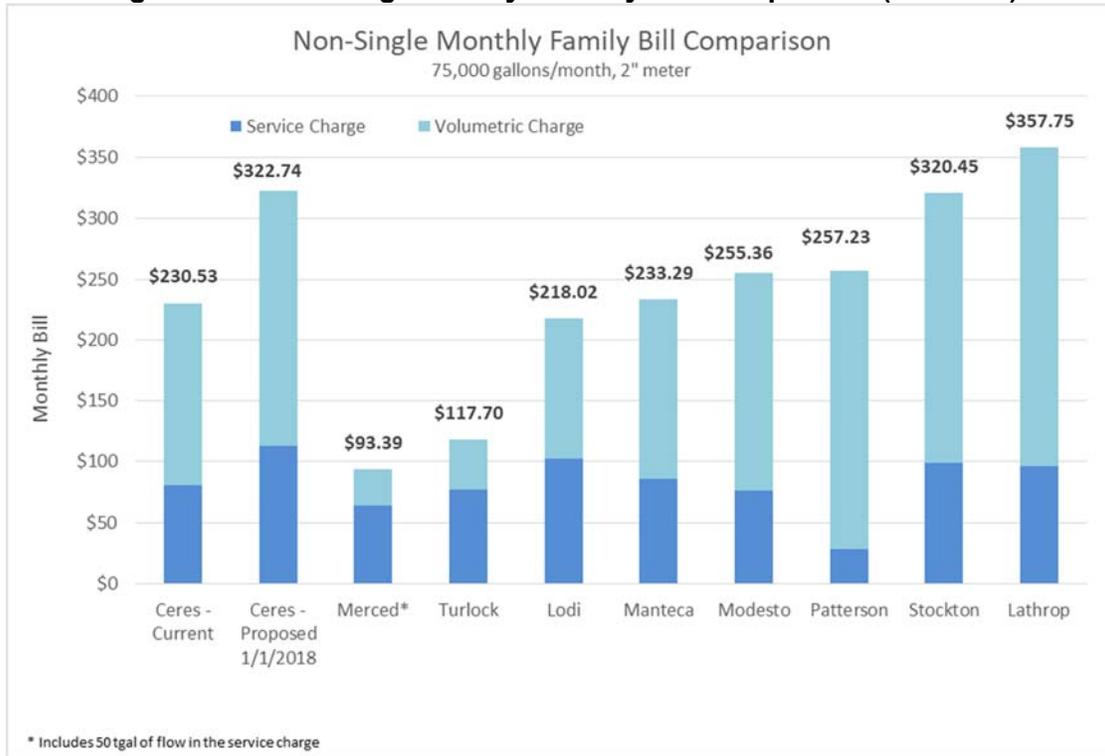


Figure 3-5 compares the City’s current and proposed water bills (effective January 1, 2018) for a single family customer with a 2” connection and average flow (75 tgal per month) with neighboring agencies.

Figure 3-5. Non-Single Family Monthly Bill Comparison (2” meter)



4. CONNECTION FEES

OVERVIEW

New development customers connecting to the City's water system pay a one-time connection fee at the time of connection to the system. This fee is used to fund projects that provide additional capacity for growth.

The water connection fee was last studied and updated in June 2013. The connection fee of \$6,697 per dwelling unit equivalent (DUE⁵) was based on growth's share of the cost of constructing proposed facilities specifically identified in the City's 2011 Water Master Plan. Subsequently, the City has identified significant capital improvement costs it is projected to incur as a result of partnering in the RSWSP with the City of Turlock and the Turlock Irrigation District. The RSWSP will provide a long-term, sustainable water source, which will help reduce the regions' reliance on groundwater.

The current connection fee does not include the cost of the RSWSP, which is estimated to begin construction in 2020. We have recalculated the connection fee to include growth's proportionate share of the RSWSP costs (RSWSP Component), as well as adjustments to reflect construction cost inflation for those capital improvements identified and included in the previous connection fee study in June 2013 (Base Component).

BASE COMPONENT CALCULATION

To calculate the adjusted Base Component to reflect today's construction costs, we escalated the current Base Component of \$6,697 by the estimated increase in construction costs since the previous connection fee was last updated. To estimate the inflationary increases in construction costs, we used the percentage change (14.33%) in the Engineering News Record's 20-Cities Construction Cost Index (ENR CCI) from January 2013 to July 2017. [July 2017 ENR CCI (10,789) ÷ January 2013 ENR CCI (9,437) - 1 = 14.33%]. Each subsequent year was escalated by the average annual change (2.69%) in the ENR CCI from 2014 through 2016. **Figure 4-1** summarizes the resulting adjusted Base Components.

Figure 4-1. Connection Fee Base Component Calculation

	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
Base Component Calculation	(proposed)									
Prior Year Connection Fee	\$6,697	\$7,657	\$7,863	\$8,074	\$8,291	\$8,514	\$8,743	\$8,978	\$9,220	\$9,468
Inflationary Factor	1.1433	1.0269	1.0269	1.0269	1.0269	1.0269	1.0269	1.0269	1.0269	1.0269
Adjusted Connection Fee	\$7,657	\$7,863	\$8,074	\$8,291	\$8,514	\$8,743	\$8,978	\$9,220	\$9,468	\$9,722

⁵ The Dwelling Unit Equivalent (DUE) relates residential and non-residential connections to an equivalent single family residential connection, based on the ratio of estimated average daily water use.

RSWSP COMPONENT CALCULATION

The RSWSP will be debt financed. The cumulative retired principal and interest paid on the loan should be included in deriving the City’s connection fees because it represents a cost borne by ratepayers for facilities that benefit growth. Dividing each year’s cumulative retired debt service by total DUEs at buildout (29,119) yields the RSWSP Component of the connection fee, as summarized in **Figure 4-2**. By dividing by total DUEs at buildout we have calculated the average cost of the RSWSP to be contributed by all customers connected to the system, current and future. Current customers contribute through the service charge and volumetric charges and future customers contribute when they connect to the system and pay the connection fee.

Figure 4-2. RSWSP Base Component Calculation

RSWSP Component Calculation	Current (adopted)	1/1/2018 (proposed)	1/1/2019 (proposed)	1/1/2020 (proposed)	1/1/2021 (proposed)	1/1/2022 (proposed)	1/1/2023 (projected)	1/1/2024 (projected)	1/1/2025 (projected)	1/1/2026 (projected)	1/1/2027 (projected)
RSWSP Annual Debt Service	\$0	\$0	\$0	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$4,777,764	\$4,777,764	\$4,777,764	\$4,777,764
Cumulative Retired Debt Service	\$0	\$0	\$0	\$1,250,000	\$3,750,000	\$6,250,000	\$8,750,000	\$13,527,764	\$18,305,528	\$23,083,292	\$27,861,056
DUEs at Buildout	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119
\$ per DUE	\$0	\$0	\$0	\$43	\$129	\$215	\$300	\$465	\$629	\$793	\$957

Figure 4-3 summarizes the results of the current analysis, which increases the current connection fee from \$6,697 per DUE to \$7,657, effective January 1, 2018 and increasing to \$10,679 per DUE by January 1, 2027.

