Council Agenda #7A
Meeting of March 24, 2009

Staff Report

DISCUSSION AND DIRECTION ON SEWER RATE ANALYSIS AND ACTION PLAN FOR SEWER RATE INCREASE

Honorable Mayor and Council Members:

Summary

The City of Belmont prepares an annual analysis of the Sewer Enterprise Fund to evaluate the Fund's financial position and to determine whether or not sewer rates need to be increased. The rate analysis and report determining the maximum proposed rates (Attachment A) have been prepared for City Council review so Council may discuss and provide direction to City staff. The rate modeling was done with the goal, during this recession, of keeping this year's rate increase in the single digits. The analysis projects that an increase of 9% to existing Sewer Rates in 2009-10 is needed to cover the revenue requirement. Because of a citywide reduction in water consumption, the proposed 9% increase in rates is projected to result in only 6.7% more revenue to City. Some Capital Improvement Projects planned for fiscal year 2008-09 will need to be delayed until fiscal year 2009-10. The delayed projects are assumed in the analysis to be completed once bonds are sold. A Proposition 218 hearing is required before the City Council can impose an increase in sewer rates. An authorizing resolution, approved by Council, directs the mailing of Proposition 218 Notices. The authorizing resolution sets rules for tabulating protests, proposes the rates and rate structure, and schedules a public hearing. An action plan showing the proposed schedule for the Proposition 218 process is included as Attachment B.

Background

The City's Sewer Rate Revenue is used to fund operations, maintenance and improvements of the City of Belmont's collection system, and also to fund operations and maintenance costs for the South Bayside System Authority's Wastewater Treatment Plant. The City's Sewer Charge is a separate charge from the proposed Sewer Treatment Facility Charge under consideration to fund Capital Improvements to the Wastewater Treatment Plant, as shown in the South Bayside System Authority Capital Improvement Program.

The capital improvement program considered in the current analysis is based on the Sewer Master Plan and Storm Drain Master Plan, both completed in 2007 and reviewed with the City Council at that time. The City files copies of its Sanitary Sewer Rehabilitation Master Plan dated September 2007 with the Regional Water Quality Control Board, as a required element of the City's Sewer System Management Plan (SSMP). The City is required to allocate sufficient resources for the operations, maintenance and repair of the City's collection system. This includes a reliable, consistent, and sufficient funding source for the operations budget as well as

the capital improvement plan. The proposed capital improvement plan includes most of the improvements recommended in the Master Plan, since rate increases developed in conjunction with the capital plan were not approved in prior years.

In 2008, the City approved a new methodology for calculation of Sewer Charges that includes both fixed and volumetric components. The volumetric component is based on annualized winter water consumption from two winters prior to the fiscal year for which the charge is being calculated. The analysis of the proposed Sewer Rate Increase for fiscal year 2008-09 included a projected increase of future year Sewer Rate increases in the analysis. The analysis from 2008-09 projected rate increases of 9% for 2009-10 and 2010-11, 15% for 2011-12 and 25% for 2012-13. The current analysis projects rate increases between 8.5% and 9.5% in future years.

On March 4, 2009, the draft rate analysis results were presented to the Infrastructure Subcommittee. Staff argued that rate increases implemented annually would be smaller in scale than intermittent rate increases. City Consultant, John Farnkopf, of HF&H reviewed results of the rate analysis. The Sewer Charge is based in part on flow measurements that vary from year to year and in part on a fixed charge amount that does not vary with flow. Mr. Farnkopf explained that water use has declined almost 4% and a rate increase is necessary just to remain revenue neutral. The rate modeling was done with the goal, during this recession, of keeping this year's rate increase below 10%. Because of the reduction in water consumption a proposed 9% rate increase results in 6.7% more revenue to City. Since the bond sale originally planned for spring 2009 has been delayed until the end of the calendar year, delaying some Capital Improvement Projects planned for fiscal year 2008-09 until fiscal year 2009-10 was recommended. The delayed projects are assumed to be completed once bonds are sold.

If the Rate Analysis and subsequent Notice is approved, the Subcommittee recommended that information be posted on the Hot Topics section of the City's web page. A review of restaurant and supermarket water usage was also requested, as water usage had increased significantly for these property types. A draft schedule for the sewer charge increase was reviewed and the Subcommittee recommended the schedule be presented to Council for approval.

Discussion

The Rate Analysis modeling utilized the same methodology used to predict necessary rate increases for fiscal year 2008-09. An alternative presented for Council consideration, either for the fiscal year 2009-10 or for consideration during next year's review, is to propose a multi-year increase for a maximum of five years. Annual review of the financial picture would still be recommended, and the City Council could retain discretion to approve yearly increases in an amount up to the approved rate increase amount. Direction on whether or not to evaluate a multi-year increase next year is requested.

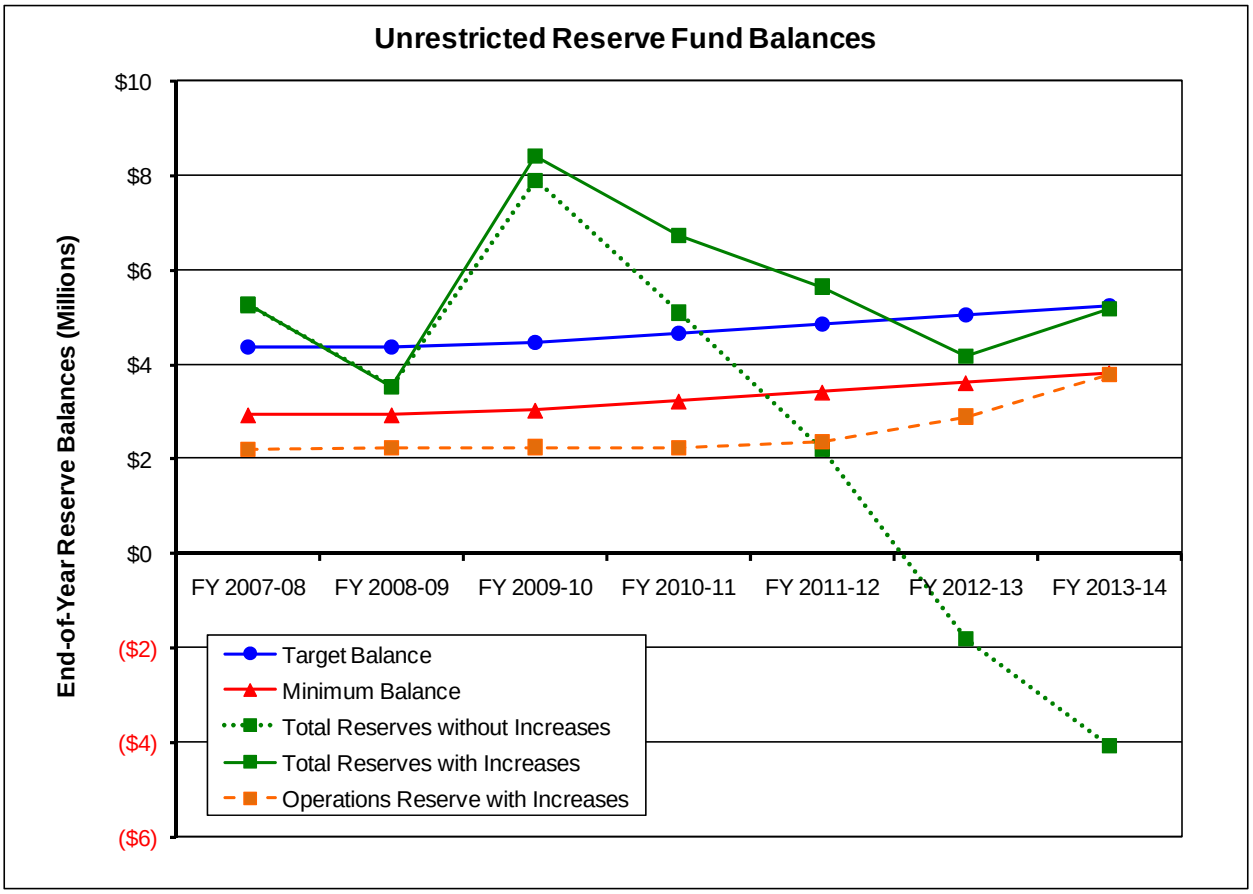
The following table shows the annual projected revenue requirements, rate revenue, combined fund balance (operations plus capital improvement), rate increase, change in water consumption and number of accounts and the increase in revenue from rates, all assuming the proposed rate increases go into effect. The 9.0% rate increase projected for FY 2009-10 is consistent with last year's projection. However, as a result of reduced average winter water consumption, a 9.0% rate increase will only yield a 6.7% increase in rate revenue.

Financial Projections

	Actual FY 2007-08	Budget FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenue Requirements	$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896
Revenue from Rates	$5,400,917	$5,718,364	$6,101,033	$6,714,075	$7,407,154	$8,171,778	$8,910,766
Total Fund Balance	$5,274,626	$3,538,566	$8,420,150	$6,747,881	$5,651,350	$4,185,288	$5,185,894
Rate Increase	0.0%	8.5%	9.0%	9.5%	9.5%	9.5%	8.5%
Change in Water Demand			-3.85%	0.50%	0.75%	0.75%	0.50%
Change in Accounts			0.00%	0.50%	0.75%	0.75%	0.50%
Revenue Increase		5.9%	6.7%	10.0%	10.3%	10.3%	9.0%

The following table shows the difference in the Fund Balance with and without the projected increases in rate revenue. The fund balance is shown to increase steeply in FY 2009-10 because of the addition of $8 million in bond proceeds, without which the fund balance would drop further below the target balance. If the City were to convert to a pay as you go financing, substantially larger rate increases would be required, or the capital improvement program would need to be reduced. The analysis utilizes capital reserves to supplement the operations reserve, until the minimum balance for the operations reserve is achieved.

Fund Balance With and Without Increased Rate Revenue



The following table compares the current and projected rates, average annual consumption per customer class, and average annual bills for fiscal year 2008-09 with fiscal year 2009-10. The overall water demand decreased 3.76%, but varied from as much as an 83.48% decrease for other non residential parcels to a 48.36% increase for restaurants. A review of individual restaurant parcels indicates both increases and decreases in water demand; three parcels with no flow were reclassified to standby status. Supermarket water demand was generally greater for most parcels. For single family residential customers the average bill would increase $2.87 per month.

Rates and Average Consumption and Bills

Customer Classes	FY 2008-09				FY 2009-10				Change in Avg. Cons.	Change in Avg. Bill
	Fixed Charge per Unit	Variable Charge per HCF	Avg. Annual Consump-tion, HCF	Average Annual Bill	Fixed Charge per Unit	Variable Charge per HCF	Avg. Annual Consump-tion, HCF	Average Annual Bill		
Low-strength residential										
Single family	$238.16	$3.12	85.06	$503.55	$259.59	$3.40	81.89	$538.02	-3.73%	6.85%
2-4 units	$238.16	$3.12	137.93	$948.57	$259.59	$3.40	141.40	$1,084.55	2.52%	14.33%
Five or more units	$238.16	$3.12	1,274.43	$9,091.23	$259.59	$3.40	1,274.86	$9,793.82	0.03%	7.73%
Residential Condomimium	$238.16	$3.12	68.47	$451.79	$259.59	$3.40	63.92	$476.92	-6.65%	5.56%
Low-strength non-residential										
Hotel/boarding house	$238.16	$3.12	3,658.76	$11,653.49	$259.59	$3.40	3,053.28	$10,640.74	-16.55%	-8.69%
Store/office/shopping center	$238.16	$3.12	528.55	$1,887.24	$259.59	$3.40	433.11	$1,732.16	-18.06%	-8.22%
Other commercial	$238.16	$3.12	187.82	$824.16	$259.59	$3.40	193.22	$916.54	2.88%	11.21%
Institutional	$238.16	$3.12	1,957.12	$6,344.37	$259.59	$3.40	1,948.11	$6,883.16	-0.46%	8.49%
Other parcels	$238.16	$3.12	299.19	$1,171.63	$259.59	$3.40	49.42	$427.62	-83.48%	-63.50%
High-strength commercial										
Restaurant [1]	$238.16	$6.08	453.58	$2,995.93	$259.59	$6.63	672.94	$4,721.18	48.36%	57.59%
Supermarket [2]	$238.16	$6.08	1,989.55	$12,334.62	$259.59	$6.63	2,656.49	$17,872.12	33.52%	44.89%
Total			**128.87**	**$749.21**			**124.03**	**$799.00**	**-3.76%**	**6.65%**

Charges for sewer service are property-related charges subject to Proposition 218. These charges need not be submitted to an election of voters or property owners, but they are subject to a majority protest proceeding. That process is summarized as follows: (i) an agency calculates a budget sufficient to cover the cost of service and determines how to spread that budget as rates across different kinds of customers (e.g., single-family, multi-family, non-residential), (ii) the agency provides 45 days mailed notice of a public hearing on the proposed new rates to every property owner or customer of record who will pay the new rates, (iii) the agency conducts the hearing and accepts written protests from property owners and customers of record, and (iv) the agency tallies the protests; if more than half of the affected property owners and customers of record protest the new rates in writing before the end of the hearing, the agency cannot impose the new rates; otherwise it may impose the rates at any level which does not exceed the rates stated in the notice. Majority protests under these rules are not common except when a very small number of ratepayers are involved. Accordingly, the primary consequences of this process are the delay and cost associated with the noticed hearing and the opportunity for public input on the decision.

