

Aerial view of City of Gilroy  
via Google Earth



*Draft Report for:*

## Comprehensive Water and Wastewater Utility Rate Study

August 2023



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# Section 1. Purpose and Overview of the Study

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## A. Purpose

The City of Gilroy (City) retained NBS to conduct a comprehensive utility rate study for its water and wastewater enterprise funds. The City had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The City's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the City in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for the City's enterprise funds, NBS worked cooperatively with City staff and the City Council (Council) in selecting the appropriate rate alternatives that address the City's goals and objectives. Based on input provided by City staff, NBS proposes the rates summarized in this report. The Council has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## B. Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1, and the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>2</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in Figure 1 represent the order in which they were performed in this study.

**Figure 1. Primary Components of a Rate Study**

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<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

<sup>2</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

## 1 FINANCIAL PLAN

Compares current sources and uses of funds and determines the revenue needed from rates and projects rate adjustments.

## 2 COST-OF-SERVICE ANALYSIS

Proportionally allocates revenue requirements to the customer classes in compliance with industry standards and State Law.

## 3 RATE DESIGN ANALYSIS

Considers the rate structure that best meets the City's need to collect rate revenue from various types of customers.

NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water and wastewater rates for the City using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the *Appendices*.

The City provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### FINANCIAL PLAN

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>3</sup>

### COST-OF-SERVICE ANALYSIS

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

For the sewer utility, the normal classification of sewer revenue requirements uses the following categories:

- Commodity related costs

<sup>3</sup> The complete financial plans are available in the *Appendices*.

- Capacity related costs
- Customer service related costs

However, a unique aspect of the City's sewer rates is the use of separate fixed charges to recover the costs of the monitoring, sampling, and pretreatment program costs.<sup>4</sup> These costs are significantly different between various non-residential customers, who have been placed into one of three categories:

- Significant/Categorical
- Non-Significant/Categorical
- Other Non-Residential

Because these costs are allocated directly to these three classes of non-residential customers, they are allocated directly to these classes; this adds a fourth classification category (i.e., monitoring, sampling, and pretreatment program costs). Together, these four allocation factors represent the cost allocation classifications used in the cost of service analysis. Further details are discussed below and documented in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and City staff worked together to develop rate alternatives that will meet the City's objectives. It is important for the City to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>5</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

<sup>4</sup> This methodology for recovering these program costs was first established in the City's 2015 rate study, and the City has decided to continue with this approach.

<sup>5</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and City staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

- **Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>6</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.
- **Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).
- **Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer's perspective and in terms of the City's rate administration.
- **Zonal Water Rates** – The City has chosen to reflect the cost variations due to pumping costs for moving water to the three elevation zones in the City. This is based on the higher costs for pumping-related energy costs and additional infrastructure for more pumping stations. However, the City has decided to only include the actual energy costs in the zonal water rates.
- **Tiered Water Charges** – The 2015 San Juan Capistrano court decision held that water agencies may only charge tiered rates if they can show that the tiered rates are proportionate to the agency's higher costs to serve those customers, meaning that caution must be used to ensure that customers are appropriately allocated costs that meet legal requirements. Although the City's current rates include two tiers for all water customers, tiered water rates have been discontinued because source of supply data and costs do not lend themselves to using tiered

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<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.



rates for the City's water customers and they would be difficult to defend under Prop 218 from a legal standpoint.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from City staff to meet specific utility objectives:

- **Funding of Capital Projects** – The capital improvement costs will be funded with a combination of cash in reserves and the additional revenue generated from the proposed rate increases. The capital projects listed in the financial plan are from the City's capital improvement program. The analysis assumes:
  - Capital costs attributable to existing customers are funded using rate revenue.
  - Capital costs attributable to growth are funded by revenue from the impact fee reserves.
- **Reserve Targets** – For each utility (i.e., water and wastewater), the City maintains reserves for operations, capital, and other specific needs. The details of each utility's reserve targets are covered in their respective section of this report.
- **Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:
  - Customer growth is estimated at 1.50% per year.
  - General cost inflation is set at 3.07% annually.
  - Labor cost inflation is set at 3.50% annually.
  - Energy cost inflation is set at 7.44% annually.
  - Fuel & Utilities cost inflation is set at 5.24% annually.
  - Water purchases inflation factor is set at 5.0% annually.

These inflation factors are based on long-term trends; therefore, the City should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder for the rate adoption period.

## Section 2. Water Rate Study

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### A. Key Water Rate Study Issues

The City's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates, including the zonal water rates.
- Maintaining adequate reserve levels to ensure continuity in operations.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by City staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the City Council. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the City.

The following are the basic components included in this analysis:

- **Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.
- **Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.
- **Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from City staff, the rates proposed in this report will collect 40% of the rate revenue from the fixed charge and 60% from the variable charges.

### B. Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and

generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the City's water utility, regarding these objectives, is as follows:

- **Meeting Net Revenue Requirements:** For FY 2023/24 through FY 2027/28, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$15.9 - \$18.8 million annually. If no rate adjustments are implemented, the City is projected to run an annual deficit of approximately \$2 million in FY 2023/24, increasing to more than \$3.9 million by FY 2027/28, and will be unable to meet its debt service coverage requirements in FY 2026/27 and FY 2027/28 when new debt service payments begin on the assumed bond issuance.
- **Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

The City's existing reserves are healthy and the challenge is to meet future revenue requirements and still maintain adequate reserves. NBS together with City staff have chosen to set the following reserve targets:

- **Operating Reserve** equal to 6 months of operating and maintenance expenses, or approximately \$8.2 million in FY 2023/24. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 6-month operating reserve to be a very conservative reserve fund target (i.e., most municipal water utilities use a 3- month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 50% of the average capital improvement costs over the 5-year rate adoption period; the five-year average is approximately \$8.2 million, so the target reserve is \$4.1 million. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers a 50% capital reserve target to be at the higher end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets, which in the City's case would be \$1.8 to \$3.6 million.
- **Funding Capital Improvement Projects:** The City must fund necessary capital improvements to maintain current service levels. City staff has identified roughly \$41 million in expected capital expenditures over the next five years (FY 2023/24 through FY 2027/28) which is an average of \$8.2 million in capital expenditures annually. This rate study assumes the City will be issuing \$16 million in revenue bonds in FY 2025/26 through FY 2027/28. Proceeds from these revenue bonds along

with the recommended rate increases, enable the City to fund these capital expenditures without exhausting the existing reserves, although reserves will decrease significantly over the next five years, they are projected to end at about the target reserve level.