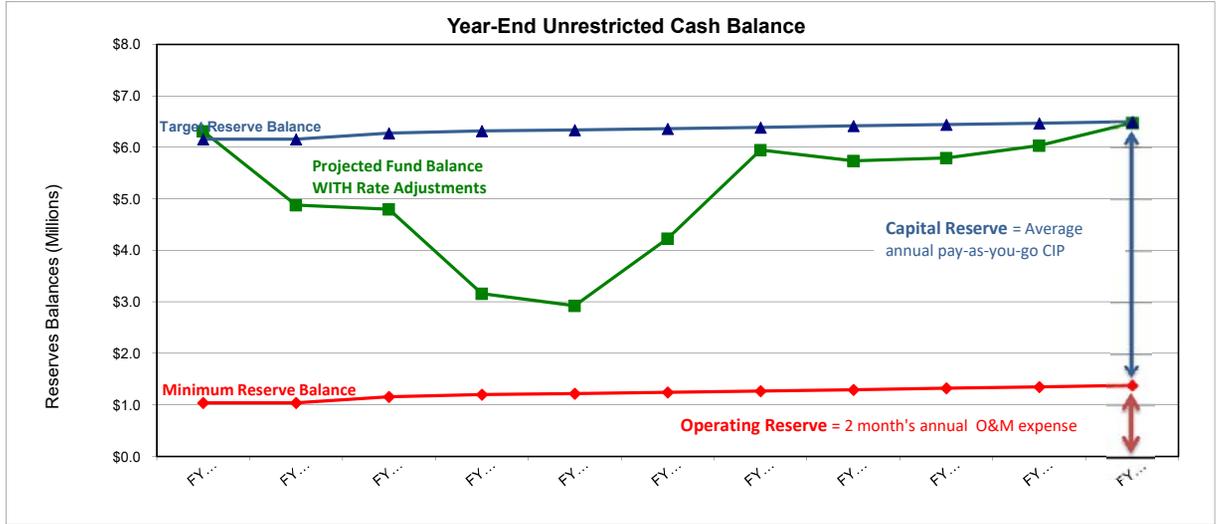
Figure 4-3. Current and Proposed Connection Fees

Connection Fee per DUE	Current (adopted)	1/1/2018 (proposed)	1/1/2019 (proposed)	1/1/2020 (proposed)	1/1/2021 (proposed)	1/1/2022 (proposed)	1/1/2023 (proposed)	1/1/2024 (proposed)	1/1/2025 (proposed)	1/1/2026 (proposed)	1/1/2027 (proposed)
Base component	\$6,697	\$7,657	\$7,863	\$8,074	\$8,291	\$8,514	\$8,743	\$8,978	\$9,220	\$9,468	\$9,722
RSWSP component	\$0	\$0	\$0	\$43	\$129	\$215	\$300	\$465	\$629	\$793	\$957
Total	\$6,697	\$7,657	\$7,863	\$8,117	\$8,420	\$8,729	\$9,044	\$9,443	\$9,848	\$10,260	\$10,679

APPENDIX. RATE MODEL

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	
1	City of Ceres														
2	Water Services Division Financial Model														
3	Table 1A - Assumptions														
4															
5															
6	Inflation Factor Assumptions used for projections:														
7															
8															
9	a	Annual EMU ¹ Growth Rate		0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	Estimate; To Tables 3, 4, 7
10		Annual Additional EMUs		10	10	10	10	10	10	10	10	10	10	10	To Table 7; HFH Estimate
11		Total EMUs, End of Year	15,053	15,063	15,073	15,083	15,093	15,103	15,113	15,123	15,133	15,143	15,153	2016-17 from Table 7	
12	b	General Inflation		Budgeted	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	1.69%	
13	c	Salaries & Wages		Budgeted	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	
14	d	Benefits		Budgeted	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	
15	e	Construction Cost Inflation		2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	20-City Average annual change 2014 - 2016
16	f	Interest on Fund Balance		0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	City Estimate; To Table 4
17	g	Connection Fee	\$6,697	\$7,657	\$7,863	\$8,117	\$8,420	\$8,729	\$9,044	\$9,443	\$9,848	\$10,260	\$10,679	From Table 7	
18	h	Bad debt as a percent of rate revenue	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	To Table 3
19	i	Annual SFR conservation reduction		Budgeted	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	To Table 3
20	j														
21	k														
22	l														
23															
24	¹ EMU = Equivalent Meter Unit - connection to water system expressed in terms of 5/8" or 3/4" (household size) meters														

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 1B - Summary												
4													
5													
6													
7		Projected											
8	Eff. Date	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Notes	
9		1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027		
10	Annual Revenue Increases												
11	Service Charge	40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	To Tables 3, 4, 6
12	Single Family Volumetric	40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	To Tables 3, 4, 6
13	Non Single Family Volumetric	40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	To Tables 3, 4, 6
14	Overall Revenue Increase	20.0%	38.3%	18.5%	5.0%	4.5%	3.5%	3.0%	2.5%	2.0%	2.0%	2.0%	From Table 3
15	Transfer To/(From) Reserves	(\$1,430,857)	(\$81,716)	(\$1,640,795)	(\$234,972)	\$1,306,527	\$1,721,199	(\$214,077)	\$55,510	\$246,788	\$435,642		
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46													
47	Average Single Famil	\$40.13	\$56.18	\$76.97	\$80.82	\$84.86	\$88.25	\$90.90	\$93.63	\$95.50	\$97.41	\$99.36	
48	\$ Increase		\$16.05	\$20.79	\$3.85	\$4.04	\$3.39	\$2.65	\$2.73	\$1.87	\$1.91	\$1.95	
49	% Increase		40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	
50													
51	Rates - Including Annual Increases												
52	Service Charges (Mo	Current	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	
53	5/8" & 3/4" Mete	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27	\$45.60	\$46.97	\$47.90	\$48.86	\$49.84	
54	1" Meter	\$20.13	\$28.18	\$38.61	\$40.54	\$42.57	\$44.27	\$45.60	\$46.97	\$47.90	\$48.86	\$49.84	
55	1 1/2" Meter	\$45.30	\$63.42	\$86.89	\$91.23	\$95.79	\$99.62	\$102.61	\$105.69	\$107.80	\$109.96	\$112.16	
56	2" Meter	\$80.53	\$112.74	\$154.46	\$162.18	\$170.29	\$177.10	\$182.41	\$187.89	\$191.64	\$195.48	\$199.39	
57	3" Meter	\$201.33	\$281.86	\$386.15	\$405.46	\$425.73	\$442.76	\$456.04	\$469.72	\$479.12	\$488.70	\$498.48	
58	4" Meter	\$402.66	\$563.72	\$772.30	\$810.92	\$851.46	\$885.52	\$912.09	\$939.45	\$958.24	\$977.40	\$996.95	
59	6" Meter	\$805.31	\$1,127.43	\$1,544.58	\$1,621.81	\$1,702.90	\$1,771.02	\$1,824.15	\$1,878.88	\$1,916.45	\$1,954.78	\$1,993.88	
60	8" Meter	\$1,431.67	\$2,004.34	\$2,745.94	\$2,883.24	\$3,027.40	\$3,148.50	\$3,242.95	\$3,340.24	\$3,407.05	\$3,475.19	\$3,544.69	
61	10" Meter	\$2,452.44	\$3,433.41	\$4,703.78	\$4,938.96	\$5,185.91	\$5,393.35	\$5,555.15	\$5,721.80	\$5,836.24	\$5,952.97	\$6,072.02	
62													
63	Volumetric Charges												
64	<u>Single Family Residential</u>												
65	Tier 1 per thous	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40	\$4.53	\$4.67	\$4.76	\$4.85	\$4.95	
66	Tier 2 per thous	\$2.90	\$4.06	\$5.56	\$5.84	\$6.13	\$6.38	\$6.57	\$6.77	\$6.90	\$7.04	\$7.18	
67	<u>Non-Single Family Residential</u>												
68	Rate per thous:	\$2.00	\$2.80	\$3.84	\$4.03	\$4.23	\$4.40	\$4.53	\$4.67	\$4.76	\$4.85	\$4.95	
69													
70													
71	Revenue from Service Charges		49%	49%	49%	49%	49%	49%	49%	49%	49%	49%	From Table 3
72	Debt Coverage (1.10 minimum)		9.28	17.79	4.82	2.88	3.07	3.22	1.84	1.89	1.93	1.96	From Table 6
73													