Typically, the City conducts rate hearings earlier in the spring. However, the City of Belmont has been considering a new and separate Sewer Treatment Facility Charge to fund the South Bayside System Authority's Capital Improvement Program, and this resulted in the regular Sewer Rate Analysis completion being delayed.

An Action Plan showing the proposed schedule for a Sewer Rate increase is attached as Exhibit B to this report. The proposed schedule includes consideration of an authorizing resolution at the April 14, 2009 City Council meeting. If the City Council cannot approve the rate analysis and authorize mailing of the Proposition Notice at the April 14 City Council meeting, an emergency ordinance would be required in order to approve an increase in sewer rates for fiscal year 2009-10.

General Plan/Vision Statement

There is no impact from this report. Maintenance of existing City's infrastructure is consistent with the City's goals and policies.

Fiscal Impact

Approval of this action does not establish rates; however, should the City Council implement the rates shown in the Notice, the revenue received is projected to equal the requirement for fiscal year 2009-10 of $6,157,359.

Public Contact

The Council agenda was posted.

Recommendation

It is recommended that Council approve the Rate Analysis Report and Action Plan attached to this report and direct staff to return to the City Council at the April 14, 2009, City Council meeting with an authorizing resolution stating the City's intentions to increase Sewer Rates effective fiscal year 2009-10 and to schedule the public hearing and propose the rate structure.

Alternatives

1. Take no action.
2. Refer back to staff for further information.

Attachments

A. HF&H Report entitled Sewer Rate Update – FY 2009-10, dated March 19, 2009
B. Action Plan/Schedule
C. DRAFT Resolution Stating Its Intention to Increase Sewer Charge

Respectfully submitted,

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ATTACHMENT A

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March 19, 2009

City Council
City of Belmont
One Twin Pines Lane
Belmont, CA 94002

Subject: **Sewer Rate Update – FY 2009-10**

Honorable City Council Members:

Nine years ago, HF&H Consultants, LLC (HF&H) first prepared a financial plan and rate model for the City's sewer services. Since that time, we have annually updated sewer rates working closely with City Staff and legal counsel. The purpose of this letter report is to summarize the update for FY 2009-10, which includes a projection through FY 2013-14. The report contains the following sections:

1. Background
2. Revenue Requirement Projections
3. Projected Rates and Bills
4. Implementation Issues
5. Findings and Recommendations

This report briefly describes our analysis, which led to our recommendation that the City increase its sewer service charges 9.0% effective in FY 2009-10.

1. Background

As part of our initial work nine years ago, we converted the residential rates from flat to flow-based rates. Charges for each customer were determined by multiplying the customer's monthly average winter water use times a charge per unit (hundred cubic feet or HCF) of water use; customers whose water use was less than half the average for the customer class were subject to a minimum charge instead of the flow-based charge.

At that time, the decision was made to combine the sewer and stormwater funds for modeling rates because of the hydraulic relationship between sanitary and storm sewers. An analysis conducted with the FY 2007-08 rate update confirmed that the portion of sewer rate revenue that is used to fund stormwater costs is only that portion of the stormwater costs that are related to reducing inflow and infiltration (I&I) of runoff into the sanitary sewers. Sewer customers are better served by funding stormwater improvements that reduce I&I than by funding more costly improvements to the SBSA treatment plant to treat runoff.

During the time that the City has been restructuring its rates, expenditures have increased above inflationary rates. The most significant cost increases have been SBSA's operating and capital costs for treatment and the City's capital improvement program. SBSA's operating cost increases are covered by increasing the City's revenue from its local sewer service charges. SBSA's capital costs for renovating its facilities are planned to be funded through a new sewer treatment facility charge. The City Council recently directed City Staff to mail notices to rate payers as part of the Proposition 218 notification process. Unless a majority of rate payers protest, this new SBSA charge can be placed on this year's property tax rolls with City Council.

Funding the City's capital improvements has resulted in the need to issue bonds twice, with a third issue on the way; the debt service has been funded out of rate revenue. Recent rate increase history is summarized in **Figure 1**.

Figure 1. Historical Rate Increases by Fiscal Year

2000-01	5.0%
2001-02	6.0%
2002-03	8.0%
2003-04	12.0%
2004-05	16.0%
2005-06	16.0%
2006-07	13.0%
2007-08	0.0%
2008-09	8.5%

These rate increases were determined using a financial model (a copy of the current model is included at the end of this report) that forecasts expenses, revenues, and reserve fund balances. In the model, revenue from rates is compared with the revenue requirement (i.e., projected O&M and capital expenses as well as transfers to and from

reserves) to determine rate adjustments over the five-year projection period. These rate adjustments are moderated using reserves. Specific targets were set for these reserve funds so that adequate funds are maintained for working capital, capital improvements, and other ongoing liabilities.

Even with these rate increases, the sewer reserves have tended to fall below the target balances because of the difference between estimated and actual water use. When the rates were purely flow-based, the Sewer Enterprise was susceptible to revenue shortfalls caused by water use that is less than the amount used in calculating rates. To remedy this problem, the Council directed staff in 2007 to explore alternative sewer rate structures that would improve the reliability of revenue projections without compromising the equity in the rate structure. A structure was selected with fixed and volumetric components. This structure allows for fixed costs to be covered regardless of changes in water consumption, yet still allows differences between rate payers in their individual sewered water use to be reflected in the volumetric charge.

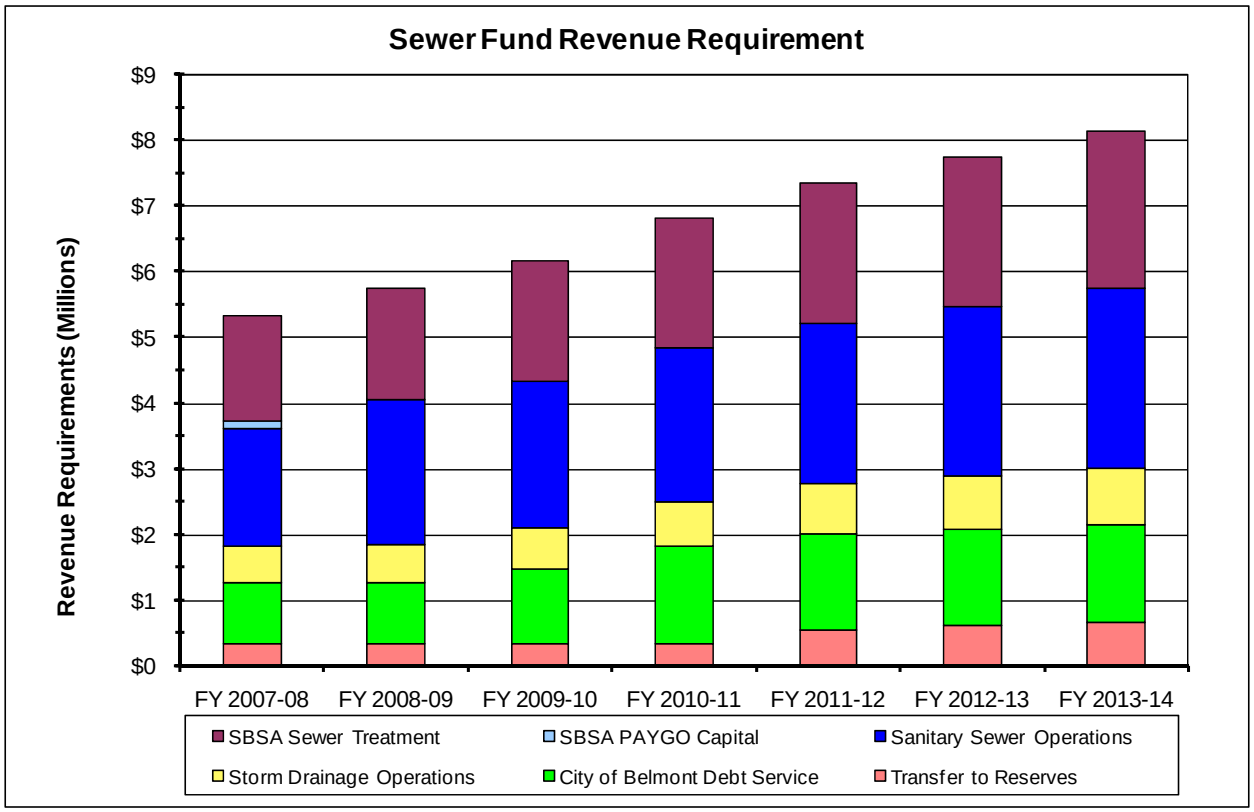
2. Revenue Requirement Projections

The revenue requirement projections were developed by escalating the operating and capital budgets for FY 2008-09. Revenue requirements were projected through FY 2013-14 as shown in **Figure 2**. Note that the debt service costs associated with Belmont's share of SBSA's planned renovation of its pumping, conveyance, and treatment facilities are not included in these projections. Instead, it is planned that a new, additional sewer treatment facility charge will be adopted by Belmont. The adoption process for the new sewer facility treatment charge is currently underway.

Figure 2 depicts relatively gradual increases in the major expense categories from last year, FY 2007-08, through five years into the future in FY 2013-14. The following is noteworthy about the projected revenue requirements:

- **Sanitary Sewer Operations –** This is the largest category of expense and includes personnel, supplies, services, and administrative costs. This category is projected to increase 3.4% to 6.3% annually, which somewhat exceeds current inflation rates.
- **SBSA Sewage Treatment** – This is the second largest component and is based on SBSA's cost allocation to the City. The projections escalate the current amount at 6% to 8% per year. These costs do not include the proposed upgrades to SBSA's facilities (described below and in Sections 4 and 5).

Figure 2. Revenue Requirement Projections



- **City of Belmont Debt service –** Debt service for the sanitary and storm facilities is the third largest expense category. The current debt service reflects the City's 2001 and 2006 revenue bonds. The proceeds from the 2006 revenue bonds are projected to be spent by FY 2008-09. To support the continued progress of necessary capital improvements, additional revenue bonds of approximately $8,550,000 will be required. It is expected that these bonds would be issued in mid-FY 2009-10. It is also expected that additional bonds will be called for by FY 2013-14.
- **Storm Drainage Operations –**Funded stormwater drainage operations are limited to programs designed to reduce costs associated with inflow and infiltration to the sanitary sewer system.
- **Transfer to Reserves –** These transfers are made to achieve and maintain the target balances for the Operating and Capital reserves. The targets have been previously approved by the City Council to ensure sufficient funds are available to cover month-to-month cash flow. The transfers increase beginning in FY 2012-13 as funding becomes available to restore and maintain capital reserves.

Rates are set to cover not only ongoing operating and capital costs but also to maintain adequate reserves. Three reserves have been funded from rates:

- **Operating Reserve (Fund 501).** The minimum balance for the Operating Reserve is 75% of net operating expenses. This target is based on the fact that there is up to a six-month lag between when the City incurs expenses and when it receives payments from the County tax assessor's office. Without this minimum balance, month-to-month operating cash flow could be jeopardized, requiring a loan from the General Fund.
- **Capital Reserve (Fund 503).** The target balance for the Capital Reserve equals 50% of the average annual capital improvements over the six years shown in Table 5 in the model. With this target balance, there are sufficient funds (including bond proceeds) projected to fund construction until FY 2008-09. If the City were to issue more bonds as planned in FY 2009-10, the current target balance would still be appropriate. However, if the City were to consider converting from pay-as-you-use debt financing to pay-as-you-go cash financing, the target balance would be too low and should be reevaluated.
- **Rate Stabilization Reserve.** A Rate Stabilization Reserve was recently created to bolster the Sewer Fund's financial position. However, funding the Rate Stabilization Reserve is problematic. Because of the fiscal pressure on rates to fund essential services, it is unlikely that rates can also be increased slightly to fund the Rate Stabilization Reserve. As a result, the Rate Stabilization Reserve will be put on hold and not funded at this time.

Rates and revenue from rate increases are forecasted for the next rate year, FY 2009-10, through FY 2013-14. In this way, rates are set for the upcoming year within the context of a longer planning horizon. **Figure 3** indicates the annual projected revenue requirements (net of sources of non-rate revenue), fund balances, rate increases, changes in water use and number of sewer units, and revenue from rates (including rate increases). The 9.0% rate increase projected for FY 2009-10 is consistent with last year's projection. However, as a result of reduced average winter water use, a 9.0% rate increase will only yield a 6.7% increase in rate revenue.

Going forward, slight growth is projected for both water demand and sewer units (i.e., customer accounts). As a result of the contribution from growth, the revenue from rate increases is projected to be slightly greater than the rate increase percentages. Hence, it is projected that in FY 2010-11, a 9.5% rate increase will yield 10.0% more rate revenue because of the growth in water demand and sewer accounts.

