



**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report
AGENDA ITEM NO.: 1

DATE: March 7, 2017

TO: City Council

THROUGH: Greg Nyhoff
City Manager

FROM: Daniel Rydberg
Public Works Director

SUBJECT: Proposed Wastewater Rate Increase (30/30/45)

CONTACT: Daniel Rydberg, Public Works Director
Daniel.Rydberg@oxnard.org, 385-8055

RECOMMENDATION:

1. Approve the City wastewater rate structure for a five-year period (July 2017-2022);
2. Authorize staff to proceed with the Proposition 218 public notification process; and
3. Set a public hearing on the wastewater rate increase for May 16, 2017.

BACKGROUND

Oxnard Wastewater Treatment Plant History

In the 1950s, the City built its wastewater treatment plant. In the 1970s, the City constructed two bio-towers to provide partial secondary treatment. In the 1980s, the City upgraded the wastewater treatment plant to full secondary treatment (activated sludge) to meet the requirements of the federal Clean Water Act. In 2006, the City constructed a new headworks facility for screening and grit removal.

The wastewater treatment plant was initially operated by Ventura Regional Sanitation District (VRSD) as a regional wastewater treatment plant. In the 1980s, the City took over the wastewater treatment plant operations and maintenance responsibilities. The plant continues to operate a regional facility, processing wastewater from the City of Port Hueneme, Channel

Islands Beach Community District, United States Navy bases, El Rio, Nyeland Acres, and Las Posas Estates.

Wastewater Treatment

Wastewater is water that has had its quality degraded by some type of human activity. Residential sources of wastewater include toilets, showers, sinks, and washing machines. Commercial sources of wastewater include food processing, manufacturing and oil production. Some materials in wastewater can be hazardous to human health and the environment. These materials must be treated at a wastewater treatment plant before being safely released.

Oxnard's Wastewater Treatment Plant (OWTP), located at 6001 South Perkins Road, provides primary and secondary wastewater treatment. The OWTP currently treats approximately 19 million gallons of wastewater per day (mgd) and has an ultimate capacity of 32 mgd. The City's sanitary sewer collection system transports residential, commercial, and industrial wastewater to the treatment facility. The sanitary sewer collection system consists of 407 miles of gravity sewers, 23 miles of pressurized force mains, ranging from 4-inch to 20-inch, and 15 sewer lift stations.

Sewer collected from throughout the City enters the OWTP at the headworks, where debris and grit are removed. From the headworks, wastewater is pumped into primary clarifiers (settling tanks) to remove inorganic materials and heavy solid materials. After primary treatment, the wastewater is pumped to bio-towers (trickling filters) and activated sludge basins for biological treatment to remove soluble organics in the wastewater. The treated wastewater is then directed into secondary sedimentation tanks for final solids settling before discharging into the Pacific Ocean via an ocean outfall pipeline. A portion of the treated wastewater is conveyed to the Advance Water Purification Facility (AWPF) for recycled water treatment. Biosolids collected at the OWTP's primary clarifiers and secondary sedimentation tanks are processed at the digester facility to break down volatile organic materials to stabilize the biosolids. The digested biosolids are dewatered before being disposed at the Toland Landfill.

Need for Wastewater Rate Increases

The City's primary financial goal for its utility enterprises is to ensure that revenues from rates and fees are adequate to fund daily operations and maintenance, capital improvement, debt service and reserves. The funds generated by utility rates are used to provide wastewater collection and treatment for residents and businesses. Currently the OWTP has nearly 40,000 accounts. The total service population exceeds 230,000. The rates fund operations, maintenance, repairs, debt payments, reserve levels, infrastructure costs, and capital projects within each utility.

Additionally, a recent condition assessment of the OWTP has documented 30 percent of the system's assets are in poor or very poor condition, with 72 percent at a moderate, high or very high risk of experiencing failures. The City's overall objective is to reduce the failure risk of all

Proposed Wastewater Rate Increase and Proposition 218 Process (30/30/45)

March 7, 2017

Page 3

facilities to low or very low. Understanding the current funding limitations, the City has developed a ten-year rehabilitation program with goal of reducing the highest risk facilities to a moderate or better risk grade. This ten-year program includes:

- Years 1 - 2: Repair high risk facilities which have been identified as health and safety concerns or urgent needs to maintain plant functionality.
- Years 3 - 5: Rehabilitate functions necessary to maintain required minimum redundancy and treatment facility.
- Years 6 - 10: Abandon older facilities that have reached the end of their useful lives (those built before or up to 1975), repurpose and renew other facilities to provide a modern treatment process (such as membrane bioreactor (MBR) or other technology), and make efficiency improvements, including reduced pumping and more efficient treatment equipment. *The capital improvement costs in years six through ten are not included in the current wastewater rate study.*

The last time the City implemented a rate increase was in fiscal year 2013 for 6 percent. In January 2016, the City Council adopted wastewater rate increases, with the first rate increase of 35 percent going into effect March 1, 2016 and an additional 10 percent increase going into effect January 1, 2017. In November 2016, the passage of a ballot initiative, titled Measure M, halted full implementation of the City's legally adopted new fees for the wastewater utility. The City legally challenged the Measure M initiative. The court issued a stay, meaning the City could continue to collect the increased rate until further determination. The City chose not to implement the 10 percent increase in January 2017.

In December 2016, the City Council directed City staff to start a new wastewater rate study. The Council also determined that a utility ratepayers advisory panel should be formed to advise the City on the new wastewater rates.

Utility Ratepayers Advisory Panel (URAP)

On January 17, 2017, the City Council Utilities Task Force (UTF) selected members to form the Utility Ratepayers Advisory Panel (URAP). The purpose of the URAP was to provide a recommendation to the UTF and later to the City Council regarding the URAP's preferred wastewater rate scenario.

The URAP had five regular meeting and one special meeting (wastewater facility tour). Staff initially provided six different rate scenarios to the URAP for consideration, which included the following. All scenarios assume inflation rates of 2.5 to 3.0 percent for line item operating expenditures and an inflation rate of 3.2 percent for capital project costs. It was also assumed the 35% increase in rates as of March 1, 2016 would stay in place.

Proposed Wastewater Rate Increase and Proposition 218 Process (30/30/45)

March 7, 2017

Page 4

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 1	Enhanced Reliability CIP, Full IUF, Less time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.50%	7.50%	7.00%	7.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78
Monthly Increase		\$4.22	\$3.43	\$3.67	\$3.68	\$4.01
Scenario 2A	CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22
Monthly Increase		\$4.22	\$3.27	\$3.49	\$2.65	\$2.82
Scenario 2B	CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019/20					
Percent Increase		6.00%	6.00%	6.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15
Monthly Increase		\$2.57	\$2.67	\$2.86	\$3.04	\$3.24
Scenario 3	CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20					
Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03
Monthly Increase		\$1.72	\$1.76	\$1.88	\$1.93	\$1.98
Scenario 4	Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20, Sets up for Future Spikes in Rates to Meet Future Cost Increases					
Percent Increase		3.00%	3.00%	3.00%	3.00%	3.00%
Typical Monthly Bill	\$41.77	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60
Monthly Increase		\$1.28	\$1.31	\$1.34	\$1.43	\$1.46

Proposed Wastewater Rate Increase and Proposition 218 Process (30/30/45)

March 7, 2017

Page 5

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 5	CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18					
Percent Increase		8.25%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38
Monthly Increase		\$3.50	\$3.24	\$3.46	\$2.62	\$2.79

Upon deliberation, the URAP requested modifications, to which staff responded with three additional scenarios, as explained below:

Scenario 2.2A	Assumptions of Scenario 2A with the following updates: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		10.00%	7.00%	7.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34
Monthly Increase		\$4.22	\$3.27	\$3.49	\$3.23	\$3.36
Scenario 2.2B	Assumptions of Scenario 2B with the following updates: Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%
Typical Monthly Bill	\$41.77	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15
Monthly Increase		\$2.21	\$2.36	\$2.44	\$2.60	\$2.77
Scenario 2.3	Assumptions of Scenario 3 with the following updates: Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		6.50%	6.50%	5.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00
Monthly Increase		\$2.79	\$2.91	\$2.40	\$2.01	\$2.13

One member of the URAP presented an additional scenario (Scenario 6) that included a CIP of \$11,620,000 and no IUF. The City's consultant, AECOM, explained to the URAP that such a low CIP as reflected in Scenario 6, could lead to a catastrophic failure of the wastewater plant. Additionally, Chief Financial Officer Jim Throop stated that this proposal would likely be unacceptable to meet the City's financial contractual obligations. The URAP voted on Scenario 6: two members were in favor and five members opposed.