	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 2 - Revenue Requirements												
4		Inflation	Budgeted				Projected						
5		Factor	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Notes
6	Operations & Maintenance												
7	Salaries and Wages	c	479,753	543,968	609,332	620,239	631,341	642,642	654,145	665,854	677,773	689,905	
8	Benefits	d	382,689	446,195	512,877	538,521	565,447	593,719	623,405	654,576	687,305	721,670	
9	Contractual & Other Services	b	1,099,305	1,117,883	1,136,775	1,155,987	1,175,523	1,195,390	1,215,592	1,236,135	1,257,026	1,278,270	
10	Electricity & Gas	b	418,040	425,105	432,289	439,595	447,024	454,579	462,261	470,073	478,018	486,096	
11	Materials & Supplies	b	290,330	295,237	300,226	305,300	310,459	315,706	321,042	326,467	331,985	337,595	
12	Cost Sharing - IRWMP		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
13	Cost Sharing - SRWA		1,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
14	Other Operating Costs	b	125,880	128,007	130,171	132,371	134,608	136,883	139,196	141,548	143,940	146,373	
15	Total O&M		3,845,997	4,506,395	4,671,670	4,742,012	4,814,402	4,888,918	4,965,641	5,044,654	5,126,046	5,209,909	
16	Water Conservation												
17	Salaries and Wages	c	157,269	160,084	162,950	165,866	168,835	171,858	174,934	178,065	181,253	184,497	
18	Benefits	d	167,200	175,560	184,338	193,555	203,233	213,394	224,064	235,267	247,031	259,382	
19	Contractual & Other Services	b	271,880	276,475	281,147	285,899	290,730	295,644	300,640	305,721	310,887	316,141	
20	Materials & Supplies	b	4,700	4,779	4,860	4,942	5,026	5,111	5,197	5,285	5,374	5,465	
21	Other Operating Costs	b	21,125	21,482	21,845	22,214	22,590	22,971	23,360	23,754	24,156	24,564	
22	Total Water Conservation		622,174	638,380	655,140	672,476	690,414	708,978	728,195	748,093	768,701	790,050	
23	Administrative Expenses												
24	Public Works Administration												
25	Salaries and Wages	c	101,603	103,422	105,273	107,157	109,075	111,028	113,015	115,038	117,097	119,193	
26	Benefits	d	90,797	95,337	100,104	105,109	110,364	115,883	121,677	127,760	134,149	140,856	
27	Materials & Supplies	b	29,793	30,297	30,809	31,329	31,859	32,397	32,945	33,501	34,067	34,643	
28	Engineering												
29	Salaries and Wages	c	256,638	261,232	265,908	270,668	275,513	280,444	285,464	290,574	295,775	301,070	
30	Benefits	d	163,166	171,324	179,891	188,885	198,329	208,246	218,658	229,591	241,070	253,124	
31	Materials & Supplies	b	98,060	99,717	101,402	103,116	104,859	106,631	108,433	110,265	112,129	114,024	
32	Finance												
33	Salaries and Wages	c	213,645	217,469	221,362	225,324	229,358	233,463	237,642	241,896	246,226	250,633	
34	Benefits	d	180,150	189,158	198,615	208,546	218,973	229,922	241,418	253,489	266,164	279,472	
35	Materials & Supplies	b	146,178	148,648	151,161	153,715	156,313	158,955	161,641	164,373	167,151	169,975	
36	Other Overhead												
37	Salaries and Wages	c	144,632	147,221	149,856	152,539	155,269	158,048	160,877	163,757	166,688	169,672	Other OH includes: General City, City Council, City Manager, Human Resources, and Planning Departments
38	Benefits	d	111,584	117,163	123,021	129,172	135,631	142,413	149,533	157,010	164,860	173,103	
39	Materials & Supplies	b	114,122	116,051	118,012	120,006	122,034	124,097	126,194	128,327	130,495	132,701	
40	Total Administrative		\$1,650,368	\$1,697,038	\$1,745,413	\$1,795,567	\$1,847,578	\$1,901,526	\$1,957,498	\$2,015,582	\$2,075,873	\$2,138,467	
41	Capital Outlay												
42	Computer Equipment	b	7,136	7,257	7,379	7,504	7,631	7,760	7,891	8,024	8,160	8,298	
43	Furniture and Furnishings	b	6,200	6,305	6,411	6,520	6,630	6,742	6,856	6,972	7,090	7,209	
44	Power Equipment	b	12,500	12,711	12,926	13,145	13,367	13,593	13,822	14,056	14,293	14,535	
45	Automotive Equipment	b	5,000	5,085	5,170	5,258	5,347	5,437	5,529	5,622	5,717	5,814	
46	Financial Software Upgrade	b	82,950	82,950	84,352	85,777	87,227	88,701	90,200	91,725	93,275	94,851	
47	Total Capital Outlay		\$113,786	\$114,307	\$116,239	\$118,203	\$120,201	\$122,232	\$124,298	\$126,399	\$128,535	\$130,707	
48													
49	Total Operating Costs		\$6,232,325	\$6,956,121	\$7,188,463	\$7,328,259	\$7,472,595	\$7,621,655	\$7,775,631	\$7,934,727	\$8,099,154	\$8,269,133	To Table 6
50													
51	Non-Operating (Revenue)/Expense												
52	Penalties		(\$283,500)	(283,500)	(283,500)	(283,500)	(283,500)	(283,500)	(283,500)	(283,500)	(283,500)	(283,500)	
53	Bad Debt		\$178,633	247,028	292,814	307,539	321,429	332,739	342,815	351,456	358,583	365,855	
54	Miscellaneous Revenue		(\$23,000)	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)	
55	Construction Water		(\$2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	
56	Total Non-Rate Revenue		(\$129,867)	(\$61,472)	(\$15,686)	(\$961)	\$12,929	\$24,239	\$34,315	\$42,956	\$50,083	\$57,355	
57													
58	Subtotal		\$6,102,458	\$6,894,649	\$7,172,776	\$7,327,298	\$7,485,524	\$7,645,893	\$7,809,946	\$7,977,683	\$8,149,237	\$8,326,487	Basis for reserve target
59	Debt Service												
60	2009 City bond		\$307,375	\$307,775	\$302,975	\$303,175	\$303,175	\$302,813	\$307,075	\$305,550	\$303,800	\$306,825	From Table 6
61	TID Surface Water SRF loan		\$0	\$0	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$4,777,764	\$4,777,764	\$4,777,764	\$4,777,764	From Table 6; Int only pymts until 1 year after proj completion
62	Total Debt Service		\$307,375	\$307,775	\$1,552,975	\$2,803,175	\$2,803,175	\$2,802,813	\$5,084,839	\$5,083,314	\$5,081,564	\$5,084,589	
63	Transfers to/(from):												
64	Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	From Table 4
65	Capital Reserves		\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	From Table 4
66	Total Transfers		\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	
67													
68	Total Revenue Requirement		\$11,529,833	\$12,322,424	\$13,845,751	\$15,250,473	\$15,408,699	\$14,548,706	\$16,994,785	\$17,160,997	\$17,330,801	\$17,511,076	To Table 3
69	<i>Annual Change</i>			6.9%	12.4%	10.1%	1.0%	-5.6%	16.8%	1.0%	1.0%	1.0%	