Figure 3. Financial Projections

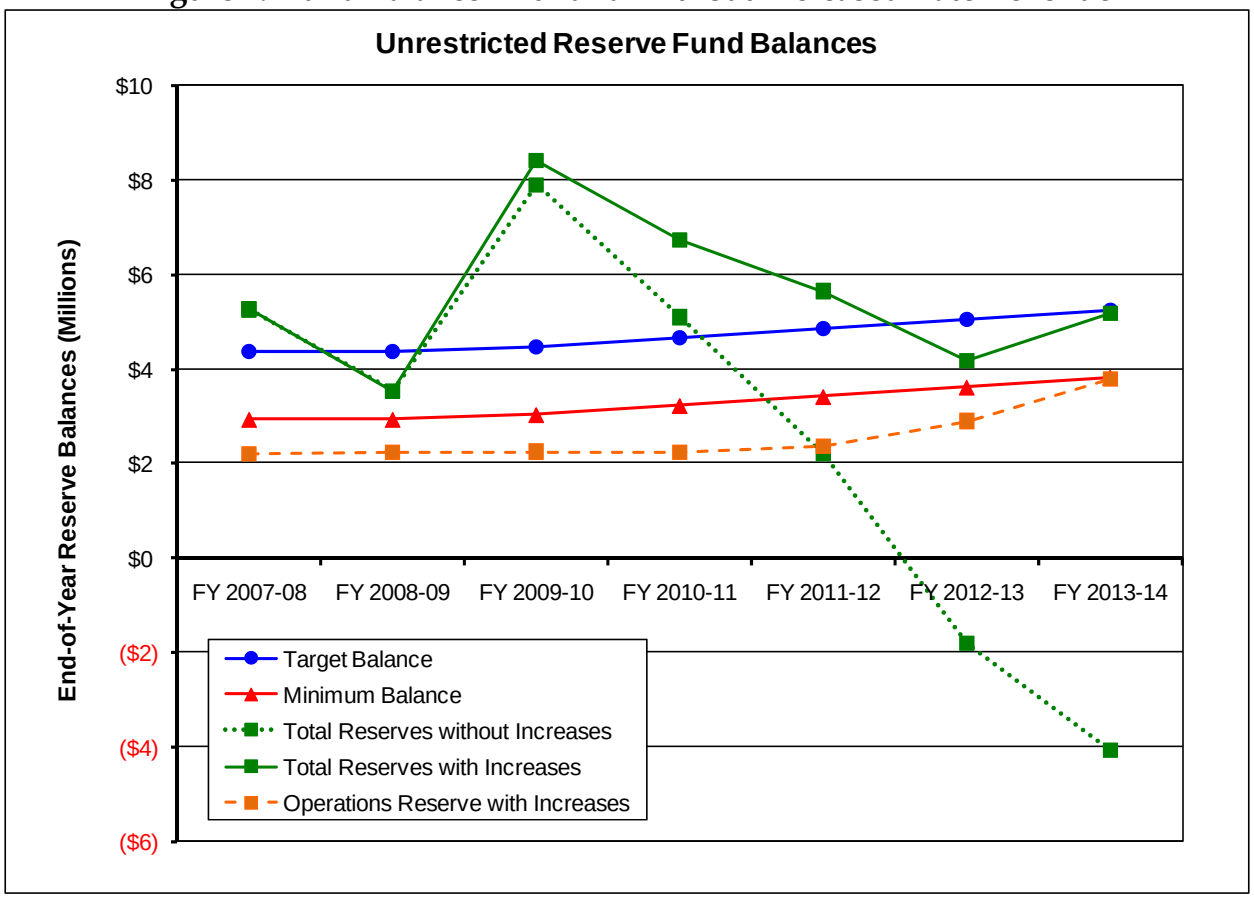
	Actual FY 2007-08	Budget FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenue Requirements	$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896
Revenue from Rates	$5,400,917	$5,718,364	$6,101,033	$6,714,075	$7,407,154	$8,171,778	$8,910,766
Total Fund Balance	$5,274,626	$3,538,566	$8,420,150	$6,747,881	$5,651,350	$4,185,288	$5,185,894
Rate Increase	0.0%	8.5%	9.0%	9.5%	9.5%	9.5%	8.5%
Change in Water Demand			-3.85%	0.50%	0.75%	0.75%	0.50%
Change in Sewer Units			0.00%	0.50%	0.75%	0.75%	0.50%
Revenue Increase		5.9%	6.7%	10.0%	10.3%	10.3%	9.0%

Figure 4 shows the difference in the Fund balance with and without the projected increases in rate revenue. The Fund balance climbs steeply in FY 2009-10 because of the addition of $8 million in bond proceeds, without which the Fund balance would drop farther below the target balance. If the City were to convert to pay-as-you-go financing, substantially larger rate increases would be required or the capital improvement program would have to be scaled back further.

Figure 4 shows that the Operations Reserve is consistently below the minimum balance established for the reserve (i.e., 75% of each year's net operating expense) for all but the last year of the five-year planning period. As a consequence, capital reserves may be needed to supplement the Operations Reserve until the minimum balance is achieved. This is not an optimal financial position, particularly in view of the fact that a portion of the capital reserves is derived from bond proceeds. However, the projections show that the condition is controlled and eventually eliminated.

Figure 4 also shows the steep decline in the Fund balance if expenditures were to continue without the recommended rate increases. Although the City would not allow this to occur, the decline of the dashed line indicates how critical it is to increase rates if the projected level of expenditures is to be funded.

Figure 4. Fund Balance With and Without Increased Rate Revenue



3. Projected Rates and Bills

Both the fixed and volumetric components of the rate structure need to be increased to generate the additional revenue required in FY 2009-10. The 9.0% rate increase that was projected last year for FY 2009-10 did not foretell the 3.8% reduction in water demand that occurred. Because of the reduced water demand, a 9.0% rate increase generates only 6.7% more revenue, which is a reduction of about $130,000.

The revenue lost because of lower water demand could be made up with either (1) a larger rate increase than 9.0%, (2) a reduction in expenses, or (3) a reduction in reserves, all three of which raise policy issues. Considerations that weigh on this policy decision are (1) it is desirable to increase rates as little as possible, (2) it may be difficult to trim expenses by this amount, and (3) the reserves are already at low levels.

In discussions with City staff, it was concluded that the prior year's 9.0% projected rate increase should be followed. This would avoid a higher rate increase but calls for cost reductions or deferrals. Costs will be somewhat lower in FY 2008-09 because the planned debt issuance in late FY 2008-09 will be delayed to mid-FY 2009-10. An additional reduction in capital projects that would have been funded from the latest bonds can be delayed to FY 2009-10, although the capital reserve will be further drawn down to fund these projects until the bond is issued. Ideally, a 10% rate increase that would yield closer to 8% more revenue would be implemented; though it is possible to accommodate only a 9.0% rate increase.

Figure 5 compares the current and projected rates, average annual consumption per customer class,[1] and average annual bills for FY 2008-09 with FY 2009-10. The fixed and volumetric charges for FY 2009-10 are 9.0% higher than the FY 2008-09 charges. The changes in average annual bills for each customer class show that overall water demand decreased 3.76% but varied from as much as an 83.48% decrease for other non-residential parcels[2] to a 48.36% increase for restaurants.[3] The changes in annual bills reflect the changes in average annual consumption; the overall increase is 6.65% with a wide range of increases and decreases. For single-family residential customers, the average bill will increase $34.47 per year or $2.87 per month.

The average annual bills in **Figure 5** are shown for illustrative purposes. In practice, the annual bills are calculated for each customer based on the customer's metered water use for the December through March period from two years prior.[4] Customers who reduced their water use will pay lower bills than they would have had they not conserved.

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[1] Average annual consumption is calculated using metered water use for the December through March period, which is when irrigation is at its lowest. Average winter water use is then annualized by multiplying average water use for the four winter months times three.

[2] This is apparently due to reclassifications by the County of customers in this class to other classes.

[3] A review of individual restaurant parcels indicates both increases and decreases in water demand; three parcels with no flow were reclassified to standby status. Supermarket water demand was generally greater for most parcels.

[4] In order to comply with Proposition 218, there is insufficient time to obtain water use data from the most recent winter, calculate rates, notify customers, hold the majority protest hearing, adopt rates, and submit the bills to the tax assessor by August 10. To allow more time for the rate analysis and notification process, water use from the prior winter (two years prior to August 10) is used.

Figure 5. Rates, Average Consumption and Average Bills

Customer Classes	FY 2008-09				FY 2009-10						
	Fixed Charge per Unit	Volumetric Charge per HCF	Avg. Annual Consump-tion, HCF	Average Annual Bill	Fixed Charge per Unit	Volumetric Charge per HCF	Avg. Annual Consump-tion, HCF	Average Annual Bill	% Change in Avg. Cons.	% Change in Avg. Bill	$ Change in Avg. Bill
Low-strength residential											
Single family	$238.16	$3.12	85.06	$503.55	$259.59	$3.40	81.89	$538.02	-3.73%	6.85%	$34.47
2-4 units	$238.16	$3.12	137.93	$948.57	$259.59	$3.40	141.40	$1,084.55	2.52%	14.33%	$135.98
Five or more units	$238.16	$3.12	1,274.43	$9,091.23	$259.59	$3.40	1,274.86	$9,793.82	0.03%	7.73%	$702.59
Residential Condomimium	$238.16	$3.12	68.47	$451.79	$259.59	$3.40	63.92	$476.92	-6.65%	5.56%	$25.13
Low-strength non-residential											
Hotel/boarding house	$238.16	$3.12	3,658.76	$11,653.49	$259.59	$3.40	3,053.28	$10,640.74	-16.55%	-8.69%	($1,012.75)
Store/office/shopping center	$238.16	$3.12	528.55	$1,887.24	$259.59	$3.40	433.11	$1,732.16	-18.06%	-8.22%	($155.07)
Other commercial	$238.16	$3.12	187.82	$824.16	$259.59	$3.40	193.22	$916.54	2.88%	11.21%	$92.38
Institutional	$238.16	$3.12	1,957.12	$6,344.37	$259.59	$3.40	1,948.11	$6,883.16	-0.46%	8.49%	$538.79
Other parcels	$238.16	$3.12	299.19	$1,171.63	$259.59	$3.40	49.42	$427.62	-83.48%	-63.50%	($744.01)
High-strength commercial											
Restaurant [1]	$238.16	$6.08	453.58	$2,995.93	$259.59	$6.63	672.94	$4,721.18	48.36%	57.59%	$1,725.26
Supermarket [2]	$238.16	$6.08	1,989.55	$12,334.62	$259.59	$6.63	2,656.49	$17,872.12	33.52%	44.89%	$5,537.49
Total			**128.87**	**$749.21**			**124.03**	**$799.00**	**-3.76%**	**6.65%**	**$49.79**

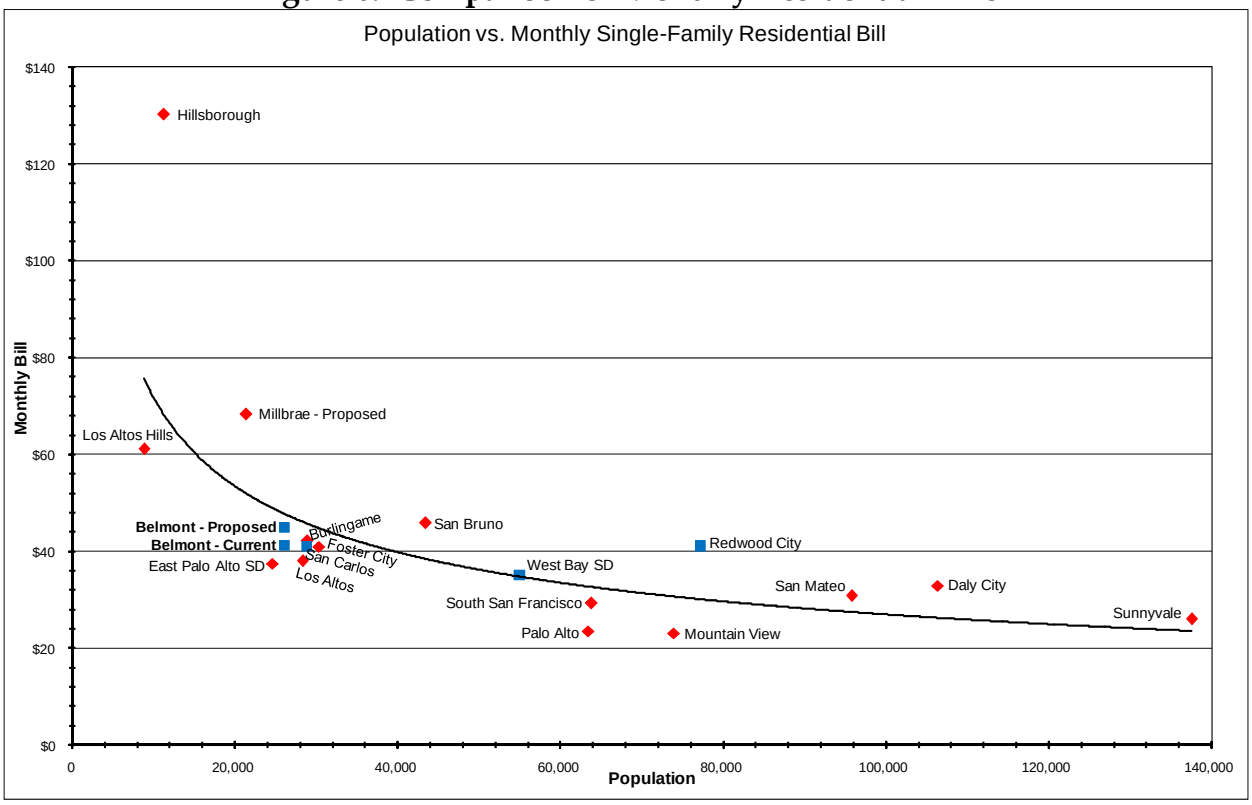
[1] Food prepared on premises.
[2] With grinders.
Unit - number of units per parcel is specified on the property tax rolls.
HCF - hundred cubic feet of water use from MPWD meter readings during winter, then annualized.
Non-metered parcels shall be charged a standby fee not greater than $20.45 per month ($245.40 annually) per parcel as authorized by Ordinance 907, dated July 9, 1996.