Proposed Wastewater Rate Increase and Proposition 218 Process (30/30/45)

March 7, 2017

Page 6

Scenario 6	Limited Emergency only, Freezes rates at current levels, no new borrowings, no IUF				
Percent Increase		0%	0%	0%	0%
Typical Monthly Bill	\$41.77	\$41.77	\$41.77	\$41.77	\$41.77
Monthly Increase		\$0	\$0	\$0	\$0

After more than fifteen (15) hours of discussion, the URAP voted four to two (with one abstention) to recommend Scenario 2.2B for the UTF's and ultimately the City Council's consideration. Scenario 2.2B, for the average single family household with an average bill of \$41.77 would see an increase ranging from \$2.21 to \$2.77 per month over the next five (5) years.

The URAP also made two other recommendations. First, by a vote of six to zero (with one abstention), the URAP recommended that the City Council require the cost of service study to list the planned repairs and capital improvement projects, along with their expected costs and completion dates. Further, the City Council should establish a policy that each utility prepare an annual report to the Council regarding all such repairs and projects included in the most recent cost of service study. That report would include for each project its construction status, original date of completion, revised projected date of completion, original projected costs, costs incurred to date and revised projected total costs.

The second recommendation approved by the URAP, by a vote of four to three, was that the City no longer charge the IUF.

Three other recommendations were considered but did not receive support.

The UTF met on March 2nd to receive the URAP's recommendation. The UTF decided to forward the URAP recommendation (Scenario 2.2B) to the full City Council for consideration.

Consequences of Not Raising Rates

If wastewater rates are not increased, the City's wastewater enterprise will not receive sufficient revenue to cover expenses. The fund will not be able to meet bond coverage requirements, which could result in a credit downgrade and place a strain on the City's General Fund. This would make funding of required facility replacement projects more difficult and expensive. The wastewater fund would run out of money and urgently needed maintenance projects would be delayed resulting in the failure of primary treatment, bio-tower processes and manholes in the central trunk wastewater collection pipeline. The repair of tree root damage to sewer pipelines and resident laterals citywide as well as installation of odor control systems for sewer collection pipelines would be delayed, or simply not completed.

Rate Setting Process

If the City Council directs staff to proceed with a Proposition 218 notification process, property owners and ratepayers will be notified by or on March 29, 2017. This will begin the 45-day notice period. After the notice period, the City Council will hold a protest hearing at its regular meeting on May 16, 2017, introducing the proposed wastewater ordinance for the first reading. The second reading of the ordinance will be scheduled to be held at the regular Council meeting on May 23, 2017. Upon approval, the wastewater rate increases would become effective July 1, 2017.

STRATEGIC PRIORITIES

This agenda item supports the Infrastructure and Natural Resources strategy. The purpose of the Infrastructure and Natural Resources strategy is to establish, preserve and improve our infrastructure and natural resources through effective planning, prioritization, and efficient use of available funding. This item supports the following goals and objectives:

Goal 3. Ensure Funding is adequate to meet the goals of the master plans.

Objective 3a. Maximize funding sources.

Objective 3b. Set rates and fees to fully recover cost.

FINANCIAL IMPACT

Standard & Poor's (S&P) Global Ratings issued a new report affirming the "BBB" long-term rating on the City of Oxnard's Financing Authority's fixed-rate wastewater revenue bonds. S&P also reviewed the ratings from Credit Watch with negative implications. However, the outlook is still listed as "negative."

The City took steps to improve the City's short term outlook. However, the wastewater system's credit quality is "weak" and its financial position is tenuous. In order to strengthen the wastewater system's financial standing, rates must be increased to:

- Maintain sufficient cash flows to meet current and projected increase in utility operations and maintenance.
- Finance long-term capital improvements to increase operating efficiency, meet regulatory requirements, and expand system capacity to serve new development.
- Increase fund balances to target levels of the City Council adopted reserve policy (January 2016).
- Meet or exceed the bond coverage target of the City Council adopted coverage policy (January 2016).
- Increase the resilience of utility finances to address unexpected demands on utility operations and facilities.
- Continue to adopt utility schedules and financial policies to ensure the equitable allocation of utility requirements to the City's rate payers in keeping with the

Proposed Wastewater Rate Increase and Proposition 218 Process (30/30/45)

March 7, 2017

Page 8

requirements of California law.

- Improve bond rating in order to gain more favorable interest rates
- Meet all contractual debt covenants.
- Increase the cash reserves to meet Council approved reserve policy, as well as to have cash on-hand for emergencies.
- Increase reserves to use cash for pay-as-you-go capital projects.

ATTACHMENTS:

Attachment A. Wastewater Rates - Scenario 2.2B

Attachment B. Proposed Wastewater Rate Increase Notice Text

Attachment C: UTF Memo re: Wastewater Scenarios

Proposed Wastewater Rates
URAP Recommended Scenario 2.2B
Oxnard Utilities Task Force Meeting: March 2, 2017

DRAFT

Formula Users							
City of Oxnard User Charge Formula:		OMUC=p(Vm)+q(Bm)+r(Sm)					
Where:							
OMUC= Oxnard Monthly User Charge in dollars							
Vm=monthly wastewater discharge in millions of gallons							
Bm= monthly BOD discharge in thousands of pounds							
Sm= monthly SS discharge in thousands of pounds							
Formula Users - Proposed Rates			Effective Date				
Service		Current Rates	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021
Monthly Wastewater Discharge/Millions of Gallons	p =	\$2,908.78	\$3,061.50	\$3,222.23	\$3,391.40	\$3,569.45	\$3,756.85
Monthly Biological Oxygen Demand Discharge/Thousands of Lbs.	q =	\$662.79	\$697.59	\$734.22	\$772.77	\$813.35	\$856.06
Monthly Suspended Solids (SS) Discharge/Thousands of Lbs.	r =	\$524.18	\$551.70	\$580.67	\$611.16	\$643.25	\$677.03

Proposed Wastewater Rates
URAP Recommended Scenario 2.2B
Oxnard Utilities Task Force Meeting: March 2, 2017

DRAFT

Non-Formula Users (Industrial, Commercial, & Governmental)						
Commercial/Schools Wastewater Use - Proposed Rates						
Percentage Wastewater Return = 85%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 50 HCF/Month	\$3.31	\$3.49	\$3.68	\$3.88	\$4.09	\$4.31
51 to 930 HCF/Month	\$4.14	\$4.36	\$4.59	\$4.84	\$5.10	\$5.37
Over 930 HCF/Month	\$8.28	\$8.72	\$9.18	\$9.67	\$10.18	\$10.72
Restaurants Wastewater Use - Proposed Rates						
Percentage Wastewater Return = 80%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 20 HCF/Month	\$3.31	\$3.49	\$3.68	\$3.88	\$4.09	\$4.31
21 to 160 HCF/Month	\$4.14	\$4.36	\$4.59	\$4.84	\$5.10	\$5.37
Over 160 HCF/Month	\$8.28	\$8.72	\$9.18	\$9.67	\$10.18	\$10.72
Laundry/Laundromat Wastewater Use - Proposed Rates						
Percentage Wastewater Return = 90%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 105 HCF/Month	\$3.31	\$3.49	\$3.68	\$3.88	\$4.09	\$4.31
106 to 525 HCF/Month	\$3.66	\$3.86	\$4.07	\$4.29	\$4.52	\$4.76
Over 525 HCF/Month	\$4.57	\$4.81	\$5.07	\$5.34	\$5.63	\$5.93
Minimum Monthly Fees (Non-Residential)						
Minimum Monthly Fees (Non-Residential) - Proposed Rates		Effective Date				
Service	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
Commercial	\$18.90	\$19.90	\$20.95	\$22.05	\$23.21	\$24.43
Restaurant	\$17.53	\$18.46	\$19.43	\$20.46	\$21.54	\$22.68
Laundry/Laundromat	\$87.00	\$91.57	\$96.38	\$101.44	\$106.77	\$112.38
School	\$66.36	\$69.85	\$73.52	\$77.38	\$81.45	\$85.73