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 3 - Revenue Increases												
4													
5		Months											
6		Increase											
7		In Effect											
8			FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Notes
9	Rate Revenue - Service Charges												
10	Current service charge revenue		\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	\$3,661,804	From Table 7
11	Rate revenue from account growth		\$1,216	\$2,432	\$3,647	\$4,861	\$6,074	\$7,286	\$8,497	\$9,708	\$10,918	\$12,127	Revenue*0.5*Table 1A, factor a.
12	Total Current Revenue - Svc Charge		\$3,663,021	\$3,664,236	\$3,665,451	\$3,666,665	\$3,667,878	\$3,669,090	\$3,670,302	\$3,671,513	\$3,672,722	\$3,673,932	
13	Increase in Rate Revenue		40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	From Table 1B
14													
15	Revenue from Current Rates		\$3,663,021	\$3,664,236	\$3,665,451	\$3,666,665	\$3,667,878	\$3,669,090	\$3,670,302	\$3,671,513	\$3,672,722	\$3,673,932	
16													
17	Revenue from Rate Increases												
18	FY 2017-18 (eff. Jan 1, 2018)	6	\$732,604	\$1,465,694	\$1,466,180	\$1,466,666	\$1,467,151	\$1,467,636	\$1,468,121	\$1,468,605	\$1,469,089	\$1,469,573	
19	FY 2018-19 (eff. Jan 1, 2019)	6		\$949,037	\$1,898,704	\$1,899,332	\$1,899,961	\$1,900,589	\$1,901,216	\$1,901,843	\$1,902,470	\$1,903,097	
20	FY 2019-20 (eff. Jan 1, 2020)	6			\$175,758	\$351,633	\$351,749	\$351,866	\$351,982	\$352,098	\$352,214	\$352,330	
21	FY 2020-21 (eff. Jan 1, 2021)	6				\$184,607	\$369,337	\$369,459	\$369,581	\$369,703	\$369,825	\$369,947	
22	FY 2021-22 (eff. Jan 1, 2022)	6					\$155,122	\$310,346	\$310,448	\$310,550	\$310,653	\$310,755	
23	FY 2022-23 (eff. Jan 1, 2023)	6						\$121,035	\$242,149	\$242,229	\$242,309	\$242,389	
24	FY 2023-24 (eff. Jan 1, 2024)	6							\$124,707	\$249,496	\$249,578	\$249,661	
25	FY 2024-25 (eff. Jan 1, 2025)	6								\$85,660	\$171,377	\$171,434	
26	FY 2025-26 (eff. Jan 1, 2026)	6									\$87,402	\$174,862	
27	FY 2026-27 (eff. Jan 1, 2027)	6										\$89,180	
28	Total Revenue from Rate Increases		732,604	2,414,732	3,540,642	3,902,239	4,243,320	4,520,930	4,768,205	4,980,186	5,154,918	5,333,226	
29	Total Current Revenue		\$3,663,021	\$3,664,236	\$3,665,451	\$3,666,665	\$3,667,878	\$3,669,090	\$3,670,302	\$3,671,513	\$3,672,722	\$3,673,932	From above
30	Total Svc Charge Revenue with Rate Increases		\$4,395,625	\$6,078,968	\$7,206,093	\$7,568,904	\$7,911,198	\$8,190,020	\$8,438,506	\$8,651,699	\$8,827,641	\$9,007,158	To Table 6
31													
32	Rate Revenue - Single Family Volumetric Charge												
33	Current Billed volumetric charge revenue		\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	\$2,512,084	
34	Rate revenue from account growth		\$834	\$1,668	\$2,502	\$3,334	\$4,167	\$4,998	\$5,829	\$6,660	\$7,490	\$8,320	Revenue*0.5*Table 1A, factor a.
35	Total Current Revenue - SF Vol Charge		\$2,512,918	\$2,513,752	\$2,514,585	\$2,515,418	\$2,516,250	\$2,517,082	\$2,517,913	\$2,518,744	\$2,519,574	\$2,520,403	
36													
37	Increase in Rate Revenue		40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	From Table 1B
38													
39	Revenue from Current Rates		\$2,512,918	\$2,513,752	\$2,514,585	\$2,515,418	\$2,516,250	\$2,517,082	\$2,517,913	\$2,518,744	\$2,519,574	\$2,520,403	
40													
41	Revenue from Rate Increases												
42	FY 2017-18 (eff. Jan 1, 2018)	6	\$502,584	\$1,005,501	\$1,005,834	\$1,006,167	\$1,006,500	\$1,006,833	\$1,007,165	\$1,007,498	\$1,007,830	\$1,008,161	
43	FY 2018-19 (eff. Jan 1, 2019)	6		\$651,062	\$1,302,555	\$1,302,987	\$1,303,418	\$1,303,849	\$1,304,279	\$1,304,709	\$1,305,139	\$1,305,569	
44	FY 2019-20 (eff. Jan 1, 2020)	6			\$120,574	\$241,229	\$241,308	\$241,388	\$241,468	\$241,548	\$241,627	\$241,707	
45	FY 2020-21 (eff. Jan 1, 2021)	6				\$126,645	\$253,374	\$253,458	\$253,541	\$253,625	\$253,708	\$253,792	
46	FY 2021-22 (eff. Jan 1, 2022)	6					\$106,417	\$212,904	\$212,975	\$213,045	\$213,115	\$213,185	
47	FY 2022-23 (eff. Jan 1, 2023)	6						\$83,033	\$166,120	\$166,175	\$166,230	\$166,285	
48	FY 2023-24 (eff. Jan 1, 2024)	6							\$85,552	\$171,160	\$171,217	\$171,273	
49	FY 2024-25 (eff. Jan 1, 2025)	6								\$58,765	\$117,569	\$117,608	
50	FY 2025-26 (eff. Jan 1, 2026)	6									\$59,960	\$119,960	
51	FY 2026-27 (eff. Jan 1, 2027)	6										\$61,179	
52	Total Revenue from Rate Increases		502,584	1,656,563	2,428,964	2,677,028	2,911,017	3,101,464	3,271,100	3,416,525	3,536,395	3,658,718	
53	Total Current Revenue		\$2,512,918	\$2,513,752	\$2,514,585	\$2,515,418	\$2,516,250	\$2,517,082	\$2,517,913	\$2,518,744	\$2,519,574	\$2,520,403	From above
54	Total SF Vol. Revenue with Rate Increases		\$3,015,502	\$4,170,315	\$4,943,549	\$5,192,446	\$5,427,268	\$5,618,546	\$5,789,014	\$5,935,268	\$6,055,969	\$6,179,122	To Table 6
55													