Figure 6 shows how the projected monthly bill for Belmont's single-family residential customers compares with neighboring communities. The bills are plotted against the population served in each community. Because of Belmont's comparatively smaller size, it has somewhat higher rates, but its rates are below the trend line. SBSA member agencies are denoted by a blue square. Other Peninsula and nearby Silicon Valley agencies are denoted by red diamonds.

4. Implementation Issues

The adopted rates will be placed on the tax rolls for FY 2009-10. Under Proposition 218, Belmont can adopt multi-year increases for up to five years with a single notification to rate payers. The City could adopt multi-year increases for years beyond FY 2009-10 based on the rate increases shown in **Figure 3**. Those rate increase percentages could be applied each year across-the-board to the prior year's rates and would generate the projected revenue *if average winter water demand stays constant*. Any change in demand, however, will affect how much revenue is generated. As demonstrated by FY 2009-10, the reduced demand (from FY 2007-08) results in less revenue than otherwise would have been received if the demand had not dropped.

Figure 6. Comparison of Monthly Residential Bills



In the future, demand is not expected to vary significantly and may even increase slightly, unless the sequence of dry years persists and water conservation holds down water demand. Nonetheless, adopting multi-year increases exposes Belmont to unpredictable fluctuations in demand (not to mention fluctuations in expenses, which can be controlled to a certain extent by the City). In the face of this exposure, the Council would have the option each year to adopt no more than the noticed increase. A new notification would be required if larger increases were needed than originally noticed.

When multi-year rate increases are adopted, we advise our clients to make a determination each year confirming the adequacy of the rate increase prior to placing the new charges on the tax roll of. At that time, the Council could stick with the previously approved rate increase, adopt a lower increase if possible, or increase rates, in which case the procedural requirements of Proposition 218 would be followed (i.e., mailed notices to rate payers, 45-day majority protest period, protest hearing).

In Belmont's case, there may be no harm in adopting multi-year increases, recognizing that water demand variations and other factors make for uncertain projections. Such

factors include (1) low reserves that are trending downward, (2) the planned issuance of bonds at year-end 2009, and (3) potential continued low water demand in response to water conservation and economic conditions. If the projections do not hold true and higher rates are needed, the City can proceed with another Proposition 218 process.

The uncertainty posed by fluctuations in water demand or inflationary cost increases is moderated by some agencies by employing a rate-making technique called "indexing." With indexing, rates are adjusted to maintain revenue neutrality without mailing notification to rate payers under Proposition 218. Indexing for inflationary costs is limited to five years under recently passed legislation, AB 3030, after which the majority protest process called for under Proposition 218 should be followed.

Another minor, unrelated detail concerns the fact that Belmont's sewer rates are charged to all parcels within the City limits, including a very small number of parcels that are not tributary to SBSA's treatment facilities. In a small number of cases, parcels are, instead, tributary to other treatment facilities, the cost of whose treatment is billed to the City of Belmont. This commonly occurs along the perimeter of cities, where some customers may be partially served by a neighboring city's facilities. Analysis indicated that the difference in cost between Belmont's treatment cost and the neighboring city's cost was immaterial, and, hence, Belmont should continue to charge all parcels the same.

5. Findings and Recommendations

The following briefly summarizes our findings and recommendations for setting rates for FY 2009-10:

1. **Revenue Increase.** The need for additional revenue is the result of a combination of operating cost increases that are greater than inflation and the planned sale of $8.55 million in revenue bonds in mid-FY 2009-10.
2. **FY 2009-10 Rate Increase.** The recommended 9.0% rate increase will only yield a 6.7% increase in revenue because of a 3.8% decrease in average winter water use. A 9.0% rate increase is consistent with last year's projection but does not fully fund next year's operating and capital costs. As a consequence, reserves will drop to absorb the $130,000 revenue reduction.
3. **Operating Reserves.** The overall reserve balance is trending down and is projected to drop below the target balance by the end of FY 2008-09. The Operating Reserve is currently funded below its minimum target balance, and is not projected to meet this target until FY 2013-14.
4. **Capital Reserves.** Because of the delay in the issuance of bonds until the end of calendar year 2009, instead of the Spring of 2009, the Capital Reserve cannot fund all

of the planned capital projects for FY 2008-09. Therefore, we have modeled a delay of $700,000 worth of projects until FY 2009-10. Once bonds are sold, the Capital Reserve will be able to pay for all planned projects for the next several years.

5. **Multi-Year Rate Increases.** If the City adopts rate increases for more than FY 2009-10 at this time, we recommend that it annually conduct a review of the Sewer Fund's financial position prior to adopting each year's rates. The review can validate the previously approved rate increase, recommend a lower rate increase if possible, index the rates up based on water demand or inflation rates, or increase rates greater than indexed amounts in compliance with Proposition 218. Prior to adopting a multi-year rate increase strategy, the City should consult with legal counsel for guidance on compliance with Proposition 218.
6. **Charges on Tax Rolls.** Last year, the new fixed and volumetric charges were placed on the tax rolls as separate charges. We recommend that the City consider consolidating these two charges into a single charge so that Belmont's local sewer system charge is distinct from the new SBSA sewer treatment facility charge that is proposed to be added to the tax rolls for the first time this year. Rate payers will also save $1.25 per tax bill.

We greatly appreciate this opportunity to assist the City with its sewer rates.

Very truly yours,

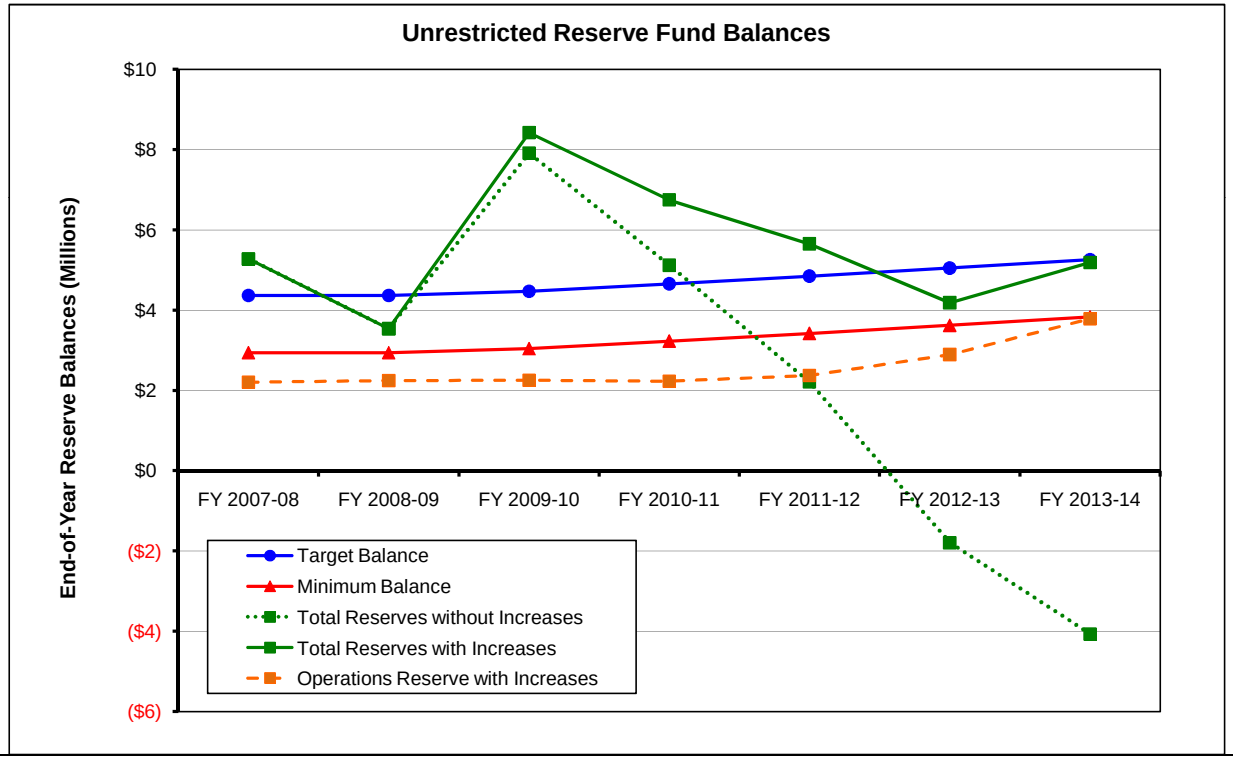
HF&H CONSULTANTS, LLC

John W. Farnkopf, P.E., Senior Vice President
Edmund C. Jones, Senior Associate

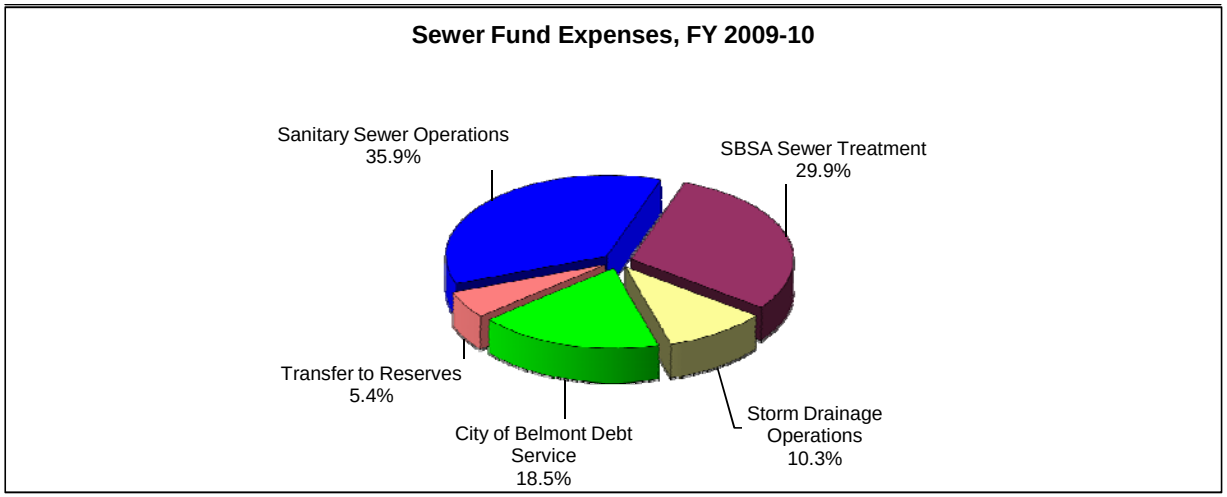
Attachments:
Table 1A. Summary
Table 1B. General
Table 2A. Sewer Revenue Requirements (Fund 501)
Table 2B. Storm Drainage Revenue Requirements (Fund 525)
Table 3. Revenue Increases
Table 4. Reserves
Table 5. Capital Improvement Projects
Table 6. Debt Service and Debt Coverage
Table 7. Single-Family Rate Comparison

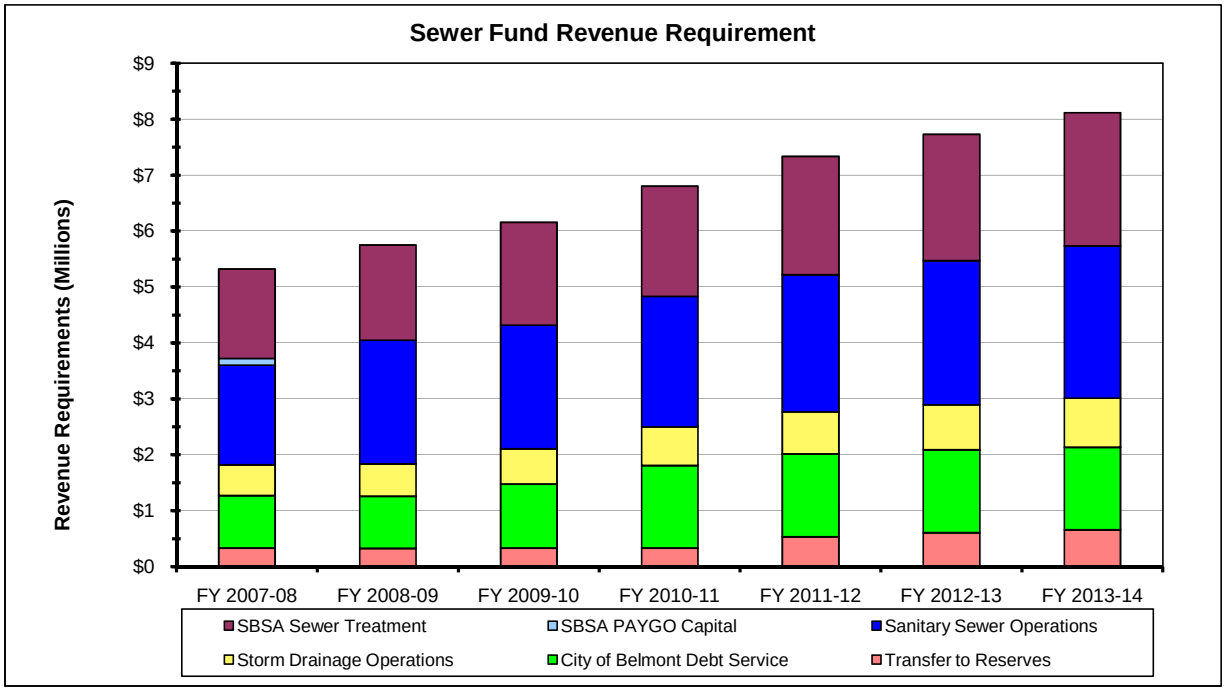
City of Belmont
Sewer Rate Study - FY 2009-10
Table 1A. Summary