Proposed Wastewater Rates
URAP Recommended Scenario 2.2B
Oxnard Utilities Task Force Meeting: March 2, 2017

DRAFT

Non-Formula Users (Residential)						
Single Family Wastewater Use - Proposed Rates						
Percentage Wastewater Return = 80%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 9 HCF/Month	\$1.85	\$1.95	\$2.06	\$2.17	\$2.29	\$2.42
10 to 18 HCF/Month	\$2.06	\$2.17	\$2.29	\$2.42	\$2.55	\$2.69
Over 18 HCF/Month	\$2.87	\$3.03	\$3.19	\$3.36	\$3.54	\$3.73
Single Family Wastewater Use; Large Lots* - Proposed Rates						
Percentage Wastewater Return = 60%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 16 HCF/Month	\$1.85	\$1.95	\$2.06	\$2.17	\$2.29	\$2.42
17 to 25 HCF/Month	\$2.06	\$2.17	\$2.29	\$2.42	\$2.55	\$2.69
Over 25 HCF/Month	\$2.87	\$3.03	\$3.19	\$3.36	\$3.54	\$3.73
*Lot Size of over 7,000 square feet						
Multi-Family and Multi-Unit Wastewater Use - Proposed Rates						
Percentage Wastewater Return = 90%		Effective Date				
Rate Per Hundred Cubic Feet (HCF)	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 6 HCF/Month*	\$1.50	\$1.58	\$1.67	\$1.76	\$1.86	\$1.96
7 to 12 HCF/Month*	\$1.68	\$1.77	\$1.87	\$1.97	\$2.08	\$2.19
Over 12 HCF/Month*	\$2.34	\$2.47	\$2.60	\$2.74	\$2.89	\$3.05
*Tiers for Multi-Family/Multi-Unit Residential wastewater rates are variable and are determined by multiplying each tier allotment by the number of units.						
Monthly Base Rates (Residential)						
Monthly Base Rates (Residential) - Proposed Rates		Effective Date				
Service	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
Single Family	\$28.45	\$29.95	\$31.53	\$33.19	\$34.94	\$36.78
Multi-Family/Unit Units 1 to 6	\$20.81	\$21.91	\$23.07	\$24.29	\$25.57	\$26.92
Units 7+	\$10.37	\$10.92	\$11.50	\$12.11	\$12.75	\$13.42

Proposed Wastewater Rates
URAP Recommended Scenario 2.2B
Oxnard Utilities Task Force Meeting: March 2, 2017

DRAFT

Security and Contamination Fee						
Security and Contamination Fee - Proposed Rates		Effective Date				
	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
Monthly Charge Per Account	\$0.65	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued
Non-Metered Water Users						
Non-Metered Water Users - Proposed Rates		Effective Date				
	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
Monthly Charge Per Account	\$48.85	\$51.42	\$54.12	\$56.97	\$59.97	\$63.12
Outside City Users						
Outside City Users - Proposed Rates Service		Effective Date				
	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
Outside City - Residential Monthly Charge Per Account	\$77.32	\$79.72	\$83.32	\$87.04	\$90.96	\$95.11
Outside City - Multi Monthly Charge Per Account	\$53.99	\$55.66	\$58.18	\$60.79	\$63.55	\$66.38
Las Posas Commercial/Institutional Wastewater Use - Proposed Rates Service		Effective Date				
	Current Rates	7/1/2017	1/1/2017	1/1/2018	1/1/2019	1/1/2020
0 to 50 HCF/Month	\$6.39	\$6.57	\$6.87	\$7.17	\$7.48	\$7.81
51 to 930 HCF/Month	\$7.99	\$8.21	\$8.56	\$8.94	\$9.33	\$9.73
Over 930 HCF/Month	\$15.98	\$16.42	\$17.12	\$17.86	\$18.62	\$19.43

Proposed Wastewater Rate Increases

NOTICE OF PUBLIC HEARING - May 16, 2017 • 6:00 p.m.

Oxnard City Hall Council Chamber, 305 West Third Street, Oxnard, CA 93030

Proposed Wastewater Rate Increases

The City of Oxnard (City) will hold a public hearing to consider increasing wastewater rates. The meeting will be held on Tuesday, May 16, 2017 at 6:00 p.m. If less than a majority of property owners or ratepayers file a protest, the City Council will consider increasing wastewater rates, effective on July 1, 2017.

If a majority of affected property owners or ratepayers protest the increase before the conclusion of a required public hearing, the City is prohibited by law from increasing wastewater rates. This Notice contains information about the proposed wastewater rates and provides instructions on your opportunity to protest.

Why is the City of Oxnard Considering a Wastewater Rate Increase?

Financing Wastewater Treatment Plant and Sewer System

The funds generated by wastewater rates are used to treat wastewater for our residents and businesses. This money funds operations, maintenance, repairs, debt payments, infrastructure costs, and capital projects. The current wastewater revenues are less than the overall costs to provide the services. Rate increases are needed to pay existing obligations and improve the fiscal health of this vital service.

Wastewater Treatment Plant and Sewer System

Current rates are inadequate to properly maintain or replace vital aging infrastructure - including facilities, equipment and sewer pipelines. Some essential facility components have either failed or are reaching the end of their useful life. Failing to maintain aging infrastructure poses a public health risk and subjects the City to potential regulatory violations.

How Were Proposed Rates Determined?

In February 2017, the City completed a Cost of Services Study which details the City's obligation to address significant infrastructure needs and provides a detailed rate and cost of service analysis. This study is available online at

www.oxnard.org/PW.

K.1.b

How Would the Revenues be Used?

Per State law, revenues generated from wastewater rate increases must only be used to fund the actual costs of wastewater services - including the cost of debt to finance capital improvement projects.

What Happens if We do not Raise Wastewater Rates?

Insufficient Maintenance

- Increased risk to public health from failing, 60-year old infrastructure
- More frequent service disruptions caused by failed facilities
- Increased costs due to emergency maintenance and repairs

Will Not Meet Environmental Standards

- More frequent wastewater spills and

potential violations

Revenue Will Not Cover Obligations

- Wastewater Treatment Plant and Sewer System will run out of operational funds beginning in 2017
- Wastewater Treatment Plant and Sewer System will not meet its debt obligations
- Credit rating is likely to be reduced to Junk Bond status

How Do I Protest the Proposed Rate Increases?

Only one written protest per affected property may be counted. Written protests must be received by the Oxnard City Clerk's Office, 300 West Third Street, 4th Floor, Oxnard, CA 93030 prior to the conclusion of the public hearing on Tuesday, May 16, 2017.

A protest must identify the affected property by street address or Assessor's Parcel Number, indicate protesting the proposed wastewater rate increase, and include the printed name with signature of the property owner or rate payer protesting.

Telephone, e-mail and fax protests will not be accepted.

YOU MAY USE THIS FORM TO PROTEST THE PROPOSED RATE INCREASES

I _____, protest the proposed wastewater rate increase.

I am the: ☐ Property Owner ☐ Rate Payer (Customer)

Property Address: _____

or

Assessor's Parcel Number (APN): _____ Signature: _____

If you wish to use this form as your protest, please fill out and mail in a stamped envelope to:

City Clerk, 300 West Third Street, 4th Floor, Oxnard, CA 93030 or deliver to the Oxnard City Clerk by the conclusion of the public hearing.

NOTE: This form should only be used if you wish to protest the proposed rate increases.



Ruth Osuna
Assistant City Manager

Office of the City Manager
300 West Third Street
Oxnard, CA 93030
(805) 385-7430
Fax (805) 385-7595
www.oxnard.org

MEMORANDUM

March 2, 2017

TO: City Council

FROM: Ruth Osuna
Assistant City Manager

SUBJECT: Wastewater Rate Scenarios

On Tuesday, January 17, 2017, the Utilities Task Force (UTF) held a special meeting to begin the process of setting new wastewater rates. As part of this process, the UTF established a Utility Ratepayers Advisory Panel (URAP) to review the financial needs of the wastewater utility, consider options, and provide a recommendation to the Utilities Task Force regarding the establishment of new rates. The URAP members were Manuel Herrera, Richard Elzinga, David Littell, Elva Marie Lindsey, Nancy Lindholm, Aaron Starr and Rudy Rehbein. The alternates were Steve Nash, Barbara Macri-Ortiz, Brent Reisender and Frank Brommenschenkel. Although the URAP was originally scheduled to hold three or four meetings, one additional meeting was added to ensure that the panel was able to consider as much information as possible. Thus, the URAP held six meetings, 5 regular meetings and most members also participated in a special meeting, which consisted of a wastewater facility tour. The panel

met weekly, beginning on January 25, and ending on February 22, to receive information and consider various rate scenarios. The URAP voted on February 22 to recommend a rate option to the City Council. This memo includes all of the scenarios that were presented to the URAP, including the URAP's recommended option, Scenario 2.2B.