	A	B	C	D	E	F	G	H	I	J	K	L	M	
1	City of Ceres													
2	Water Services Division Financial Model													
3	Table 3 - Revenue Increases													
4														
5														
6		Months												
7		Increase												
8		In Effect												
9			FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Notes	
10														
11	56	Rate Revenue - Non Single Family Volumetric Charge												
12	57	Current Billed volumetric charge revenue	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	\$1,266,672	From Table 7	
13	58	Rate revenue from account growth	\$421	\$420	\$420	\$420	\$420	\$419	\$419	\$419	\$419	\$418	Revenue*0.5*Table 1A, factor a.	
14	59	Total Current Revenue - Non SF Vol Charge	\$1,267,093	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,090		
15	60													
16	61	Increase in Rate Revenue	40.0%	37.0%	5.0%	5.0%	4.0%	3.0%	3.0%	2.0%	2.0%	2.0%	From Table 1B	
17	62													
18	63	Revenue from Current Rates	\$1,267,093	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,090		
19	64													
20	65	Revenue from Rate Increases												
21	66	FY 2017-18 (eff. Jan 1, 2018)	6	\$253,419	\$506,837	\$506,837	\$506,837	\$506,837	\$506,836	\$506,836	\$506,836	\$506,836		
22	67	FY 2018-19 (eff. Jan 1, 2019)	6		\$328,177	\$656,354	\$656,354	\$656,353	\$656,353	\$656,353	\$656,353	\$656,353		
23	68	FY 2019-20 (eff. Jan 1, 2020)	6			\$60,757	\$121,514	\$121,514	\$121,514	\$121,514	\$121,514	\$121,514		
24	69	FY 2020-21 (eff. Jan 1, 2021)	6				\$63,795	\$127,590	\$127,590	\$127,590	\$127,590	\$127,590		
25	70	FY 2021-22 (eff. Jan 1, 2022)	6					\$53,588	\$107,175	\$107,175	\$107,175	\$107,175		
26	71	FY 2022-23 (eff. Jan 1, 2023)	6						\$41,798	\$83,597	\$83,597	\$83,597		
27	72	FY 2023-24 (eff. Jan 1, 2024)	6							\$43,052	\$86,105	\$86,105		
28	73	FY 2024-25 (eff. Jan 1, 2025)	6								\$29,563	\$59,125		
29	74	FY 2025-26 (eff. Jan 1, 2026)	6									\$30,154	\$60,308	
30	75	FY 2026-27 (eff. Jan 1, 2027)	6										\$30,757	
31	76	Total Revenue from Rate Increases		253,419	835,014	1,223,948	1,348,499	1,465,882	1,561,268	1,646,118	1,718,732	1,778,449	1,839,359	
32	77	Total Current Revenue		\$1,267,093	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,090	
33	78	Total Non SF Vol. Revenue with Rate Increases		\$1,520,511	\$2,102,106	\$2,491,040	\$2,615,591	\$2,732,973	\$2,828,359	\$2,913,209	\$2,985,823	\$3,045,539	\$3,106,449	
34	79												To Table 6	
35	80													
36	81	Total Rate Revenue												
37	82	Revenue From Current Charges												
38	83	Service Charge		\$3,663,021	\$3,664,236	\$3,665,451	\$3,666,665	\$3,667,878	\$3,669,090	\$3,670,302	\$3,671,513	\$3,672,722	\$3,673,932	From above
39	84	Volumetric Charge												
40	85	Single Family		\$2,512,918	\$2,513,752	\$2,514,585	\$2,515,418	\$2,516,250	\$2,517,082	\$2,517,913	\$2,518,744	\$2,519,574	\$2,520,403	From above
41	86	Non Single Family		\$1,267,093	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,092	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,091	\$1,267,090	From above
42	87	Subtotal - Volumetric Charge		\$3,780,011	\$3,780,845	\$3,781,678	\$3,782,510	\$3,783,342	\$3,784,173	\$3,785,004	\$3,785,835	\$3,786,664	\$3,787,494	
43	88	Total Rate Revenue - Before Rate Increases		\$7,443,032	\$7,445,081	\$7,447,129	\$7,449,175	\$7,451,220	\$7,453,264	\$7,455,306	\$7,457,347	\$7,459,387	\$7,461,425	
44	89													
45	90	Overall Increase in Rate Revenue		20.0%	38.3%	18.5%	5.0%	4.5%	3.5%	3.0%	2.5%	2.0%	2.0%	
46	91	<i>Cumulative Increase in Rate Revenue</i>		20.0%	65.9%	96.6%	106.4%	115.7%	123.2%	129.9%	135.6%	140.4%	145.2%	
47	92												To Table 1B	
48	93	Revenue from Rate Increases												
49	94	FY 2017-18 (eff. Jan 1, 2018)	6	\$1,488,606	\$2,978,032	\$2,978,851	\$2,979,670	\$2,980,488	\$2,981,306	\$2,982,122	\$2,982,939	\$2,983,755	\$2,984,570	
50	95	FY 2018-19 (eff. Jan 1, 2019)	6		\$1,928,276	\$3,857,613	\$3,858,673	\$3,859,732	\$3,860,791	\$3,861,849	\$3,862,906	\$3,863,962	\$3,865,018	
51	96	FY 2019-20 (eff. Jan 1, 2020)	6			\$357,090	\$714,376	\$714,572	\$714,768	\$714,964	\$715,160	\$715,355	\$715,551	
52	97	FY 2020-21 (eff. Jan 1, 2021)	6				\$375,047	\$750,301	\$750,506	\$750,712	\$750,918	\$751,123	\$751,328	
53	98	FY 2021-22 (eff. Jan 1, 2022)	6					\$315,126	\$630,425	\$630,598	\$630,771	\$630,943	\$631,116	
54	99	FY 2022-23 (eff. Jan 1, 2023)	6						\$245,866	\$491,867	\$492,001	\$492,136	\$492,270	
55	100	FY 2023-24 (eff. Jan 1, 2024)	6							\$253,311	\$506,761	\$506,900	\$507,038	
56	101	FY 2024-25 (eff. Jan 1, 2025)	6								\$173,988	\$348,071	\$348,166	
57	102	FY 2025-26 (eff. Jan 1, 2026)	6									\$177,516	\$355,130	
58	103	FY 2026-27 (eff. Jan 1, 2027)	6										\$181,116	
59	104	Total Revenue from Rate Increases		\$1,488,606	\$4,906,308	\$7,193,554	\$7,927,766	\$8,620,219	\$9,183,662	\$9,685,423	\$10,115,443	\$10,469,762	\$10,831,304	
60	105													
61	106	Total Rate Revenue with Rate Increases		\$8,931,638	\$12,351,389	\$14,640,682	\$15,376,941	\$16,071,439	\$16,636,926	\$17,140,729	\$17,572,790	\$17,929,149	\$18,292,729	
62	107	Total Revenue Requirement		(\$11,529,833)	(\$12,322,424)	(\$13,845,751)	(\$15,250,473)	(\$15,408,699)	(\$14,548,706)	(\$16,994,785)	(\$17,160,997)	(\$17,330,801)	(\$17,511,076)	From Table 2
63	108	Transfer to/(from) Reserves		(\$2,598,195)	\$28,965	\$794,931	\$126,468	\$662,740	\$2,088,220	\$145,944	\$411,793	\$598,347	\$781,652	To Table 4