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Notes
Increase in Rates	**0%**	**8.5%**	**9.0%**	**9.5%**	**9.5%**	**9.5%**	**8.5%**	To Tables 3, 4, & 14
Change in total revenue		*5.9%*	*6.7%*	*10.0%*	*10.3%*	*10.3%*	*9.0%*	From Table 3
Debt Coverage Ratio	1.91	1.46	1.52	1.41	1.64	1.93	2.21	From Table 6
Projected Rates								
Annual Account Charge		$238.16	$259.59	$284.25	$311.25	$340.82	$369.79	
Low-Strength Flow Rate per HCF		$3.12	$3.40	$3.72	$4.07	$4.46	$4.84	
High-Strength Flow Rate per HCF		$6.08	$6.63	$7.26	$7.95	$8.71	$9.45	



City of Belmont
Sewer Rate Study - FY 2009-10
Table 1A. Summary





City of Belmont

Sewer Rate Study - FY 2009-10

Table 1B. General

		Adopted	Projected					
Inflation Factors/Assumptions		**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
(1)	General Inflation		4.0%	4.0%	4.0%	4.5%	5.0%	To Tables 2A and 2B
(2)	Personnel Cost Increases		4.0%	4.0%	4.0%	4.0%	4.0%	To Tables 2A and 2B
(3)	Benefits and Pension Cost Increases		5.0%	7.5%	7.5%	5.0%	5.0%	To Tables 2A and 2B
(4)	Energy Cost Increases		4.0%	4.0%	4.0%	4.0%	4.0%	To Tables 2A and 2B
(5)	Interest on Earnings	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	To Table 4, matches Sewer Treatment Charge model
(6)	% Growth in Sewer Units	0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	From City, To Tables 2A, 2B, 3, 4
(7)	Minimium Operating Reserve as % of Net Op Ex	75%	75%	75%	75%	75%	75%	To Table 4
(8)	SBSA Wastewater Treatment		8.00%	7.50%	7.00%	6.50%	6.00%	From City; To Table 2A
(9)	Construction Cost Inflation			2.00%	2.75%	3.62%	3.62%	ENR Construction Cost Index, SF Metro, 5-year avg
(10)	San Mateo Sewer Service Charge Increases		8.0%	8.0%	8.0%	8.0%	8.0%	NBS in conference w/City of San Mateo; To Table 2A
(11)	% Change in Water Consumption		-3.85%	0.50%	0.75%	0.75%	0.50%	FY 09-10 actual, then equal to unit growth; To Table 3

Table Index

Table 1A. Summary
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Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)
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Table 3. Revenue Increases (Fund 501)
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Table 6. Debt Service and Debt Coverage
Table 7. Single-Family Rate Comparison
Table 8. Report Tables

Input Key

	City of Belmont assumptions
	Enter from City budget
	Enter beginning Enterprise Fund available cash balances
	Manually adjust to balance to target balances
	Enter from NBS parcel data
	Enter from City loadings data

	A	B	C	D	E	F	G	H	I	J	K	L
1	**City of Belmont**											
2	**Sewer Rate Study - FY 2009-10**											
3	**Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)**											
4				**Table 1B**	**Actual**	**Adopted**	**Projected**					
5				**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
6	**Operating Expenses**											
7		**Personnel**										
8		8101-19	Salaries	**(2)**	$649,381	$739,995	$769,595	$800,378	$832,393	$865,689	$900,317	
9		8211	PERS Retirement	**(3)**	$79,225	$83,892	$88,087	$94,693	$101,796	$106,885	$112,230	
10		8221-42	FICA/Health/Dental/Life/Insurance	**(3)**	$34,843	$33,748	$35,436	$38,094	$40,951	$42,998	$45,148	
11		8253	Auto Allowance	**(1)**	$0	$720	$749	$779	$810	$846	$889	
12		8259	Deferred Compensation	**(3)**	$39,224	$30,272	$31,785	$34,169	$36,732	$38,569	$40,497	
13		8271	Section 125 Health Insurance	**(3)**	$112,103	$77,306	$81,171	$87,259	$93,803	$98,494	$103,418	
14		8281-82	Benefit Stabilization/Comp Absences	**(3)**	$26,114	$52,148	$54,756	$58,862	$63,277	$66,441	$69,763	
15		8285	Workers Compensation	**(3)**	$41,188	$33,525	$35,202	$37,842	$40,680	$42,714	$44,850	
16			Subtotal		$982,079	$1,051,607	$1,096,780	$1,152,076	$1,210,442	$1,262,636	$1,317,111	
17						*7.1%*	*4.3%*	*5.0%*	*5.1%*	*4.3%*	*4.3%*	
18		**Supplies and Services**										
19		8305	After Hours PD Dispatch	**(1)**	$10,000	$10,000	$10,400	$10,816	$11,249	$11,755	$12,343	
20		8351	Professional/Technical	**(1)**	$306,242	$283,000	$294,320	$306,093	$318,337	$332,662	$349,295	
21		8359	Computer Software Licenses	**(1)**	$8,599	$12,900	$13,416	$13,953	$14,511	$15,164	$15,922	
22		8411	Water	**(1)**	$2,522	$2,100	$2,184	$2,271	$2,362	$2,469	$2,592	
23		8417	Other WW Treatment Fees	**(10)**	$52,572	$57,500	$62,100	$67,068	$72,433	$78,228	$84,486	
24		8418	SBSA Sewer Treatment	**(8)**	$1,596,998	$1,702,400	$1,838,592	$1,976,486	$2,114,840	$2,252,305	$2,387,443	
25		8430	Repair and Maintenance Service	**(1)**	$5,633	$12,500	$13,000	$13,520	$14,061	$14,694	$15,428	
26		8441	Land/Building Rentals	**(1)**	$56,000	$56,000	$58,240	$60,570	$62,992	$65,827	$69,118	
27		8442	Equipment Rentals	**(1)**	$7,941	$18,300	$19,032	$19,793	$20,585	$21,511	$22,587	
28		8522	Liability Insurance Charges	**(1)**	$185,000	$244,638	$254,424	$264,601	$275,185	$287,568	$301,947	
29		8530	Communications	**(1)**	$7,270	$8,000	$8,320	$8,653	$8,999	$9,404	$9,874	
30		8531	Postage and Delivery Services	**(1)**	$70	$750	$780	$811	$844	$882	$926	
31		8532	Telephone	**(1)**	$18,386	$20,000	$20,800	$21,632	$22,497	$23,510	$24,685	
32		8550	Printing and Binding	**(1)**	$248	$500	$520	$541	$562	$588	$617	
33		8580	Travel and Training	**(1)**	$2,337	$5,400	$5,616	$5,841	$6,074	$6,348	$6,665	
34		8590	Right-of-way maintenance (PILOT)	**(1)**	$204,204	$204,204	$212,372	$220,867	$229,702	$240,038	$252,040	
35		8591	Memberships and Dues	**(1)**	$2,765	$4,300	$4,472	$4,651	$4,837	$5,055	$5,307	
36		8599	Miscellaneous	**(1)**	$4,116	$8,500	$8,840	$9,194	$9,561	$9,992	$10,491	
37		8610	General Supplies	**(1)**	$7,931	$13,600	$14,144	$14,710	$15,298	$15,987	$16,786	
38		8612	Small Tools	**(1)**	$23,628	$43,300	$45,032	$46,833	$48,707	$50,898	$53,443	
39		8613	Safety Equipment	**(1)**	$2,864	$14,000	$14,560	$15,142	$15,748	$16,457	$17,280	
40		8632	Natural Gas and Electricity	**(4)**	$33,749	$31,000	$32,240	$33,530	$34,871	$36,266	$37,716	
41		8639	Fuel	**(4)**	$9,828	$13,000	$13,520	$14,061	$14,623	$15,208	$15,816	
42		8641	Repair and Maintenance Supplies	**(1)**	$22,756	$28,000	$29,120	$30,285	$31,496	$32,914	$34,559	
43		8680	Books/Manuals/Subscriptions	**(1)**	$235	$300	$312	$324	$337	$353	$370	
44		9040	Machinery and Equipment	**(1)**	$0	$110,000	$0	$0	$0	$0	$0	
45			Subtotal		$2,571,895	$2,904,192	$2,976,356	$3,162,245	$3,350,712	$3,546,079	$3,747,738	
46						*12.9%*	*2.5%*	*6.2%*	*6.0%*	*5.8%*	*5.7%*	
47		**Administrative and Other**										
48		8307	Vehicle Usage Charge	**(1)**	$111,967	$125,423	$130,440	$135,657	$141,084	$147,432	$154,804	
49		8308	Computer Usage Charge	**(1)**	$50,842	$52,182	$54,269	$56,440	$58,698	$61,339	$64,406	
50		8309	Building Maintenance Charge	**(1)**	$34,391	$33,398	$34,734	$36,123	$37,568	$39,259	$41,222	
51		8310	Administrative Support Charge	**(1)**	$116,448	$126,650	$131,716	$136,985	$142,464	$148,875	$156,319	
52			Subtotal		$313,648	$337,653	$351,159	$365,206	$379,814	$396,906	$416,751	
53						*7.7%*	*4.0%*	*4.0%*	*4.0%*	*4.5%*	*5.0%*	

	A	B	C	D	E	F	G	H	I	J	K	L
1	**City of Belmont**											
2	**Sewer Rate Study - FY 2009-10**											
3	**Table 2A. Sewer Revenue Requirements (Fund 501, Divisions 3101, 3102)**											
4				**Table 1B**	**Actual**	**Adopted**	**Projected**					
5				**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
54	**Non-Operating Revenues** *(enter as negative # to reflect the fact that non-operating revenue reduces the revenue requirement)*											
55		6705	Public Works Service Charges		($29,380)	($20,000)	($20,000)	($20,000)	($20,000)	($20,000)	($20,000)	
56		6706	CIP Chargeback for City Services	**(6)**	($302,254)	($200,000)	($200,000)	($201,000)	($202,508)	($204,026)	($205,046)	
57			Standby Charges	**(6)**	($156,565)	($156,565)	($153,866)	($153,096)	($151,948)	($150,809)	($150,055)	from NBS data
58			Subtotal		($488,199)	($376,565)	($373,866)	($374,096)	($374,456)	($374,835)	($375,101)	
59						*-22.9%*	*-0.7%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	
60	**Net Operating Expenses**				**$3,379,423**	**$3,916,887**	**$4,050,429**	**$4,305,431**	**$4,566,512**	**$4,830,785**	**$5,106,498**	
61						*15.9%*	*3.4%*	*6.3%*	*6.1%*	*5.8%*	*5.7%*	
62	**Transfers to/(from)**											
63			Rate Stabilization Reserve		$0	$0	$0	$0	$0	$0	$0	Made subset of Fund 501
64		8419	Fund 503 for Depreciation		$257,726	$260,000	$260,000	$260,000	$260,000	$260,000	$260,000	To Table 4
65		9672	Fund 503 for Capital Projects		$0	$0	$0	$0	$200,000	$275,000	$325,000	From Table 4
66			Fund 503 for Debt Service		$937,064	$929,364	$1,140,104	$1,475,899	$1,481,682	$1,476,828	$1,476,437	From Table 6
67			Fund 505 for Other SBSA Capital		$121,143	$0	$0	$0	$0	$0	$0	From Table 4
68			Fund 525 for Storm Drainage		$585,160	$641,033	$706,826	$764,782	$823,927	$883,760	$951,961	From Table 2B
69			Subtotal		$1,901,093	$1,830,397	$2,106,930	$2,500,681	$2,765,608	$2,895,587	$3,013,398	
70						*-3.7%*	*15.1%*	*18.7%*	*10.6%*	*4.7%*	*4.1%*	
71	**Net Revenue Requirement**				**$5,280,516**	**$5,747,284**	**$6,157,359**	**$6,806,111**	**$7,332,120**	**$7,726,372**	**$8,119,896**	To Table 3
72			*Annual Increase*			*8.8%*	*7.1%*	*10.5%*	*7.7%*	*5.4%*	*5.1%*	
73			*Cumulative Increase*			*8.8%*	*16.6%*	*28.9%*	*38.9%*	*46.3%*	*53.8%*	
74												
75	*Source: City of Belmont Budget unless otherwise noted.*											