URAP'S RECOMMENDATION:

The URAP agreed by a four to two vote, with one abstention, to recommend Scenario 2.2B. This scenario has a steady annual wastewater rate increase of 5.25% which would raise the typical single family customer's monthly wastewater bill by an average of \$2.48 in each of the next five fiscal years. After considering several scenarios which were presented by City staff, the URAP panel requested modifying the original 2.B scenario by suspending the Infrastructure Use Fee (IUF) for the first 2 years, reducing the five-year capital improvement program by \$5 million in design costs. With this scenario, the City would begin to meet debt coverage in year one. The capital improvement program (CIP) in this scenarios allows for the City to take care of urgent capital improvements at a cost of \$78,890,000. This option would require the City to borrow more than Scenario 2A and 2.2A (\$55.840 million), which have higher front-end rate increases. This scenario would allow the wastewater utility fund to improve its credit rating over time, while ensuring the debt coverage policy is met in the first year of adoption. This scenario would also allow for the City Council's adopted financial policies for reserves to be met in four years. A full illustration of this scenario, and the other scenarios presented to the URAP, are available at the end of this memorandum.

In addition to the above rate recommendation, the members of the URAP considered five motions as presented by a URAP member. Two of the motions received support from the URAP to forward to the City Council. These motions include:

- A motion to recommend that the City Council require that the Cost of Service Study list the planned ~~emergency~~ repairs and capital improvement projects, along with their expected costs and completion dates, and that the City Council establish a policy that each utility shall make an annual report to the Council regarding all such planned ~~emergency~~ repairs and capital improvement projects included in the most recent Cost of Service Study. The report shall itemize for each project the following:
 - Construction status
 - Original projected date of completion from the Cost of Service Study
 - Revised projected date of completion
 - Original projected costs from the Cost of Service Study
 - Costs incurred to date
 - Revised projected costs to completion

This motion was amended by the URAP as noted above, and was carried by a vote of 6 in favor, 0 opposed, and 1 abstention.

- A motion to recommend that the City Council establish a policy requiring council approval of a business plan (including Return On Investment and payback period calculations) prior to incurring costs for a new or revised project whose purpose includes generating new or increased revenue streams or reducing future expense.
This motion did not carry, with 3 votes in favor, and 4 opposed.
- A motion to recommend that the City Council eliminate its 1.25 debt coverage policy for utilities, once the reserves reach 50% of annual debt service costs and revert to those debt coverage requirements specified in the bond instruments.
This motion did not carry, with 1 vote in favor, and 6 opposed.
- A motion to recommend that the City of Oxnard no longer charge an Infrastructure Use Fee.
This motion carried, with 4 votes in favor and 3 opposed.
- A motion to state that “it is the sense of the Oxnard Utility Ratepayers Advisory Panel that the timeframe given for making recommendations was unrealistically short and that better analysis could have been performed by the panel if needed information, even only if in draft form, was available to the panel at an earlier date.”
This motion did not carry, with 3 votes in favor, and 4 against.

TEN SCENARIO OPTIONS:

The first six scenarios (1, 2A, 2B, 3, 4, and 5) reflect the preliminary analysis of the cost of service which includes five primary variables that the URAP discussed: operations and maintenance (O&M), debt, reserves, the capital improvement program (CIP) and the Infrastructure Use Fee. The six scenarios also include the five-year revenue requirements to efficiently and effectively operate the wastewater utility for the City of Oxnard from FY 2017-18 through FY 2021-22. Three additional scenarios (2.2A, 2.2B and 2.3) were requested by the URAP as alternative options. One additional scenario (Scenario 6) was presented to the URAP at the February 22 meeting, and voted on. Scenario 6 received two votes in favor and 5 votes opposed.

CURRENT FINANCIAL OUTLOOK FOR THE CITY’S WASTEWATER UTILITY:

As was reported to the URAP at its February 8th meeting, Standard and Poor’s (S&P) Global Ratings issued a new report affirming the “BBB” long-term rating on the City of Oxnard’s Financing Authority’s fixed-rate wastewater revenue bonds. S&P also removed the ratings from CreditWatch with negative implications. However, the outlook is still listed as “negative.”

As reported by Mr. Nava, Assistant City Manager, this outlook means that instead of an imminent rating decrease in the short-term, which usually occurs within 90 days, the following actions have improved the City's short term outlook. Those actions include:

- The City's decision to pursue litigation challenging the legality of Measure M.
- The court's issuance of a permanent restraining order that prevents the implementation of Measure M for the duration of the litigation.
- Union Bank's extension of the letter of credit supporting the City's variable-rate wastewater revenue bonds to August 28, 2017.

While these City actions have stabilized the rating on the wastewater fixed-rate bonds, S&P still continues to view the wastewater system's credit quality as "weak."

With the above in mind, the City of Oxnard's following financial goals must be met to strengthen the wastewater system's credit rating. Those financial goals include:

- Maintain sufficient cash flows to meet current and projected increases in utility operations and maintenance.
- Finance long-term capital improvements to increase operating efficiency, meet regulatory requirements, and expand system capacity to serve new development.
- Increase fund balances to target levels of the City Council adopted reserve policy (January 2016).
- Meet or exceed the bond coverage target of the City Council adopted coverage policy (January 2016).
- Increase the resilience of utility finances to address unexpected demands on utility operations and facilities.
- Continue to adopt utility rate schedules and financial policies to ensure the equitable allocation of utility requirements to the City's ratepayers in keeping with the requirements of California law.

BACKGROUND

The City of Oxnard operates a wastewater utility to collect, treat, recycle, and safely discharge nearly 19 million gallons (mg) of sewage per day from nearly 40,000 accounts. The utility's service area includes the City's residents and businesses, the City residents and businesses of Port

Hueneme, the Channel Island Beach Community Services District, the Naval Base in Ventura County, and other smaller unincorporated areas of Ventura County. The total service population exceeds 230,000.

Customers are served by the City's regional treatment plant, an ocean outfall, and a collection system consisting of 430 miles of sewer pipes and 15 pump stations. The treatment plant has a permitted design capacity of 31.7 million gallons per day (mgd).

The City's Planning Division of its Development Services Department completed a comprehensive analysis of population growth in 2014 as a part of its work on the Integrated Public Works Master Plan. The projections were based on 2010 Census data, a housing count from developments constructed between 2010 and 2014, and projected housing projects and planned developments in the City. The City assumed a vacancy rate of five percent of dwelling units and an average household size of four persons per occupied unit. These population projects served as the basis for estimating future demand for wastewater services.

In 2014, the City engaged Carollo Engineers to conduct a comprehensive assessment of the wastewater system's assets and processes for the development of the Public Works Integrated Master Plan. The assessment revealed significant risks of system failure due to aging utility infrastructure. The assessment of the wastewater system determined that nearly 30 percent of the system's assets are in poor or very poor condition. The Master Plan included an extensive CIP to address the rehabilitation and replacement needs of the wastewater system, to enhance the operations performance of the plant, and to plan for future flow and load conditions. The Master Plan included nearly \$560,000,000 (2015 dollars) in wastewater projects to be implemented over a 25-year planning horizon, with the majority of costs in the first ten years due to urgency.

More recently, the City contracted with AECOM to build on the findings of the Master Plan and create a refined CIP for the wastewater system. The refined CIP is focused on the system's needs over the next ten years from FY 2017-18 through FY 2026-27.

In September 2015, the City completed a cost of service study for its Water, Wastewater, and Environmental Resources (solid waste) utilities. In January 2016, the City Council adopted the proposed wastewater rate increases, with the first rate increase of 35 percent going into effect March 1, 2016, and included a ten percent increase on January 1, 2017, which was not implemented. An eight percent increase was also proposed to follow on January 1 of each year beginning in 2018 through 2020. The proposed Water and Environmental Resources rates were not adopted at that time.