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 4 - Reserve Funds												
4													
5													
6		Estimated					Projected						
7		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Notes
8	Operating Reserve												
9	With Rate Increases												
10			20.0%	38.3%	18.5%	5.0%	4.5%	3.5%	3.0%	2.5%	2.0%	2.0%	From Table 1B
11	Beginning Balance	\$5,912,000	\$3,332,257	\$1,370,609	\$1,693,881	\$1,348,645	\$1,539,374	\$1,656,196	\$1,330,325	\$1,269,531	\$1,395,421		
12	Transfer to/(from) Operating Fund	(\$2,598,195)	\$28,965	\$794,931	\$126,468	\$662,740	\$2,088,220	\$145,944	\$411,793	\$598,347	\$781,652		From Table 3
13													
14													
15	Transfers (to)/from:												
16	Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	To Table 2
17	SRF Reserve	\$0	\$0	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	(\$477,776)	1/10 annual SRF debt service pymt
18	Capital Reserve	\$0	(\$2,000,000)	\$0	\$0	\$0	(\$1,500,000)	\$0	\$0	\$0	\$0	(\$350,000)	To below
19	Fund Subtotal	\$3,313,805	\$1,361,222	\$1,687,764	\$1,342,573	\$1,533,609	\$1,649,818	\$1,324,364	\$1,264,341	\$1,390,102	\$1,349,297		
20	Estimated Interest Earnings	\$18,452	\$9,387	\$6,117	\$6,073	\$5,765	\$6,378	\$5,961	\$5,189	\$5,319	\$5,489		Avg. Bal. * Table 1A assumption e.
21	Ending Balance with Rate Increase	\$5,912,000	\$3,332,257	\$1,370,609	\$1,693,881	\$1,348,645	\$1,539,374	\$1,656,196	\$1,330,325	\$1,269,531	\$1,395,421	\$1,354,786	
22	Minimum Balance	\$1,038,721	\$1,038,721	\$1,159,353	\$1,198,077	\$1,221,377	\$1,245,432	\$1,270,276	\$1,295,939	\$1,322,455	\$1,349,859	\$1,378,189	2 months' O&M expense
23	Fund Balance Compared to Minimum		321%	118%	141%	110%	124%	130%	103%	96%	103%	98%	
24													
25	Capital Reserve												
26	Beginning Balance	\$212,000	\$1,547,886	\$3,427,817	\$1,463,751	\$1,574,015	\$2,689,814	\$4,294,190	\$4,405,984	\$4,522,289	\$4,643,187		
27		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	From Table 6
28	Capital Projects Expenditures	(\$3,975,000)	(\$5,250,000)	(\$7,175,000)	(\$5,100,000)	(\$4,100,000)	(\$4,100,000)	(\$4,100,000)	(\$4,100,000)	(\$4,100,000)	(\$4,100,000)	(\$4,100,000)	From Table 5
29	Transfers (to)/from:												
30	Revenue Requirements	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	\$4,100,000	To Table 2
31	Operating Reserve	\$0	\$2,000,000	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$350,000	
32	Fund 540	\$187,373	\$0	\$81,170	\$84,200	\$87,288	\$90,436	\$94,428	\$98,484	\$102,604	\$106,791	\$106,791	From below
33	Fund Subtotal	\$1,544,373	\$3,417,886	\$1,453,988	\$1,567,951	\$2,681,303	\$4,280,250	\$4,388,619	\$4,504,468	\$4,624,893	\$5,099,978		
34	Estimated interest earnings	\$3,513	\$9,932	\$9,764	\$6,063	\$8,511	\$13,940	\$17,366	\$17,821	\$18,294	\$19,486		Avg. Bal. * Table 1A assumption e.
35	Ending Balance	\$212,000	\$1,547,886	\$3,427,817	\$1,463,751	\$1,574,015	\$2,689,814	\$4,294,190	\$4,405,984	\$4,522,289	\$4,643,187	\$5,119,464	
36	Target Balance	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	From Table 5 - Avg annual cash-funded CIP
37	Fund Balance Compared to Target		30%	67%	29%	31%	53%	84%	86%	88%	91%	100%	
38													
39	Water Supply/Extension Fund (540)												
40	Beginning Balance	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
41	Connection Fee Revenue	\$0	\$0	\$81,170	\$84,200	\$87,288	\$90,436	\$94,428	\$98,484	\$102,604	\$106,791	\$106,791	From Table 7
42	Transfers (to)/from:												
43	Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	To Table 2
44	Capital Reserves	(\$187,373)	\$0	(\$81,170)	(\$84,200)	(\$87,288)	(\$90,436)	(\$94,428)	(\$98,484)	(\$102,604)	(\$106,791)	(\$106,791)	To above
45	Fund Subtotal	(\$373)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
46	Estimated interest earnings	\$373	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Avg. Bal. * Table 1A assumption e.
47	Ending Balance	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
48													
49													
50	Reserve Funds												
51	Balance with Rate Increases	\$6,311,000	\$4,880,143	\$4,798,427	\$3,157,632	\$2,922,660	\$4,229,188	\$5,950,386	\$5,736,309	\$5,791,820	\$6,038,608	\$6,474,250	To Table 1B Graph
52	Operating Reserve Target	\$1,038,721	\$1,038,721	\$1,159,353	\$1,198,077	\$1,221,377	\$1,245,432	\$1,270,276	\$1,295,939	\$1,322,455	\$1,349,859	\$1,378,189	To Table 1B Graph
53	Capital Reserve Target	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	\$5,120,000	From Table 5 - avg annual cash-funded CIP
54	Total Target Reserves	\$6,158,721	\$6,158,721	\$6,279,353	\$6,318,077	\$6,341,377	\$6,365,432	\$6,390,276	\$6,415,939	\$6,442,455	\$6,469,859	\$6,498,189	To Table 1B Graph
55	Fund Balance Compared to Target		79%	76%	50%	46%	66%	93%	89%	90%	93%	100%	
56	Estimated Interest Earnings	\$22,338	\$19,319	\$15,880	\$12,136	\$14,275	\$20,319	\$23,327	\$23,010	\$23,614	\$24,976	\$24,976	To Table 6
57													
58	Net Change in Reserves	(\$1,430,857)	(\$81,716)	(\$1,640,795)	(\$234,972)	\$1,306,527	\$1,721,199	(\$214,077)	\$55,510	\$246,788	\$435,642		