	A	B	C	D	E	F	G	H	I	J	K	L
1	**City of Belmont**											
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3	**Table 2B. Storm Drainage Revenue Requirements (Fund 525, Divisions 3103, 3104, 4315)**											
4				**Table 1B**	**Actual**	**Adopted**			**Projected**			
5				**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
6	**Operating Expenses**											
7		**Personnel**										
8		8101-11	Salaries	**(2)**	$418,790	$466,269	$484,919	$504,316	$524,489	$545,468	$567,287	
9		8211	PERS Retirement	**(3)**	$50,890	$58,765	$61,704	$66,331	$71,306	$74,871	$78,615	
10		8221-42	FICA/Health/Dental/Life/Insurance	**(3)**	$21,285	$22,864	$24,007	$25,807	$27,743	$29,130	$30,586	
11		8253	Auto Allowance	**(1)**	$0	$720	$749	$779	$810	$846	$889	
12		8259	Deferred Compensation	**(3)**	$20,345	$15,410	$16,181	$17,394	$18,699	$19,634	$20,616	
13		8271	Section 125 Health Insurance	**(3)**	$48,558	$42,994	$45,144	$48,530	$52,169	$54,778	$57,517	
14		8281-82	Benefit Stabilization/Comp Absences	**(3)**	$18,098	$36,038	$37,839	$40,677	$43,728	$45,915	$48,210	
15		8285	Workers Compensation	**(3)**	$22,284	$20,769	$21,808	$23,443	$25,201	$26,462	$27,785	
16			Subtotal		$600,250	$663,829	$692,350	$727,278	$764,146	$797,104	$831,505	
17						*10.6%*	*4.3%*	*5.0%*	*5.1%*	*4.3%*	*4.3%*	
18		**Supplies and Services**										
19		8331	Engineering/Architectural Costs	**(1)**	$0	$80,000	$83,200	$86,528	$89,989	$94,039	$98,741	
20		8351	Professional/Technical	**(1)**	$94,397	$105,231	$109,440	$113,818	$118,371	$123,697	$129,882	
21		8356	Technology Services	**(1)**	$565	$1,250	$1,300	$1,352	$1,406	$1,469	$1,543	
22		8359	Computer Software Licenses	**(1)**	$47	$2,250	$2,340	$2,434	$2,531	$2,645	$2,777	
23		8411	Water	**(1)**	$124	$250	$260	$270	$281	$294	$309	
24		8430	Repair and Maintenance Service	**(1)**	$700	$3,000	$3,120	$3,245	$3,375	$3,526	$3,703	
25		8442	Equipment Rentals	**(1)**	$3,903	$8,000	$8,320	$8,653	$8,999	$9,404	$9,874	
26		8522	Liability Insurance Charges	**(1)**	$94,450	$124,898	$129,894	$135,089	$140,493	$146,815	$154,156	
27		8530	Communications	**(1)**	$1,771	$3,000	$3,120	$3,245	$3,375	$3,526	$3,703	
28		8531	Postage & Delivery	**(1)**	$2	$0	$0	$0	$0	$0	$0	
29		8532	Telephone	**(1)**	$5,137	$6,100	$6,344	$6,598	$6,862	$7,170	$7,529	
30		8550	Printing and Binding	**(1)**	$453	$600	$624	$649	$675	$705	$741	
31		8580	Travel and Training	**(1)**	$773	$3,250	$3,380	$3,515	$3,656	$3,820	$4,011	
32		8591	Memberships and Dues	**(1)**	$325	$350	$364	$379	$394	$411	$432	
33		8599	Miscellaneous	**(1)**	$1,752	$5,800	$6,032	$6,273	$6,524	$6,818	$7,159	
34		8610	General Supplies	**(1)**	$5,063	$8,700	$9,048	$9,410	$9,786	$10,227	$10,738	
35		8612	Small Tools	**(1)**	$1,151	$5,550	$5,772	$6,003	$6,243	$6,524	$6,850	
36		8613	Safety Equipment	**(1)**	$4,717	$11,500	$11,960	$12,438	$12,936	$13,518	$14,194	
37		8632	Natural Gas and Electricity	**(4)**	$1,167	$2,000	$2,080	$2,163	$2,250	$2,340	$2,433	
38		8639	Fuel	**(4)**	$8,724	$9,700	$10,088	$10,492	$10,911	$11,348	$11,802	
39		8641	Repair and Maintenance Supplies	**(1)**	$13,889	$19,750	$20,540	$21,362	$22,216	$23,216	$24,377	
40		8680	Books-Manuals-Subscriptions	**(1)**	$139	$300	$312	$324	$337	$353	$370	
41			Subtotal		$239,249	$401,479	$417,538	$434,239	$451,609	$471,866	$495,322	
42						*67.8%*	*4.0%*	*4.0%*	*4.0%*	*4.5%*	*5.0%*	
43		**Administrative and Other**										
44		8307	Vehicle Usage Charge	**(1)**	$67,007	$75,059	$78,062	$81,184	$84,432	$88,231	$92,643	
45		8308	Computer Usage Charge	**(1)**	$56,323	$57,405	$59,701	$62,089	$64,573	$67,479	$70,853	
46		8309	Building Maintenance Charge	**(1)**	$20,782	$20,360	$21,175	$22,022	$22,903	$23,933	$25,130	
47		8310	Administrative Support Charge	**(1)**	$76,221	$85,288	$88,700	$92,248	$95,938	$100,255	$105,268	
48			Subtotal		$220,333	$238,113	$247,638	$257,543	$267,845	$279,898	$293,893	
49						*8.1%*	*4.0%*	*4.0%*	*4.0%*	*4.5%*	*5.0%*	

	A	B	C	D	E	F	G	H	I	J	K	L
1	**City of Belmont**											
2	**Sewer Rate Study - FY 2009-10**											
3	**Table 2B. Storm Drainage Revenue Requirements (Fund 525, Divisions 3103, 3104, 4315)**											
4				**Table 1B**	**Actual**	**Adopted**			**Projected**			
5				**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
50	**Non-Operating Revenues** *(enter as negative # to reflect the fact that non-operating revenue reduces the revenue requirement)*											
51		6359	Miscellaneous State Grant		($5,011)	$0	$0	$0	$0	$0	$0	
52		6362	County Grants		($11,938)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	
53		6705	Public Works Service Charges		$0	$0	$0	$0	$0	$0	$0	
54		6706	CIP Chargeback for City Services	**(6)**	($80,515)	($300,000)	($300,000)	($301,500)	($303,761)	($306,039)	($307,570)	
55		6731	NPDES Storm Drain Charges	**(6)**	($414,556)	($415,700)	($415,700)	($417,779)	($420,912)	($424,069)	($426,189)	
56		7252	Reimbursements		$0	$0	$0	$0	$0	$0	$0	
57					($512,020)	($725,700)	($725,700)	($729,279)	($734,673)	($740,108)	($743,759)	
58						*41.7%*	*0.0%*	*0.5%*	*0.7%*	*0.7%*	*0.5%*	
59	**Net Operating Expenses**				**$547,812**	**$577,721**	**$631,826**	**$689,782**	**$748,927**	**$808,760**	**$876,961**	
60						*5.5%*	*9.4%*	*9.2%*	*8.6%*	*8.0%*	*8.4%*	
61	**Transfers to/(from):**											
62			Fund 501		($585,160)	($641,033)	($706,826)	($764,782)	($823,927)	($883,760)	($951,961)	To Table 2A
63		8419	Fund 503 for Depreciation		$77,537	$68,000	$75,000	$75,000	$75,000	$75,000	$75,000	To Table 4
64												
65	**Net Revenue Requirement**				**$40,189**	**$4,688**	**$0**	**$0**	**$0**	**$0**	**$0**	To Table 4
66												
67	*Source: Belmont Budget Detail Fund 525*											

	A	B	C	D	E	F	G	H	I	J
1	**City of Belmont**									
2	**Sewer Rate Study - FY 2009-10**									
3	**Table 3. Revenue Increases (Fund 501)**									
4		**Table 1B**	**Actual**	**Adopted**			**Projected**			
5		**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
6	***Surplus/(Deficit) with Rate Increases***									
7	Revenue from Prior Year Rates		$5,400,917	$5,270,382	$5,718,364	$6,101,033	$6,714,075	$7,407,154	$8,171,778	**A=N** from previous year
8										
9	Change in Consumption	**(11)**	0.00%	0.00%	-3.85%	0.50%	0.75%	0.75%	0.50%	**B**
10	Consumption as % of total revenue		55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	**C**
11	Revenue change from consumption change		$0	$0	($121,086)	$16,778	$27,696	$30,555	$22,472	**A*B*C=D**
12										
13	Revenue adjusted for change in consumption		$5,400,917	$5,270,382	$5,597,278	$6,117,810	$6,741,771	$7,437,709	$8,194,250	**A+D=E**
14										
15	Unit growth	**(6)**	0.00%	0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	**F**
16	Unit charges as % of total revenue		45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	**1-C=G**
17	Revenue change from growth change		$0	$0	$0	$13,765	$22,753	$25,102	$18,437	**E*F*G=H**
18										
19	Revenue adjusted for change in units and consumption		$5,400,917	$5,270,382	$5,597,278	$6,131,576	$6,764,524	$7,462,811	$8,212,687	**E+H=I**
20	Revenue Requirement		$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896	**J**, From Table 2A
21	Difference		$120,400	($476,902)	($560,082)	($674,536)	($567,596)	($263,561)	$92,791	**I-J=K**
22	*%age difference*		*2.23%*	*-9.05%*	*-10.01%*	*-11.00%*	*-8.39%*	*-3.53%*	*1.13%*	**K/I**
23										
24	**Rate Increase**		**0.00%**	**8.50%**	**9.00%**	**9.50%**	**9.50%**	**9.50%**	**8.50%**	**L**, From Table 1A
25	Increase in revenue from rates, $		$0	$447,982	$503,755	$582,500	$642,630	$708,967	$698,078	**I*L=M**
26										
27	**Total Revenue with Rate Increase**		**$5,400,917**	**$5,718,364**	**$6,101,033**	**$6,714,075**	**$7,407,154**	**$8,171,778**	**$8,910,766**	**I+M=N**
28	*Change in total revenue*			*5.88%*	*6.69%*	*10.05%*	*10.32%*	*10.32%*	*9.04%*	To Table 1A
29	Revenue Requirement		$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896	**J**, From Table 2A
30	**Surplus/(Deficit) after Rate Increase**		**$120,400**	**($28,920)**	**($56,327)**	**($92,036)**	**$75,034**	**$445,406**	**$790,869**	**N+J**; To Table 4
31										
32										
33	***Surplus/(Deficit) without further Rate Increases***									
34	Revenue from Prior Year Rates		$5,400,917	$5,270,382	$5,718,364	$5,597,278	$5,625,299	$5,667,567	$5,710,152	**A=N** from previous year
35										
36	Change in Consumption	**(11)**	0.00%	0.00%	-3.85%	0.50%	0.75%	0.75%	0.50%	**B**
37	Consumption as % of total revenue		55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	**C**
38	Revenue change from consumption change		$0	$0	($121,086)	$15,393	$23,204	$23,379	$15,703	**A*B*C=D**
39										
40	Revenue adjusted for change in consumption		$5,400,917	$5,270,382	$5,597,278	$5,612,670	$5,648,503	$5,690,945	$5,725,855	**A+D=E**
41										
42	Unit growth	**(6)**	0.00%	0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	**F**
43	Unit charges as % of total revenue		45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	**1-C=G**
44	Revenue change from growth change		$0	$0	$0	$12,629	$19,064	$19,207	$12,883	**E*F*G=H**
45										
46	Revenue adjusted for change in units and consumption		$5,400,917	$5,270,382	$5,597,278	$5,625,299	$5,667,567	$5,710,152	$5,738,738	**E+H=I**
47	Revenue Requirement		$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896	**J**, From Table 2A
48	Difference		$120,400	($476,902)	($560,082)	($1,180,813)	($1,664,553)	($2,016,220)	($2,381,158)	**I-J=K**
49	*%age difference*		*2.23%*	*-9.05%*	*-10.01%*	*-20.99%*	*-29.37%*	*-35.31%*	*-41.49%*	**K/I**
50										
51	**Prior Rate Increases**		**0.00%**	**8.50%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**L**, From Table 1A
52	Increase in revenue from rates, $		$0	$447,982	$0	$0	$0	$0	$0	**I*L=M**
53										
54	**Total Revenue**		**$5,400,917**	**$5,718,364**	**$5,597,278**	**$5,625,299**	**$5,667,567**	**$5,710,152**	**$5,738,738**	**I+M=N**
55	*Change in total revenue*			*5.88%*	*-2.12%*	*0.50%*	*0.75%*	*0.75%*	*0.50%*	
56	Revenue Requirement		$5,280,516	$5,747,284	$6,157,359	$6,806,111	$7,332,120	$7,726,372	$8,119,896	**J**, From Table 2A
57	**Surplus/(Deficit)**		**$120,400**	**($28,920)**	**($560,082)**	**($1,180,813)**	**($1,664,553)**	**($2,016,220)**	**($2,381,158)**	**N+J**; To Table 4