The City Council held a public hearing to receive residents' feedback and subsequently adopted the wastewater rate increases in January 2016. In November 2016, the passage of a ballot initiative, titled Measure M, halted the full implementation of the City's legally adopted new fees for its wastewater utility. This had a severe financial consequence on not only the wastewater system, but also on the entire City's financial position. The City had no choice but to pursue litigation challenging the legality of Measure M, which has likewise been costly. The continued effect of Measure M has placed the City's wastewater system's credit quality in a very weak and vulnerable position.

The City also has re-evaluated the wastewater CIP and other costs and financial goals. The City has had to pay for an entirely new rate setting process, which has cost hundreds of thousands dollars in staff and consultant's time, all at the ratepayers' expense.

RATE SETTING PROCESS

It is a standard business practice for cities to perform periodic reviews of their utility finances and rates in order to ensure that adequate resources are available to sufficiently and equitably fund utility operations, maintenance and capital investments. In California, wastewater rates must conform to cost of service requirements imposed by Proposition 218 and the State Constitution. That Proposition requires that wastewater rates and other property-related fees and charges do not exceed the reasonable and proportional cost of providing the services.

The rate setting process typically consists of the following three major elements: 1) revenue requirements, 2) a cost of service analysis, and 3) rate design. The following is a general description of the three elements.

- 1) **Revenue Requirements.** The revenue requirements component compares the revenues received for providing the services to the operating and capital costs associated with providing the services to determine the adequacy of the existing rates to recover the full costs.
- 2) **Cost of Service Analysis.** The cost of service analyses is the fundamental element in making sure that each customer receives his, her, or its proportional cost. The operating and capital costs are allocated to functional cost centers and then reallocated to customer costs. Unit rates are derived for the system as a whole, at which point costs are allocated to specific customer classes based on the burden they place on the system.
- 3) **Rate Design.** The rate design element is the development of rates structures that allow for recovery of total costs while incorporating the results of the cost of service analyses. The rate structures have a multitude of guidelines that can be incorporated, but rely on the fundamental fact that the rates will not exceed the costs of providing the services.

Within these broad legal requirements, utilities have some degree of latitude in applying cost-of-service principles to develop rates that appropriately and adequately reflect their distinct and unique characteristics, and the values of the communities they serve.

GENERAL ASSUMPTIONS

The City's primary objectives in setting wastewater rates include:

- Adopt utility rates and charges to provide sufficient, predictable, and reliable revenues to deliver utility services in response to customer demand.

- Strengthen the financial reserves in order to finance critical capital investments at the lowest possible borrowing costs.
- Increase reserves, to a level consistent with the Council adopted policy, to provide sufficient future resources to address backlogs in equipment replacement, and to be able to respond to unforeseen and unexpected operational or financial risks.
- Design rates, consistent with Proposition 218 that effectively distribute the cost of wastewater based on each customer's usage pattern.

With these objectives in mind, several rate scenarios are being explored that follow the general assumptions listed below for the period from FY 2015-16 through FY 2024-25:

- The City's service population will grow at nearly 1.25 percent per year.
- The statewide water supply crisis will have a measureable impact on the growth in demand for water and wastewater services. Average annual growth in water demand will increase by 0.35 percent per year between FY 2015-16 and FY 20124-25, while wastewater flows will grow by 0.9 percent per year during the same period. Pollutant loadings of biochemical oxygen demand (BOD) and total suspended solids (TSS) will increase by an average of 1.6 percent and 0.7 percent per year, respectively, through FY 2024-25. An equivalent dwelling unit (EDU) on wastewater demand will increase by 1.1 percent on an annual average basis.
- Inflation rates of 2.5 to 3.0 percent will escalate line item operating expenditures. Capital project costs will inflate at an average 3.2 percent per year.
- Capital improvement projects will be financed primarily through the sale of revenue bonds, necessitating the build-up of cash reserves to provide bond coverage ratios in excess of 1.25X.
- In addition to an increase in bond coverage reserves, the water and wastewater utilities will increase operating reserves to finance planned equipment replacement.

The projections of this analysis are based on reasonable expectations of future events commonly used in the industry. Should the proposed revenue increases be delayed or postponed, or should cost escalation, operating expenditures, or capital needs exceed forecasted levels prior to FY 2021-22, the City might be required to begin a new rate setting process to increase rates above current projected levels. The City might similarly be required to begin a new rate setting process if revenues do not materialize as projected.

GROWTH AND REVENUES

Due to the City's wastewater rate structure, and the nature of the City's customer base, wastewater revenues do not increase and decrease in direct proportion to flows at the Oxnard Wastewater Treatment Plant. The growth factors that most influence wastewater revenues are the expected growth in the number of accounts, and the expected change in water consumption for the City's residential and commercial customers.

Because a portion of the charges assessed to the City's non-formula users (residential, commercial, and governmental accounts) is based on water usage, projected water sales influence the expected wastewater revenues from non-formula users. Residential and commercial water usage is expected to rebound above current levels by five percent in FY 2018-19 and an additional five percent in FY 2019-20. It is not expected that industrial users (formula users) will have significant increases in water use or wastewater discharges as water usage is process related and is less discretionary than that of residential and commercial customers.

Because the wastewater rates include a fixed component for residential users and a minimum charge for non-residential users, and because wastewater discharges from industrial users are not expected to increase due to the water usage rebound, the impact of the water usage on wastewater revenues is decreased. An analysis of billing records and reported revenues found that approximately 35 percent of wastewater rate revenues are driven by water demands. Thus, the expected five percent increase in residential and commercial water usage in FY 2018-19 and FY 2020-21 will result in revenue growth of 1.75 percent in each of those years (*5% water usage increase X 35% of revenues tied to water usage = 1.75% revenue growth*).

Growth in the number of wastewater accounts has lagged behind the City's General Plan predicted population growth by about 0.8 percent per year over the short term. As indicated by billing records, actual growth in the number of non-formula customers has averaged just 0.4 percent per year for FY 2013-14 through 2015-16. Increased conservation efforts and the use of more water efficient systems in new development have further minimized the impact of customer growth and wastewater revenues.

Therefore, the annual rate revenue growth assumed in the revenue requirement analysis is based on the impact of water sales growth for FY 2018-19 and FY 2019-20 and on the longer term Oxnard Wastewater Treatment Plant flow growth factors for FY 2020-21 and FY 2021-22. No growth related increase is expected in FY 2017-18. The Oxnard Wastewater Treatment Plant flow growth factors are expected to approximate the combined revenue growth from ongoing water usage and account growth in FY 2020-21 and FY 2021-22.

If the City realizes growth higher than that assumed for this analysis, the City could revisit the analysis and adopt rates lower than those proposed, assuming doing so will not have an adverse effect on the wastewater utility's financial situation. Alternatively, stagnant growth or further conservation could lead to decreased revenues. If this occurs, the City may need to reevaluate rate increases, or pursue other short-term cost cutting measures to maintain financial viability.

Wastewater system user fees are the primary source of revenues to pay for wastewater utility requirements, historically accounting for nearly 90 percent of ongoing utility operating revenues. Projected revenues from wastewater system user fees are based on current rates and projected growth in demand for wastewater system services.

DISCUSSION OF RATE SCENARIOS

After careful review of current operations and maintenance (O&M) expenses, debt service payments on bonds used to pay for major investment in system facilities, equipment, and other financial requirements established by the City Council to ensure the financial integrity and sustainability of the wastewater utility, capital improvement needs, and the infrastructure use fee (IUF), staff presented six rate scenarios for discussion (Scenarios 1, 2A, 2B, 3, 4, and 5). The URAP requested modifications resulting in three additional scenarios (2.2A, 2.2B, and 2.3). Each of these scenarios have been calculated by modifying the amount and timing of the CIP, the timing of meeting financial policies and inclusion or exclusion of the infrastructure use fee. O&M cost increases are calculated at approximately three percent annually over the five years of this proposed rate increase for all scenarios. Debt service is similar in each of the scenarios. All scenarios used the current FY 2016-17 typical residential monthly bill for wastewater services, \$41.77, as the base line. A panel member added an additional scenario, referred to below as Scenario 6.