	A	B	C	D	E	F	G	L	
1	City of Ceres								
2	Water Services Division Financial Model								
3	Table 5 - Capital Improvement Program								
4									
5									
6									
7	Project Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 to FY 2026-27	Total Project Cost	
8	Corp Yard Facility Improvements	\$400,000						\$400,000	
11	Annual Well Rehabilitation	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000		\$500,000	
12	Annual Water System Rehab & Replacement	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000		\$1,750,000	
13	Conservation, Irrigation and System Improvements	\$125,000	\$100,000	\$100,000	\$100,000	\$100,000		\$525,000	
14	Wellhead Treatment #39, 40	\$2,300,000						\$2,300,000	
15	Wellhead Treatment #27		\$1,500,000					\$1,500,000	
16	Wellhead Treatment #35		\$1,500,000					\$1,500,000	
17	Wellhead Treatment #23,34,16,28			\$1,500,000	\$1,500,000	\$1,500,000		\$4,500,000	
18	DownTown Alleys	\$500,000						\$500,000	
19	Riverbluff 2 MG Tank			\$3,000,000				\$3,000,000	
20	Well 23, Drain to Waste		\$150,000					\$150,000	
21	24" line from Riverbluff tank to Mitchell Rd			\$1,000,000				\$1,000,000	
22	Hatch Road Mainline (Central to Moffett)		\$500,000					\$500,000	
24	Urban Water Management Plan Update			\$75,000				\$75,000	
25	Water Rate Study	\$100,000						\$100,000	
26	Water Blowoff's & Dead-end Upgrade	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000		\$125,000	
28	Replace Reservoirs Boost Pumps	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000		\$125,000	
29	Replace Reservoir Pump House Structure	\$50,000						\$50,000	
30	SRWA Wet Well Construction		\$1,000,000	\$1,000,000	\$1,000,000			\$3,000,000	
31	Miscellaneous				\$2,000,000	\$2,000,000		\$4,000,000	
32	Future Capital Expenses						\$20,500,000	\$20,500,000	
33	Total Project Costs	\$3,975,000	\$5,250,000	\$7,175,000	\$5,100,000	\$4,100,000	\$20,500,000	\$46,100,000	
34		<i>Average Annual Cash-Funded Projects (FY 2017-18 to FY 2020-21)</i>					\$5,120,000		

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 6 - Debt Service & Coverage												
4													
5													
6													
7	Projected												
8													
9	2009 Bonds												
10	Principal		\$115,000	\$120,000	\$120,000	\$125,000	\$130,000	\$135,000	\$145,000	\$150,000	\$155,000	\$165,000	
11	Interest		\$192,375	\$187,775	\$182,975	\$178,175	\$173,175	\$167,813	\$162,075	\$155,550	\$148,800	\$141,825	
12	2009 Bond Debt Service		\$307,375	\$307,775	\$302,975	\$303,175	\$303,175	\$302,813	\$307,075	\$305,550	\$303,800	\$306,825	To Table 2
13	Regional Surface Water Supply Project												
14	SRF Loan Assumptions												
15	Interest Rate		2.5%										
16	Term (yrs)		30										
17	Project Cost		\$100,000,000										
18	Funds Received		1/1/2020										
19	Completion Date		8/1/2022										
20													
21	SRF Loan Payments												
22	P & I		\$0	\$0	\$0	\$0	\$0	\$0	\$4,777,764	\$4,777,764	\$4,777,764	\$4,777,764	
23	Accrued Interest		\$0	\$0	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$0	\$0	\$0	\$0	
24	Total SRF Payments		\$0	\$0	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$4,777,764	\$4,777,764	\$4,777,764	\$4,777,764	
25	Cumulative SRF Payments			\$0	\$1,250,000	\$3,750,000	\$6,250,000	\$8,750,000	\$13,527,764	\$18,305,528	\$23,083,292	\$27,861,056	
26													
27	Total Debt Service		\$307,375	\$307,775	\$1,552,975	\$2,803,175	\$2,803,175	\$2,802,813	\$5,084,839	\$5,083,314	\$5,081,564	\$5,084,589	
28													
29	Debt Coverage Calculation												
30	Funds Available for Debt Service												
31	Rate revenue - Service Charge		\$4,395,625	\$6,078,968	\$7,206,093	\$7,568,904	\$7,911,198	\$8,190,020	\$8,438,506	\$8,651,699	\$8,827,641	\$9,007,158	From Table 3
32	Rate revenue - Volumetric Charge		\$4,536,013	\$6,272,421	\$7,434,589	\$7,808,037	\$8,160,241	\$8,446,905	\$8,702,223	\$8,921,092	\$9,101,508	\$9,285,571	From Table 3
33	Non-Operating Income		\$129,867	\$61,472	\$15,686	\$961	(\$12,929)	(\$24,239)	(\$34,315)	(\$42,956)	(\$50,083)	(\$57,355)	From Table 2
34	Interest income		\$22,338	\$19,319	\$15,880	\$12,136	\$14,275	\$20,319	\$23,327	\$23,010	\$23,614	\$24,976	From Table 4
35	Total Funds Available		\$9,083,843	\$12,432,180	\$14,672,249	\$15,390,038	\$16,072,785	\$16,633,006	\$17,129,741	\$17,552,845	\$17,902,679	\$18,260,350	To below
36													
37	Expenses												
38	O&M		\$6,232,325	\$6,956,121	\$7,188,463	\$7,328,259	\$7,472,595	\$7,621,655	\$7,775,631	\$7,934,727	\$8,099,154	\$8,269,133	From Table 2
39	Total Expenses		\$6,232,325	\$6,956,121	\$7,188,463	\$7,328,259	\$7,472,595	\$7,621,655	\$7,775,631	\$7,934,727	\$8,099,154	\$8,269,133	
40													
41	Net Revenue		\$2,851,518	\$5,476,059	\$7,483,787	\$8,061,779	\$8,600,191	\$9,011,351	\$9,354,110	\$9,618,117	\$9,803,525	\$9,991,217	Funds Available less Expenses
42													
43	Debt Service		\$307,375	\$307,775	\$1,552,975	\$2,803,175	\$2,803,175	\$2,802,813	\$5,084,839	\$5,083,314	\$5,081,564	\$5,084,589	From above
44	Debt Coverage Ratio (1.10 Min)		9.28	17.79	4.82	2.88	3.07	3.22	1.84	1.89	1.93	1.96	To Table 1B
45													