	A	B	C	D	E	F	G	H	I	J	K
1	**City of Belmont**										
2	**Sewer Rate Study - FY 2009-10**										
3	**Table 4. Reserves**										
4			**Table 1B**	**Actual**	**Adopted**			**Projected**			
5			**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
6	**Sewer Enterprise Operations Reserve (Fund 501)**										
7	***Without Rate Increase, except for 08-09, which has already been enacted***										
8	**Beginning Balance**				$2,208,503	$2,245,404	$1,744,283	$598,087	($1,066,467)	($3,082,686)	
9		Surplus/(Deficit)			($28,920)	($560,082)	($1,180,813)	($1,664,553)	($2,016,220)	($2,381,158)	From Table 3
10	**Transfer (to)/from:**										
11		Sewer Capital (Fund 503)			$0	$0	$0	$0	$0	$0	From below
12		Subtotal			$2,179,583	$1,685,322	$563,471	($1,066,467)	($3,082,686)	($5,463,844)	
13		Estimated Interest on balance	**(5)**		$65,821	$58,961	$34,616	$0	$0	$0	
14	**Ending Balance**			**$2,208,503**	**$2,245,404**	**$1,744,283**	**$598,087**	**($1,066,467)**	**($3,082,686)**	**($5,463,844)**	
15		*Minimum Balance*		*$2,940,000*	*$2,940,000*	*$3,040,000*	*$3,230,000*	*$3,420,000*	*$3,620,000*	*$3,830,000*	*75% of Operating Expenses*
16		*Fund Balance as % of Minimum*		*75%*	*76%*	*57%*	*19%*	*-31%*	*-85%*	*-143%*	
17		Operations Working Capital		$2,208,503	$2,245,404	$1,744,283	$598,087	($1,066,467)	($3,082,686)	($5,463,844)	
18		Rate Stabilization Reserve		$0	$0	$0	$0	$0	$0	$0	
19		Total		$2,208,503	$2,245,404	$1,744,283	$598,087	($1,066,467)	($3,082,686)	($5,463,844)	
20	***With Rate Increase***										
21	**% Rate Increase**				8.5%	9.0%	9.5%	9.5%	9.5%	8.5%	From Table 1A
22											
23	**Beginning Balance**				$2,208,503	$2,245,404	$2,255,595	$2,229,846	$2,372,901	$2,896,174	
24		Surplus/(Deficit)			($28,920)	($56,327)	($92,036)	$75,034	$445,406	$790,869	From Table 3
25	**Transfer (to)/from:**										
26											
27		Sewer Capital (Fund 503)			$0	$0	$0	$0	$0	$0	To above, below
28		Subtotal			$2,179,583	$2,189,077	$2,163,558	$2,304,880	$2,818,306	$3,687,044	
29		Estimated Interest on balance	**(5)**		$65,821	$66,517	$66,287	$68,021	$77,868	$98,748	
30	**Ending Balance**			**$2,208,503**	**$2,245,404**	**$2,255,595**	**$2,229,846**	**$2,372,901**	**$2,896,174**	**$3,785,792**	
31		*Minimum Balance*		*$2,940,000*	*$2,940,000*	*$3,040,000*	*$3,230,000*	*$3,420,000*	*$3,620,000*	*$3,830,000*	*75% of Operating Expenses*
32		*Fund Balance as % of Minimum*		*75%*	*76%*	*74%*	*69%*	*69%*	*80%*	*99%*	
33		Operations Working Capital		$2,208,503	$2,245,404	$2,255,595	$2,229,846	$2,372,901	$2,896,174	$3,785,792	
34		Rate Stabilization Reserve		$0	$0	$0	$0	$0	$0	$0	
35		Total		$2,208,503	$2,245,404	$2,255,595	$2,229,846	$2,372,901	$2,896,174	$3,785,792	

	A	B	C	D	E	F	G	H	I	J	K
1	**City of Belmont**										
2	**Sewer Rate Study - FY 2009-10**										
3	**Table 4. Reserves**										
4			**Table 1B**	**Actual**	**Adopted**			**Projected**			
5			**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
36	**Sewer Capital Reserve (Funds 503)**										
37	**Beginning Balance**				$2,419,310	$426,746	$5,363,591	$3,788,630	$2,627,914	$1,080,231	
38	**Revenues**										
39	6820	Connection Fees			$0	$0	$536,830	$831,527	$868,090	$604,174	from below
40	7299	Miscellaneous			$0	$0	$0	$0	$0	$0	
41		Gross Proceeds from Revenue Bonds			$0	$8,550,000	$0	$0	$0	$2,100,000	From Table 6
42		Subtotal			$0	$8,550,000	$536,830	$831,527	$868,090	$2,704,174	
43	**Capital Projects Expenditures**										
44	8310	Administrative Support	**(1)**		($30,872)	($32,107)	($33,391)	($34,727)	($36,289)	($38,104)	
45	8331	Engineering/Architectural Expenses	**(1)**		$0	$0	$0	$0	$0	$0	
46	8351	Professional /Technical Services	**(1)**		($3,000)	($3,120)	($3,245)	($3,375)	($3,526)	($3,703)	
47	8354	Bond Issuance Costs			$0	($513,000)	$0	$0	$0	($126,000)	From Table 6
48		Subtotal			($33,872)	($548,227)	($36,636)	($38,101)	($39,816)	($167,807)	
49	**Capital Improvements**										
50	9030	Sewer Projects (Fund 503)			($1,650,000)	($1,650,000)	($1,387,200)	($1,393,907)	($1,411,786)	($1,462,893)	From Table 5
51	9030	Storm Drainage Enterprise (Fund 525)			($1,135,500)	($1,135,500)	($1,158,210)	($1,190,061)	($2,253,971)	($1,277,781)	From Table 5
52		Delay Projects			$700,000	$0	$0	$0	$275,000	$0	
53		Complete Delayed Projects			$0	($700,000)	$0	$0	$0	($275,000)	
54		Subtotal			($2,085,500)	($3,485,500)	($2,545,410)	($2,583,967)	($3,390,757)	($3,015,674)	
55	**Debt Service**										
56		2001 Sewer Bond			($478,108)	($475,998)	($473,670)	($476,014)	($473,029)	($474,716)	From Table 6
57		2006 Sewer Bond			($451,256)	($450,356)	($449,256)	($452,856)	($451,156)	($449,256)	From Table 6
58		2009 Sewer Bond			$0	($213,750)	($552,973)	($552,812)	($552,643)	($552,465)	From Table 6
59		Subtotal			($929,364)	($1,140,104)	($1,475,899)	($1,481,682)	($1,476,828)	($1,476,437)	
60	**Transfer (to)/from:**										
61		Revenue Requirements (cash projects)			$0	$0	$0	$200,000	$275,000	$325,000	To Table 2A
62		Revenue Requirements (debt service)			$929,364	$1,140,104	$1,475,899	$1,481,682	$1,476,828	$1,476,437	From Table 2A
63		Sewer Operations (Fund 501)			$0	$0	$0	$0	$0	$0	From Above
64		SBSA Facilities (Fund 505)			($243,252)	$0	$0	$0	$350,000	$0	To below
65		Transfers for Depreciation									
66		From Sewer Operations (Fund 501)			$260,000	$260,000	$260,000	$260,000	$260,000	$260,000	From Table 2A
67		From Storm Drain Operations (Fund 525)			$68,000	$75,000	$75,000	$75,000	$75,000	$75,000	From Table 2B
68		Subtotal - Transfers			$1,014,112	$1,475,104	$1,810,899	$2,016,682	$2,436,828	$2,136,437	
69		**Fund Subtotal**			$384,686	$5,278,019	$3,653,375	$2,533,088	$1,025,431	$1,260,925	
70		Estimated Interest on balance	**(5)**		$42,060	$85,571	$135,254	$94,826	$54,800	$35,117	
71	**Ending Balance**			**$2,419,310**	**$426,746**	**$5,363,591**	**$3,788,630**	**$2,627,914**	**$1,080,231**	**$1,296,042**	
72		*Target Balance*		*$1,425,567*	*$1,425,567*	*$1,425,567*	*$1,425,567*	*$1,425,567*	*$1,425,567*	*$1,425,567*	*50% of 6-yr avg CIP*
73		*Fund Balance as % of Target*		*170%*	*30%*	*376%*	*266%*	*184%*	*76%*	*91%*	

	A	B	C	D	E	F	G	H	I	J	K
1	**City of Belmont**										
2	**Sewer Rate Study - FY 2009-10**										
3	**Table 4. Reserves**										
4			**Table 1B**	**Actual**	**Adopted**			**Projected**			
5			**Factor**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
74	**SBSA Facilities (Fund 505)**										
75	**Beginning Balance**				$646,813	$866,416	$800,965	$729,405	$650,535	$208,883	
76	**SBSA Expenditures**										
77	8310	Administrative Expense	**(2)**		($2,012)	($2,092)	($2,176)	($2,263)	($2,354)	($2,448)	
78		SBSA Pay-as-you-go Capital Funding			($44,000)	($88,000)	($92,000)	($97,000)	($102,000)	($107,000)	Bartle Wells' SBSA 10-year Financial Plan draft
79		SBSA Connection Fees			$0	$0	($115,936)	($179,581)	($187,477)	($130,480)	from below
80	**Revenue**										
81	6820	Connection Fees	**(6)**		$0	$0	$115,936	$179,581	$187,477	$130,480	from below
82	**Transfer (to)/from Capital Reserve (Fund 503)**				$243,252	$0	$0	$0	($350,000)	$0	from above
83	**Transfer (to)/from Revenue Requirements for:**										
84		SBSA Pay-as-you-go Capital Funding			$0	$0	$0	$0	$0	$0	From Above or zero, To Table 2A
85		Subtotal - Transfers			$243,252	$0	$0	$0	($350,000)	$0	
86		**Fund Subtotal**			$844,053	$776,324	$706,789	$630,142	$196,182	$99,435	
87		Estimated Interest on balance	**(5)**		$22,363	$24,641	$22,616	$20,393	$12,701	$4,625	
88	**Ending Balance**			**$646,813**	**$866,416**	**$800,965**	**$729,405**	**$650,535**	**$208,883**	**$104,060**	
89		*Target Balance*		*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*Finance Department*
90											
91	**Total Reserves**										
92				**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	
93		Total Reserves without Increases		$5,274,626	$3,538,566	$7,908,839	$5,116,122	$2,211,983	($1,793,573)	($4,063,742)	
94		Total Reserves with Increases		$5,274,626	$3,538,566	$8,420,150	$6,747,881	$5,651,350	$4,185,288	$5,185,894	
95		Minimum Balance		$2,940,000	$2,940,000	$3,040,000	$3,230,000	$3,420,000	$3,620,000	$3,830,000	
96		Target Balance		$4,365,567	$4,365,567	$4,465,567	$4,655,567	$4,845,567	$5,045,567	$5,255,567	
97											
98		Estimated Interest Income		$313,264	$130,244	$176,730	$224,158	$183,240	$145,369	$138,490	
99											
100		**Connection Fee Revenue Estimate**									
101		# of sewer units			10,857	10,857	10,857	10,911	10,993	11,076	
102		growth rate	**(6)**		0.00%	0.00%	0.50%	0.75%	0.75%	0.50%	
103		Estimated number of new connections			0	0	54	82	82	55	
104		Belmont Connection Fee	**(9)**		$3,986.04	$6,937.58	$9,889.11	$10,161.06	$10,528.89	$10,910.04	local system component; shows planned phase-in
105											and eventual inflation
106		Estimated Revenue			$0	$0	$536,830	$831,527	$868,090	$604,174	To Fund 503 above
107											
108		Estimated number of new connections			0	0	54	82	82	55	Consistent w/Sewer Treatment Charge model
109		SBSA Connection Fee			$1,188.90	$1,662.30	$2,135.70	$2,194.43	$2,273.87	$2,356.18	SBSA component; shows planned phase-in
110											and eventual inflation
111		Estimated Revenue			$0	$0	$115,936	$179,581	$187,477	$130,480	To Fund 505 above