All proposed rate scenarios assume that the 35 percent increase which was implemented March 1, 2016, stays in place. This rate is currently being litigated and the court is likely to determine the legality of the City collecting this rate this summer. If the court rules that the 35 percent increase will not remain in place, this would drastically change the entire financial position for the wastewater treatment plant and cause all of these scenarios to be inadequate to meet O&M expenses, debt service payments, and critical capital improvement projects, as well as meet bond covenants and the City's reserve policy. Below is a summary, as well as a detailed table, for each scenario:

SCENARIO 1: Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

- This scenario is the most aggressive with an initial rate increase of ten percent followed by two years of increases of 7.5 percent and then two years of increases of seven percent.
- This CIP includes projects totaling \$121,995,000, which is the most aggressive CIP proposed.
- Because of the aggressive nature of this CIP, it may be too large for the current City program management staff to manage and implement.
- Cash is built up in the first two years in order to allow the City to be able to borrow \$84,606,000 in year three to complete projects.
- The full implementation of the Infrastructure Use Fee is included.
- This scenario allows the City to cash flow the wastewater utility in the positive in the first year of implementing the rate increase beginning in July 2017.
- City is able to reach the City Council's adopted financial policies for reserves in three years.
- The City's debt coverage policy is met in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease of and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario allows the wastewater utility fund to improve its credit rating and to protect the overall financial position of the City from having a negative outlook.

Scenario 1 Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
No Cash flow Deficit in Year 1 Reserve goal in 3-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,475,000	\$13,124,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$6,352,000	\$13,358,000	\$41,027,000	\$57,240,000	\$121,995,000
Bond Proceeds Required	\$0	\$0	\$14,227,000	\$27,762,000	\$42,617,000	\$84,606,000
Reserves	\$10,239,000	\$12,071,000	\$25,234,000	\$25,214,000	\$25,402,000	
Rate Increases	10.00%	7.50%	7.50%	7.00%	7.00%	Cumulative 45.54%
Typical Bill ²	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78	Cumulative (Monthly)
Increase	\$4.22	\$3.43	\$3.67	\$3.68	\$4.01	\$19.01
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2A: CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

- This scenario has an initial rate increase of ten percent followed by two years of seven percent rate increases each year and then each of the next two years has a proposed increase of five percent.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- This CIP allows the City to take care of urgent capital improvements with a cost of \$83,890,000 and have to borrow less than Scenario 1 or \$51,421,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$51,421,000 to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and to protect the overall financial position of the City from having a financial negative outlook.

Scenario 2A CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
Reserve goal in 3-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$21,797,000	\$15,264,000	\$51,421,000
Reserves	\$10,239,000	\$12,728,000	\$25,467,000	\$25,020,000	\$25,745,000	
Rate Increases	10.00%	7.00%	7.00%	5.00%	5.00%	Cumulative 38.85%
Typical Bill	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.27	\$3.49	\$2.65	\$2.82	<i>\$16.45</i>
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2B: CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019-2020

- This scenario has an initial lower rate increase of 6% compared to the first two scenarios and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until FY 2019-20.
- The capital improvement program (CIP) allows for the City to take care of urgent capital improvements with a cost of \$83,890,000 but the City would have to borrow more than Scenario 2A or \$60,175,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$60,175 million to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in five years or be delayed by two years compared to Scenarios 1 and 2A.
- The debt coverage policy is met in the first year of adoption of this scenario, which is the same time period as Scenario 2A.
- This scenario estimates for a continued decrease, and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating.

CIP with an Outlook to the Future, Full IUF, Reserve Policy met in 5 Years, Begin to Build Reserves in FY 2019/20						
Scenario 2B						
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$24,872,000	\$20,943,000	\$60,175,000
Reserves	\$8,641,000	\$9,485,000	\$20,131,000	\$20,675,000	\$25,165,000	
Rate Increases	6.00%	6.00%	6.00%	6.00%	6.00%	Cumulative 33.82%
Typical Bill	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15	<i>Cumulative (Monthly)</i>
Increase	\$2.57	\$2.67	\$2.86	\$3.04	\$3.24	<i>\$14.38</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 3: CIP with an Outlook to the Future, STREETS IUF Only, Begin to Build Reserves in FY 2019-20

- This scenario has an overall lower rate increase of four percent compared to Scenarios 1, 2A and 2B and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until the fifth year or FY 2021-22.
- The CIP program allows the City to take care of urgent capital improvements with a cost of \$83,890,000, but the City has to borrow more than Scenarios 2A and 2B or \$65,101,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$65,101,000 million to complete projects.
- This scenario excludes public safety from the Infrastructure Use Fee. The general fund would need to make up this shortfall caused by the wastewater fund, an enterprise fund, to pay for public safety services provided by Police and Fire.
- The City is able to reach the City Council's adopted financial policies for reserves in five years or delayed by two years compared to Scenarios 1 and 2A, but the same as in Scenario 2B.
- The debt coverage policy is met in the first year of adoption of this scenario, which is a year ahead compared to Scenarios 2A and 2B.
- This scenario estimates for a spike of rate increases in 2022-23 through 2026-27, which causes rates to increase compared to this scenario's level four percent.
- This scenario will delay the wastewater utility fund to improve its credit rating.

Scenario 3 CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20						
Reserve goal in 5-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$26,750,000	\$24,596,000	\$65,706,000
Reserves	\$9,055,000	\$9,657,000	\$19,310,000	\$19,893,000	\$25,280,000	
Rate Increases	4.00%	4.00%	4.00%	4.00%	4.00%	Cumulative 21.67%
Typical Bill	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03	<i>Cumulative (Monthly)</i>
Increase	\$1.72	\$1.76	\$1.88	\$1.93	\$1.98	\$9.26
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 4: Urgent Minimum CIP with No Future Planning and Design, NO IUF, Begin to Build Reserves in FY 2019-2020 and, Possible Future Spikes in Rates to Meet Future Cost Increases

- This scenario has an overall rate increase of three percent which is the same as Scenario 3 and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until the fifth year or FY 2021-22.
- This CIP allows the City to take care of urgent capital improvements at a cost of \$68,000,000, but does not allow the City to begin planning and designing for other longer-term critical capital improvements. By doing this, the City will have a delay in implementing future capital improvements because design of improvements have not been completed and projects are not near “shovel ready” as new rates are considered.
- The City would have to borrow more than Scenarios 2A and 2B or \$65,101,000. Cash would have to build up in the first two years in order to allow the City to be able to borrow \$65,101,000 million to complete projects.
- This scenario also excludes completely the Infrastructure Use Fee. Therefore, the General Fund would need to pick up the full costs for streets and public safety impacted by wastewater activities such as cutting into streets or on-call services provided by Police and Fire.
- The City is able to reach the City Council’s adopted financial policies for reserves in five years or delayed by two year compared to Scenarios 1 and 2A, but the same as 2B and 3.
- The debt coverage policy is met in the first year of adoption of this scenario which is the same time-frame as Scenarios 1 and 3.
- This scenario anticipates a significant spike in rates in 2022-23 through 2026-27. Rates could significantly increase above seven percent annually assuming costs increase at similar levels as calculated in this study.
- This scenario will delay the improvement of the wastewater utility fund’s credit rating, delay the proper planning for future capital improvements and cause a spike in rates in the following five-year period in order to meet cost of service increases.

Scenario 4 Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20 and Sets up for Future Spikes in Rates to Meet Future Cost Increases						
Reserve goal in 5-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M Design for plant renewal not included in years 1 to 5						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$0	\$0	\$0	
CIP (Current Dollars)¹	\$4,018,000	\$4,052,000	\$8,940,000	\$29,634,000	\$22,116,000	\$68,760,000
Bond Proceeds Required	\$0	\$0	\$9,521,000	\$23,407,000	\$18,698,000	\$51,626,000
Reserves	\$8,437,000	\$10,681,000	\$18,303,000	\$21,505,000	\$22,266,000	
Rate Increases	3.00%	3.00%	3.00%	3.00%	3.00%	Cumulative 15.93%
Typical Bill	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60	<i>Cumulative (Monthly)</i>
Increase	\$1.28	\$1.31	\$1.34	\$1.43	\$1.46	\$6.83
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 5: CIP with an Outlook to the Future and Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting in FY 2019/20

- This scenario has an initial rate increase of 8.25 percent followed by two years of 7% rate increases each year and then each of the next two years has a proposed increase of 5%.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- The capital improvement program (CIP) allows for the City to take care of urgent capital improvements with a cost of \$83,890,000 and have to borrow less than Scenario 1 and Scenario 2A, which would be or \$50,617,000 million.
- Cash would have to build up in the first two years in order to allow the City to able to borrow \$50,617,000 to complete projects.
- This scenario includes a “ramp up” of the Infrastructure Use Fee with no IUF in FY 2017/18, the Streets IUF only in FY 2018-19, and the full IUF starting in FY 2019/20
- The general fund would need to make up about \$2,164,000 in FY 2017/18, and \$1,042,000 in FY 2018/19 due to the ramp-up of IUF payments
- The City is able to reach the City Council’s adopted financial policies for reserves in four three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out, of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and, protect the overall city from having a financial negative outlook.