Meter Size	Inside City Active Accounts ¹	Monthly Service Charge	Subtotal Serv Chg Revenue	Outside City Active Accounts ¹	Monthly Service Charge	Subtotal Serv Chg Revenue	Total Active Accounts ¹	Total Serv Chg Revenue
5/8" & 3/4"	10,803	\$20.13	\$2,609,573	136	1.5x \$30.20	\$49,278	10,939	\$2,658,851
1"	291	\$20.13	\$70,294	3	\$30.20	\$1,087	294	\$71,381
1 1/2"	183	\$42.51	\$93,352	2	\$63.77	\$1,530	185	\$94,882
2"	363	\$74.47	\$324,391	14	\$111.71	\$18,766	377	\$343,158
3"	10	\$179.91	\$21,589	2	\$269.87	\$6,477	12	\$28,066
4"	46	\$353.54	\$195,154		\$530.31	\$0	46	\$195,154
6"	4	\$707.01	\$33,936		\$1,060.52	\$0	4	\$33,936
8"	4	\$1,245.84	\$59,800		\$1,868.76	\$0	4	\$59,800
10"	6	\$2,452.44	\$176,576		\$3,678.66	\$0	6	\$176,576
	11,710		\$3,584,666	157		\$77,139	11,867	\$3,661,804

1. As of 10/10/2016

Equivalent Meter Unit Calculation

Meter Size	Active Accounts ¹	EMU Multiplier	Total EMUs
5/8" & 3/4"	(from above) 10,939	1.00	10,939
1"	294	1.00	294
1 1/2"	185	2.11	391
2"	377	3.70	1,395
3"	12	8.94	107
4"	46	17.56	808
6"	4	35.12	140
8"	4	61.89	248
10"	6	121.83	731
	11,867		15,053

Breakdown of Connection by Customer Type

Service Type/Size	Commercial	Government / School	Industrial	Irrigation	MFR-Apt Duplex	SFR	Total
5/8"	4	0	0	1	30	351	386
3/4"	147	28	66	37	297	9,978	10,553
1"	111	8	50	35	36	54	294
1 1/2"	50	2	8	67	58	0	185
2"	127	35	38	134	43	0	377
3"	3	5	0	4	0	0	12
4"	6	18	1	9	12	0	46
6"	0	2	0	1	1	0	4
8"	0	4	0	0	0	0	4
10"	0	6	0	0	0	0	6
Total	448	108	163	288	477	10,383	11,867

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	City of Ceres												
2	Water Services Division Financial Model												
3	Table 8 - Connection Fees												
4													
5		Projected											
6		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27		Notes
7													
8	Base Component: Escalate Connection Fee established in 2013\$												
9	Current Connection Fee (\$/DUE; 2013\$)	\$6,697											
10	ENR CCI inflation factor	1.1433											
11	Adjusted Connection Fee (\$/DUE; 2017\$)	\$7,657											
12	\$ Change	\$960											
13													
14	January 2013 ENR CCI	9,437											
15	July 2017 ENR CCI	10,789											
16	Change in ENR CCI	1.143											
17													
18	RSW Component Calculation												
19	Retired Debt Service		\$0	\$0	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$4,777,764	\$4,777,764	\$4,777,764	\$4,777,764	From Table 6
20	DUEs at Buildout	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	29,119	per 2013 rate study and conn fee report
21	\$ per DUE	\$0	\$0	\$43	\$86	\$86	\$86	\$164	\$164	\$164	\$164	\$164	
22	Cumulative \$ per DUE	\$0	\$0	\$43	\$129	\$215	\$300	\$465	\$629	\$793	\$957	\$957	To below
23													
24													
25	Connection Fee/DUE - Base Component	\$7,657	\$7,863	\$8,074	\$8,291	\$8,514	\$8,743	\$8,978	\$9,220	\$9,468	\$9,722	\$9,722	Inflated by Table 1A e.
26	Connection Fee/DUE - SWP Component	\$0	\$0	\$43	\$129	\$215	\$300	\$465	\$629	\$793	\$957	\$957	from SWP Component Calculation above
27	Total Connection Fee/EMU	\$7,657	\$7,863	\$8,117	\$8,420	\$8,729	\$9,044	\$9,443	\$9,848	\$10,260	\$10,679	\$10,679	To Table 1A
28	# of new EMUs	0	0	10	10	10	10	10	10	10	10	10	From Table 1A
29	Connection fee revenue	\$0	\$0	\$81,170	\$84,200	\$87,288	\$90,436	\$94,428	\$98,484	\$102,604	\$106,791	\$106,791	To Table 4
30													
31	\$ Change per EMU	\$960	\$206	\$254	\$303	\$309	\$315	\$399	\$406	\$412	\$419	\$419	
32	% Change per EMU	14.3%	2.7%	3.2%	3.7%	3.7%	3.6%	4.4%	4.3%	4.2%	4.1%	4.1%	