	A	B	C	D	E	F	G	H	I	J	K
1	**City of Belmont**										
2	**Sewer Rate Study - FY 2009-10**										
3	**Table 5. Capital Improvement Projects**										
4											
5				**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Total**	**Notes**
6	**Sewer Enterprise-Capital (Fund 503, Division 4326)**										
7		7003	Sewer Rehabilitation - Annual Program	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$3,000,000	
8		7023	Pump Station Emergency Generation - North Road	$100,000	$150,000	$0	$0	$0	$0	$250,000	
9		7024	Hastings Pump Station Rehabilitation	$0	$0	$0	$0	$0	$0	$0	
10		7036	Other Pump Station Rehabilitation	$0	$50,000	$160,000	$130,000	$0	$0	$340,000	
11		7057	Sewer Rehabilitation - Basins 7 & 8	$700,000	$370,000	$0	$0	$0	$0	$1,070,000	
12		7063	Sewer Capacity Analysis	$0	$0	$0	$0	$0	$0	$0	
13		7073	Basin Rehabilitation Projects	$130,000	$570,000	$700,000	$700,000	$700,000	$700,000	$3,500,000	
14		7076	St. James-Waltham Cross Sewer Rehab	$220,000	$0	$0	$0	$0	$0	$220,000	
15			Sewer Asset Management Program	$0	$10,000	$0	$0	$0	$0	$10,000	
16			Force Main Evaluation	$0	$0	$0	$0	$100,000	$100,000	$200,000	
17			Subtotal	$1,650,000	$1,650,000	$1,360,000	$1,330,000	$1,300,000	$1,300,000	$8,590,000	
18			Construction Cost Inflation (cumulative)			2.00%	4.81%	8.60%	12.53%		Table 1B, Factor **(10)**
19			Inflated Subtotal	**$1,650,000**	**$1,650,000**	**$1,387,200**	**$1,393,907**	**$1,411,786**	**$1,462,893**	**$8,955,786**	To Table 4
20											
21	**Storm Drainage Enterprise (Fund 525, Division 4315)**										
22		6001	Storm Drainage Rehabilitation Program	$75,500	$75,500	$75,500	$75,500	$75,500	$75,500	$453,000	
23		6010	Water Dog Lake Siltation Removal	$60,000	$60,000	$60,000	$60,000	$1,000,000	$60,000	$1,300,000	
24		6045	Other Storm Drain Capital Improvement	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$1,800,000	
25		6051	Corrugated Pipe Replacement	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	$4,200,000	
26			Subtotal	$1,135,500	$1,135,500	$1,135,500	$1,135,500	$2,075,500	$1,135,500	$7,753,000	
27			Construction Cost Inflation (cumulative)			2.00%	4.81%	8.60%	12.53%		Table 1B, Factor **(10)**
28			Inflated Subtotal	**$1,135,500**	**$1,135,500**	**$1,158,210**	**$1,190,061**	**$2,253,971**	**$1,277,781**	**$8,151,022**	To Table 4
29											
30	**Total Proposed Projects (not on hold)**			$2,785,500	$2,785,500	$2,495,500	$2,465,500	$3,375,500	$2,435,500	$16,343,000	
31	**Inflated Total**			**$2,785,500**	**$2,785,500**	**$2,545,410**	**$2,583,967**	**$3,665,757**	**$2,740,674**	**$17,106,808**	
32											
33											
34	**7-year Average Allocation**										
35		Sewer Projects (Fund 503)		52.4%	$8,955,786						
36		Storm Drainage Enterprise (Fund 525)		47.6%	$8,151,022						
37				100.0%	$17,106,808						
38											
39	*Source: City of Belmont 2007 Proposed Budget*										

	A	B	C	D	E	F	G	H	I
1	**City of Belmont**								
2	**Sewer Rate Study - FY 2009-10**								
3	**Table 6. Debt Service and Debt Coverage**								
4		**Actual**	**Adopted**			**Projected**			
5		**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**Notes**
6	**Debt Service**								
7	**2001 Revenue Bonds**								
8	9367 Interest	$325,108	$318,108	$310,998	$303,670	$296,014	$288,029	$279,716	
9	9317 Principal	$160,000	$160,000	$165,000	$170,000	$180,000	$185,000	$195,000	
10	Payment	$485,108	$478,108	$475,998	$473,670	$476,014	$473,029	$474,716	To Table 2
11	**2006 Revenue Bonds**								
12	9368 Interest	$311,956	$306,256	$300,356	$294,256	$287,856	$281,156	$274,256	
13	9318 Prinicpal	$140,000	$145,000	$150,000	$155,000	$165,000	$170,000	$175,000	
14	Payment	$451,956	$451,256	$450,356	$449,256	$452,856	$451,156	$449,256	To Table 2
15	**2009 Revenue Bonds (estimated)**								
16	Principal Amount of Bonds			$8,550,000				$2,100,000	Assuming 5% interest, 30 years; To Table 4
17	Costs of Issuance			($513,000)	6.0%			($126,000)	To Table 4
18	Net Bond Proceeds for Projects			$8,037,000				$1,974,000	
19			*Year #:*	*1*	*2*	*3*	*4*	*5*	
20	Interest			$213,750	$424,283	$417,687	$410,762	$403,491	
21	Prinicpal			$0	$128,690	$135,124	$141,880	$148,974	
22	Payment			$213,750	$552,973	$552,812	$552,643	$552,465	To Table 2
23									
24	**Debt Coverage** *Excludes depreciation and transfers (Funds 501, 503, 505, & 525)*								
25	**Revenue**								
26	Sewer Charges	$5,400,917	$5,718,364	$6,233,017	$6,859,279	$7,567,242	$8,348,276	$9,103,169	From Table 3
27	NPDES	$414,556	$415,700	$415,700	$417,779	$420,912	$424,069	$426,189	From Table 2B
28	Non-Operating	$585,662	$686,565	$683,866	$685,596	$688,217	$690,874	$692,671	From Tables 2A, 2B
29	Interest	$313,264	$130,244	$176,730	$224,158	$183,240	$145,369	$138,490	From Table 4
30	Subtotal	$6,714,399	$6,950,873	$7,509,312	$8,186,812	$8,859,611	$9,608,589	$10,360,519	
31	**Expenses**								
32	Personnel	$1,582,329	$1,715,436	$1,789,130	$1,879,355	$1,974,587	$2,059,740	$2,148,615	From Tables 2A, 2B
33	Supplies and Services	$2,811,144	$3,305,671	$3,393,894	$3,596,484	$3,802,321	$4,017,944	$4,243,060	From Tables 2A, 2B
34	Administrative and Other	$533,981	$575,766	$598,797	$622,749	$647,659	$676,804	$710,644	From Tables 2A, 2B
35	Subtotal	$4,927,454	$5,596,873	$5,781,821	$6,098,588	$6,424,567	$6,754,488	$7,102,319	
36									
37	**Net Revenue**	**$1,786,945**	**$1,354,000**	**$1,727,491**	**$2,088,224**	**$2,435,044**	**$2,854,101**	**$3,258,201**	
38	**Debt Service**								
39	2001 Revenue Bonds	$485,108	$478,108	$475,998	$473,670	$476,014	$473,029	$474,716	From Above
40	2006 Revenue Bonds	$451,956	$451,256	$450,356	$449,256	$452,856	$451,156	$449,256	From Above
41	2009 Revenue Bonds	$0	$0	$213,750	$552,973	$552,812	$552,643	$552,465	From Above
42	Subtotal	$937,064	$929,364	$1,140,104	$1,475,899	$1,481,682	$1,476,828	$1,476,437	
43									
44	*Debt Coverage Ratio*	1.91	1.46	1.52	1.41	1.64	1.93	2.21	

City of Belmont

Sewer Rate Study - FY 2009-10

Table 7. Single-Family Rate Comparison

Assumption: For flow-based rates, average consumption is 6.82 HCF per month (Belmont SFR average)

City	Population	Basis	Monthly	Annual Rate	As of
Belmont - Current	26,078	Fixed + Flow - Annualized Winter, SBSA Treatment	$41.14	$493.66	7/1/2008
Belmont - Proposed	26,078	Fixed + Flow - Annualized Winter, SBSA Treatment	$44.83	$538.02	7/1/2009
Burlingame	28,867	Annualized Winter Monthly Flow (per thousand gallons)	$42.19	$506.29	7/1/2008
Daly City	106,361	Annualized Winter Monthly Flow	$32.87	$394.47	7/1/2007
East Palo Alto SD	24,570	Fixed - Full Service	$37.50	$450.00	7/1/2009
Foster City	30,308	Fixed - Full Service	$40.98	$491.76	7/1/2008
Hillsborough	11,272	Fixed - Full Service	$130.25	$1,563.00	7/1/2008
Los Altos	28,291	Fixed - Full Service	$37.96	$455.52	7/1/2008
Los Altos Hills	8,837	Fixed - Full Service	$61.17	$734.00	7/1/2007
Millbrae - Proposed	21,387	Fixed + Flow	$68.32	$819.81	7/1/2009
Mountain View	73,932	Fixed - Full Service	$23.05	$276.60	7/1/2008
Palo Alto	63,367	Fixed - Full Service	$23.48	$281.76	11/1/2008
Redwood City	77,269	Fixed - Full Service, SBSA Treatment	$41.01	$492.12	7/20/2008
San Bruno	43,444	Fixed + Flow - Annualized Winter	$45.85	$550.23	7/1/2008
San Carlos	28,857	Fixed - Full Service, SBSA Treatment	$40.89	$490.72	7/1/2008
San Mateo	95,776	Annualized Winter Monthly Flow	$30.76	$369.10	7/1/2008
South San Francisco	63,744	Fixed - Full Service	$29.33	$352.00	7/1/2007
Sunnyvale	137,538	Fixed - Full Service	$26.02	$312.24	7/1/2008
West Bay SD	55,000	Fixed - Full Service, Gravity Line, SBSA Treatment	$35.00	$420.00	7/1/2008

Sources:

Population - California Department of Finance, Demographic Research Unit, E-5 City/County Population & Housing Estimates, 1/1/2008
except sanitary or sewer districts (population estimate from district).

Monthly Rates - City/District websites or telephone contact with City/District representative

ATTACHMENT B

ACTION PLAN
Schedule for Annual Sewer Charge Increase Tax Year 2009-10
City of Belmont

March 4	Infrastructure Committee Review of Draft Rate Analysis Report (HFH)
March 5	Preparation of Draft Authorizing Resolution (Mark Mandell)
March 24	Rate Analysis and Draft Resolution to City Council for review and approval and approval of consideration of authorizing resolution at April 14 City Council meeting
April 14	City Council consideration of Resolution stating intent to increase charges. The Proposition 218 Notice would be authorized for mailing by adoption of (i) setting rules for tabulating protests, (ii) scheduling public hearing* and (iii)_proposing rate structure*. [Portions marked with * included principally for benefit of council/staff coordination, not legally required]
April 16	Send 45 day Notice to Printer (Tim Seufert, NBS)
April 20	Mail 45 day Notices to property owners (Tim Seufert, NBS)
April - May	Track written and verbal responses from property owners, and prepare Response(s)
May	Meeting of City Council Infrastructure Subcommittee to discuss Rates and review Responses
May 22	Publish first notice of June 9 public hearing (Pam/City Clerk)
May 29	Publish second notice of June 9 public hearing 10 days prior to public hearing (Pam/City Clerk)
June 9	Public Hearing at City Council Meeting - (A) Public Hearing and Tally of Protests (B) Introduction (First Reading) of Ordinance increasing the City's Sewer Charge
June 12	File Rate Charge Report with City (NBS)
June 23	(A)Second Reading of Ordinance increasing the City's Sewer Charge (B) Resolution of the City Council of the City of Belmont Confirming and Approving the Report of Sewer Charges for Tax Year 2009-10, directing the filing of charges for collection by the County Auditor. (consent)
July 23	(30 days after second reading) Rate Ordinance takes effect
August 1	Send new rates for all properties to County of San Mateo for Tax bill (NBS)

ATTACHMENT C

Draft Resolution

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE TAX YEAR 2009-10

WHEREAS, the City of Belmont levies charges for sewer services pursuant to Section 21.93 of the Belmont Municipal Code and pursuant to Section 5470 *et seq.* of the California Health & Safety Code; and,

WHEREAS, the City Council desires to conduct proceedings to revise the rate and methodology for the sewer charges, to be effective beginning in the 2009-10 tax year.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Belmont that:

Section 1. The foregoing recitals are all true and correct.

Section 2. The City Council proposes the imposition of the rates and methodology generally described in Exhibit "A" to this Resolution, which is incorporated herein by reference.

Section 3. On June 9, 2009, at 7:30 PM or as soon thereafter as may be practicable in the City Council Chambers located at One Twin Pines Lane, Belmont, CA, the City Council will hold a public hearing pursuant to Article XIIID of the California Constitution with respect to the proposed rates. At this hearing, all interested persons will be permitted to present oral and written testimony with respect to the proposed rates and methodology.

Section 4. The City Council further directs staff to give notice of the hearing in the manner required by law.

Section 5. The City will accept and tabulate protests against the proposed rate revision pursuant to the procedures set forth in Exhibit "B" to this Resolution, which is incorporated herein by reference.

DRAFT

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on April 14, 2009 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS:_____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS:_____

_____
CLERK of the City of Belmont

APPROVED:

_____
MAYOR of the City of Belmont

DRAFT

ATTACHMENT C

Draft Resolution

EXHIBIT "A"

PROPOSED SEWER CHARGE RATE SCHEDULE

Figure 1.

Each parcel's sewer charge will be the sum of a Base Charge and a Flow Charge.

Base Charge

· Residential Customers (single-family and multi-family):
$259.59 per dwelling unit per year

· Non-Residential Customers:
$259.59 per parcel per year

Flow Charge

· Residential and most Non-Residential Customers:
$3.40 per hundred cubic feet of estimated annualized wastewater discharge

· "High-Strength" Non-Residential Customers (supermarkets with grinders and restaurants with on-site food preparation):
$6.63 per hundred cubic feet of estimated annualized wastewater discharge

DRAFT

ATTACHMENT C

Draft Resolution

EXHIBIT "B"

GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

Submission of Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.

2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.

3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.

4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.

5. Any person who submits a protest may withdraw it by submitting to the City Clerk a writing request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.

6. A charge protest proceeding is not an election.

7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

DRAFT

Tabulation of Protests

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following conditions exist:

   a. The protest does not identify a property served by the City.
   b. The protest does not bear an original signature of a record owner of the parcel identified on the protest.
   c. The protest does not state its opposition to the proposed charges.
   d. The protest was not received by the City Clerk before the close of the public hearing on the proposed charges.
   e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed charges.

3. The City Clerk's decision that a protest is not valid or does not apply to a specific charge shall constitute a final action of the City and shall not be subject to any internal appeal.

ATTACHMENT C

Draft Resolution

3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed charge.

4. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the charge which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

DRAFT