Scenario 5 CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18						
Reserve goal in 3-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$0	\$1,122,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$20,367,000	\$15,890,000	\$50,617,000
Reserves	\$11,824,000	\$14,782,000	\$26,897,000	\$24,394,000	\$25,055,000	
Rate Increases	8.25%	7.00%	7.00%	5.00%	5.00%	Cumulative 36.64%
Typical Bill	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38	<i>Cumulative (Monthly)</i>
Increase	\$3.50	\$3.24	\$3.46	\$2.62	\$2.79	<i>\$15.61</i>
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Additional Scenarios Identified at February 15, 2017 URAP Meeting

SCENARIO 2.2A: CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

Updates from Scenario 2A: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has an initial rate increase of ten percent followed by two years of seven percent rate increases each year and then each of the next two years has a proposed increase of six percent.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- This CIP allows the City to take care of urgent capital improvements with a cost of \$78,890,000 and have to borrow less than Scenario 1 and Scenario 2A or \$46,745,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$46,745,000 to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out, of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and protect the overall financial position of the City from having a financial negative outlook.

Assumptions of Scenario 2A with the following updates: Scenario 2.2A Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.						
No Cashflow Deficit in Year 1 Reserve goal in 3-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$20,757,000	\$13,403,000	\$46,745,000
Reserves	\$10,239,000	\$12,728,000	\$25,222,000	\$25,745,000	\$27,104,000	
Rate Increases	10.00%	7.00%	7.00%	6.00%	6.00%	Cumulative 41.51%
Typical Bill ²	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.27	\$3.49	\$3.23	\$3.36	<i>\$17.57</i>
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2.2B: CIP with an Outlook to the Future, Full IUF Beginning FY 2019-20, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2017-18

Updates from Scenario 2B: Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has an initial lower rate increase of 5.25% compared to Scenarios 1, 2A, and 2.2A and continues to be at the same level for years FY 2018-19 through FY 2012-22.
- Suspension of the IUF in in FY 2017-18 and FY 2018-19 allows the buildup of reserves to begin in FY 2017-18.
- The capital improvement program allows for the City to take care of urgent capital improvements with a cost of \$78,890,000, but must borrow more than Scenario 2A and 2.2A or \$55,840,000.
- Cash would have to build up in the first two years to allow the City to able to borrow \$55.840 million to complete projects.
- The City can reach the City Council's adopted financial policies for reserves in four years or be delayed by one year compared to Scenarios 1 and 2A.
- The debt coverage policy is met in the first year of adoption of this scenario, which is the same period as Scenario 2A.
- This scenario will allow the wastewater utility fund to improve its credit rating over time.

Assumptions of Scenario 2B with the following updates: Scenario 2.2B Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.						
Reserve goal in 4-years Debt coverage policy met in year 1 Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$19,518,000	\$55,840,000
Reserves	\$10,526,000	\$13,050,000	\$22,670,000	\$22,583,000	\$25,815,000	
Rate Increases	5.25%	5.25%	5.25%	5.25%	5.25%	Cumulative 29.15%
Typical Bill	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15	<i>Cumulative (Monthly)</i>
Increase	\$2.21	\$2.36	\$2.44	\$2.60	\$2.77	<i>\$12.38</i>
Notes: (1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI. (2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2.3: CIP with an Outlook to the Future, STREETS IUF Only, Begin to Build Reserves in FY 2017-18

Updates from Scenario 3: Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has a rate increase of 6.5 percent in FY 2017-18 and 2018-19, 5 percent in FY 2019-20 and 4 percent in FY 2020-21 and 2021-22.
- This scenario begins to build reserves in FY 2017-18 and meets the council policy in the third year or FY 2019-20.
- The CIP program allows the City to take care of urgent capital improvements with a cost of \$78,890,000, with bonding requirements of \$53,296,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$53,296,000 to complete projects.
- This scenario excludes public safety from the Infrastructure Use Fee. The general fund would need to make up this shortfall caused by the wastewater fund, an enterprise fund, to pay for public safety services provided by Police and Fire.
- The debt coverage policy is met in the first year of adoption of this scenario.
- This scenario estimates for a slight rise of rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating.

Assumptions of Scenario 3 with the following updates: Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.						
Scenario 2.3						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$16,974,000	\$53,296,000
Reserves	\$9,808,000	\$12,019,000	\$23,486,000	\$24,854,000	\$26,587,000	
Rate Increases	6.50%	6.50%	5.00%	4.00%	4.00%	Cumulative 28.81%
Typical Bill	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00	<i>Cumulative (Monthly)</i>
Increase	\$2.79	\$2.91	\$2.40	\$2.01	\$2.13	<i>\$12.23</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 6 Emergency CIP only, Freezes Rates at Current Levels, No New Borrowings, No IUF.

Reserve goal of 90 Days O&M plus 180 Days Debt Service met in year 1. Reserve goal of one year's depreciation met in year 5.

Debt coverage policy met in year 1

Approx. 3% per year increase in O&M

Focuses on emergency repairs and extended the life of the existing facilities

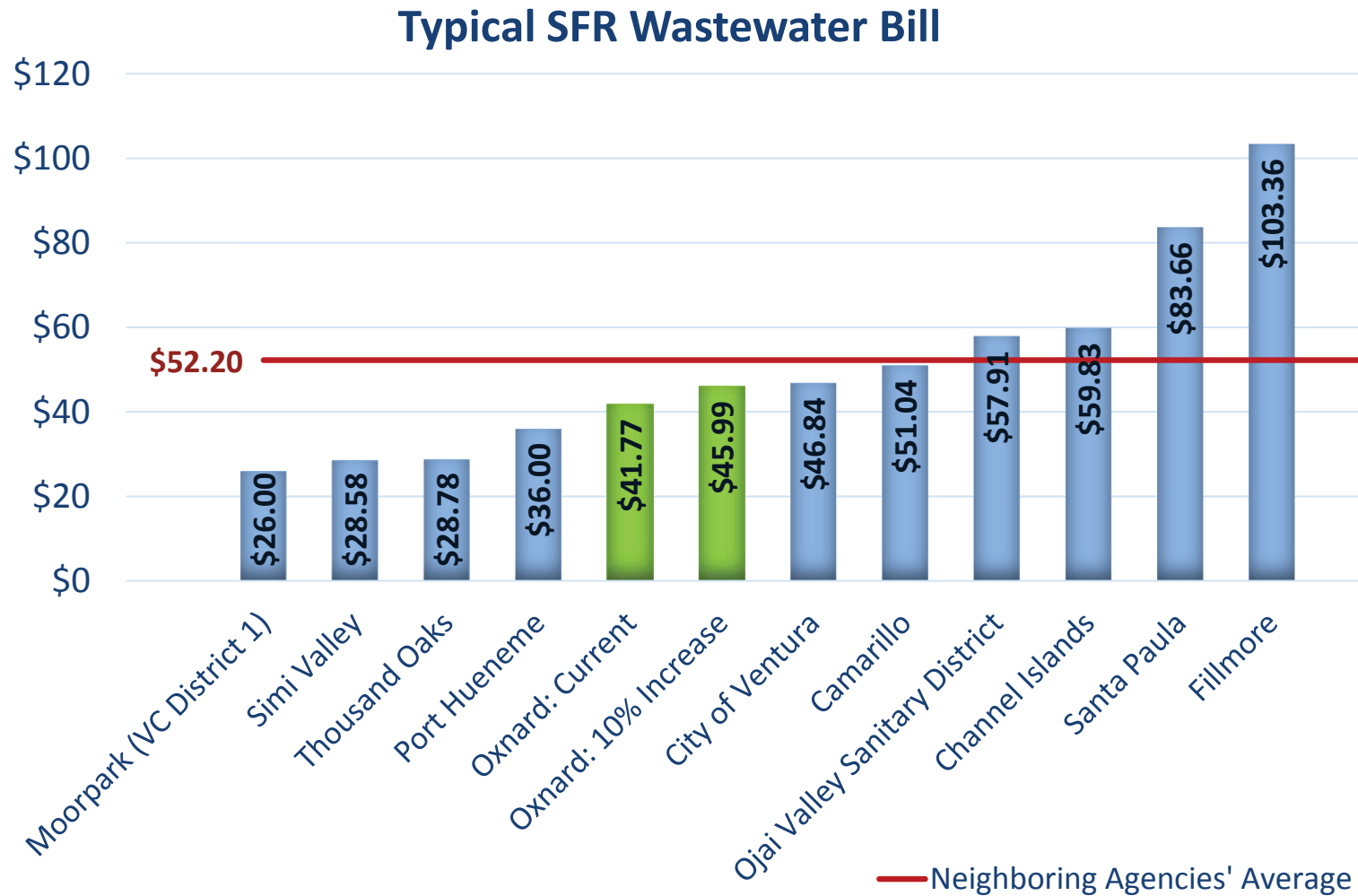
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$9,507,000	\$9,485,000	
Infrastructure Use Fee	\$0	\$0	\$0	\$0	\$0	
CIP (Current Dollars)¹	\$4,018,000	\$4,182,000	\$1,438,000	\$1,494,000	\$488,000	\$11,620,000
Bond Proceeds Required	\$0	\$0	\$0	\$0	\$0	\$0
Reserves	\$8,947,000	\$9,721,000	\$13,400,000	\$17,039,000	\$21,570,000	
Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	Cumulative 0.00%
Typical Bill	\$41.77	\$41.77	\$41.77	\$41.77	\$41.77	Cumulative (Monthly)
Increase	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Notes:

(1) Current dollar CIP costs are escalated at 3.2 per year in the financial model based on the long-term average of ENR-CCI.

(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.

Neighboring Agencies' SFR Bill Comparison



Note: Typical bill based on a median Oxnard SFR customer water use of 9 HCF (6,732 gallons) with an 80% return to sewer factor.

Scenario Comparisons

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 1	Enhanced Reliability CIP, Full IUF, Less time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.50%	7.50%	7.00%	7.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78
Monthly Increase		\$4.22	\$3.43	\$3.67	\$3.68	\$4.01
Scenario 2A	CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22
Monthly Increase		\$4.22	\$3.27	\$3.49	\$2.65	\$2.82
Scenario 2.2A	Assumptions of Scenario 2A with the following updates: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		10.00%	7.00%	7.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34
Monthly Increase		\$4.22	\$3.27	\$3.49	\$3.23	\$3.36
Scenario 2B	CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019/20					
Percent Increase		6.00%	6.00%	6.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15
Monthly Increase		\$2.57	\$2.67	\$2.86	\$3.04	\$3.24

Current Projected -->

FY 2016/17 FY 2017/18 FY 2018/19 FY 2019/20 FY 2020/21 FY 2021/22

Assumptions of Scenario 2B with the following updates:

Scenario 2.2B Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%
Typical Monthly Bill	\$41.77	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15
Monthly Increase		\$2.21	\$2.36	\$2.44	\$2.60	\$2.77

Scenario 3 CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20

Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03
Monthly Increase		\$1.72	\$1.76	\$1.88	\$1.93	\$1.98

Assumptions of Scenario 3 with the following updates:

Scenario 2.3 Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.

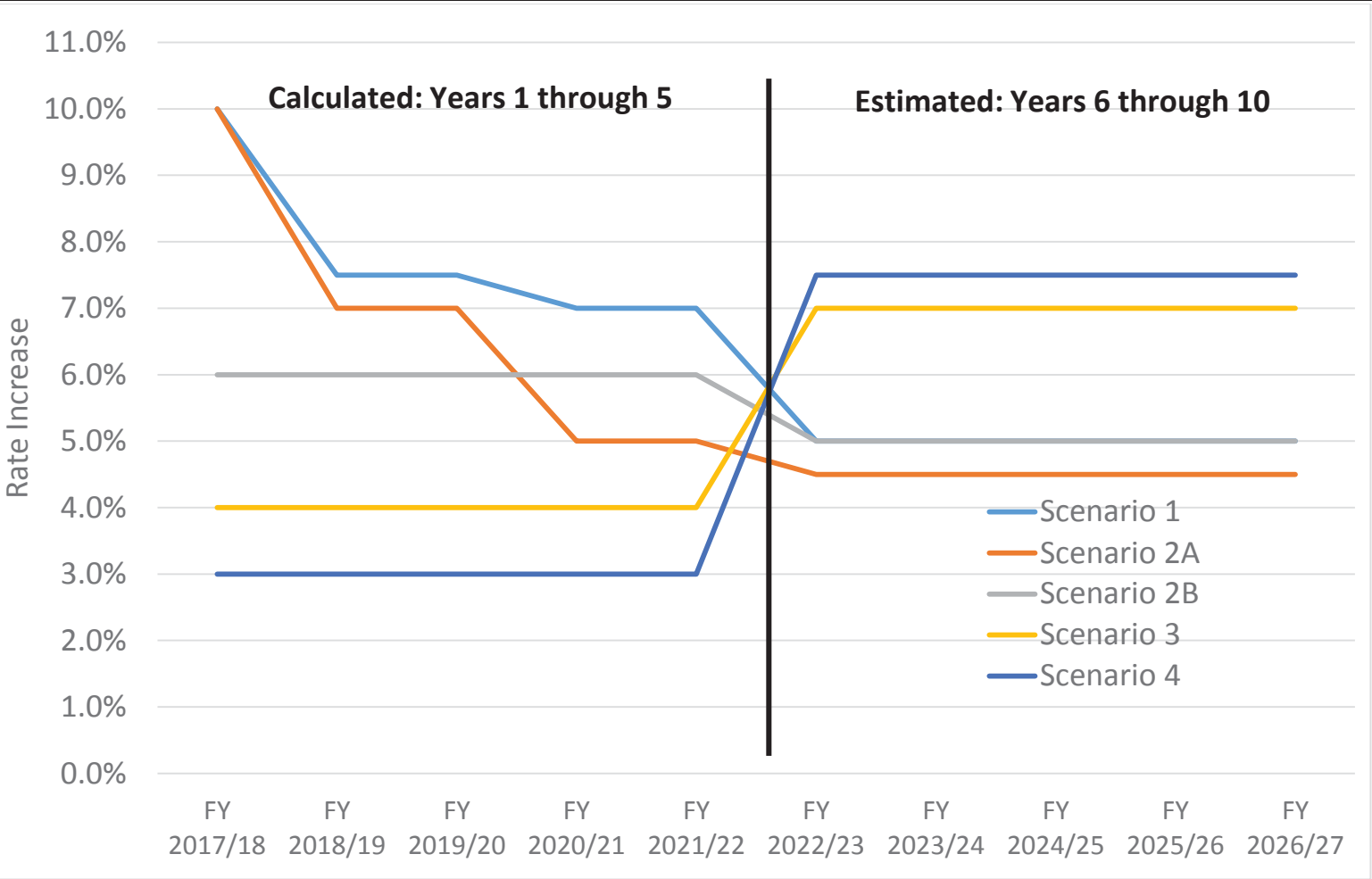
Percent Increase		6.50%	6.50%	5.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00
Monthly Increase		\$2.79	\$2.91	\$2.40	\$2.01	\$2.13

Scenario 4 Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20, Sets up for Future Spikes in Rates to Meet Future Cost Increases

Percent Increase		3.00%	3.00%	3.00%	3.00%	3.00%
Typical Monthly Bill	\$41.77	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60
Monthly Increase		\$1.28	\$1.31	\$1.34	\$1.43	\$1.46

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 5	CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18					
Percent Increase		8.25%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38
Monthly Increase		\$3.50	\$3.24	\$3.46	\$2.62	\$2.79
Scenario 6	Limited Emergency only, Freezes rates at current levels, no new borrowings, no IUF.					
Percent Increase		0%	0%	0%	0%	0%
Typical Monthly Bill	\$41.77	\$41.77	\$41.77	\$41.77	\$41.77	\$41.77
Monthly Increase		\$0	\$0	\$0	\$0	\$0

Scenario Comparison – Estimated year 6 to 10 rate increases for each of the tested Scenarios



Scenario Comparison – Estimated year 6 to 10 rate increases for each of the URAP requested Scenarios