- **Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be nearly 1.5% annually. This factor was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index,<sup>7</sup> were used in projecting expenses.
- **Maintaining Adequate Bond Coverage:** Although the water utility currently has no outstanding debt, this analysis assumes that the City will be issuing \$16 million in new debt to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new revenue bonds include a minimum debt service coverage ratio of 1.25. The benefit of maintaining a higher coverage ratio is that it strengthens the City's credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next 5 years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Sources of Water Funds</b>						
User Fees	\$ 13,665,000	\$ 13,939,000	\$ 14,218,000	\$ 14,431,270	\$ 14,647,739	\$ 14,867,455
Other Revenue	105,000	110,000	112,000	113,680	115,385	117,116
Bank Interest	488,737	499,621	509,514	5,075	5,151	5,228
<b>Total Sources of Funds</b>	<b>\$ 14,258,737</b>	<b>\$ 14,548,621</b>	<b>\$ 14,839,514</b>	<b>\$ 14,550,025</b>	<b>\$ 14,768,275</b>	<b>\$ 14,989,800</b>
<b>Uses of Water Funds</b>						
Water Administration	\$ 2,759,176	\$ 3,460,721	\$ 3,533,818	\$ 3,636,249	\$ 3,748,440	\$ 3,864,096
Finance Water Utility Billing	873,507	1,047,309	1,077,076	1,095,995	1,133,828	1,172,968
Water Operations	4,983,992	6,952,444	6,568,972	6,810,814	7,061,889	7,322,564
Valley Water	3,293,972	4,641,000	4,873,050	5,116,703	5,372,538	5,641,165
Additional Capital Expenditures	-	404,450	404,450	-	-	-
Debt Service	-	-	-	-	453,067	906,134
Rate-Funded Capital Expenses	-	-	-	-	-	-
<b>Total Use of Funds</b>	<b>\$ 11,910,647</b>	<b>\$ 16,505,924</b>	<b>\$ 16,457,366</b>	<b>\$ 16,659,760</b>	<b>\$ 17,769,761</b>	<b>\$ 18,906,927</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 2,348,090</b>	<b>\$ (1,957,303)</b>	<b>\$ (1,617,852)</b>	<b>\$ (2,109,735)</b>	<b>\$ (3,001,486)</b>	<b>\$ (3,917,128)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	557,560	1,745,841	2,900,027	3,817,967	4,624,944
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 11,316,910</b>	<b>\$ 15,896,303</b>	<b>\$ 15,835,852</b>	<b>\$ 16,541,005</b>	<b>\$ 17,649,225</b>	<b>\$ 18,784,583</b>
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 2,348,090</b>	<b>\$ (1,399,743)</b>	<b>\$ 127,988</b>	<b>\$ 790,292</b>	<b>\$ 816,481</b>	<b>\$ 707,816</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>6.00%</b>	<b>4.00%</b>	<b>4.00%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.80</b>	<b>1.78</b>

1. Revenue from rate increases assumes an implementation date of January 1, 2024 for new rates. For each year thereafter, the assumption is that new rates will also be implemented on January 1st of each year.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Bank Interest)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the City's unrestricted funds. A detailed version of the proposed 5-year financial plan is included in *Appendix A*. The tables in the appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the City's funding requirements.

<sup>7</sup> Consumer Price Index for all urban consumers in the San Francisco area. Source: Website: <https://www.bls.gov/cpi/>.



**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Operating Reserve</b>						
Ending Balance	\$ 5,955,000	\$ 4,555,257	\$ 4,683,245	\$ 5,473,537	\$ 6,290,019	\$ 6,997,835
<i>Recommended Minimum Target</i>	<i>5,955,000</i>	<i>8,253,000</i>	<i>8,229,000</i>	<i>8,330,000</i>	<i>8,658,000</i>	<i>9,000,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 25,382,158	\$ 22,643,278	\$ 8,114,397	\$ 7,583,609	\$ 7,583,609	\$ 7,217,830
<i>Recommended Minimum Target</i>	<i>4,140,000</i>	<i>4,140,000</i>	<i>4,140,000</i>	<i>4,140,000</i>	<i>4,140,000</i>	<i>4,140,000</i>
<b>Total Ending Balance</b>	<b>\$ 31,337,158</b>	<b>\$ 27,198,535</b>	<b>\$ 12,797,642</b>	<b>\$ 13,057,146</b>	<b>\$ 13,873,627</b>	<b>\$ 14,215,665</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 10,095,000</i>	<i>\$ 12,393,000</i>	<i>\$ 12,369,000</i>	<i>\$ 12,470,000</i>	<i>\$ 12,798,000</i>	<i>\$ 13,140,000</i>

## C. Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the City's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The City's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the *Appendices* show how the City's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

## FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>8</sup>

NBS functionalized the City's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 40% fixed and 60% variable (i.e., volumetric). However, the City's current rates collect revenue from customers in proportions of approximately 30% fixed and 70% variable. City staff agrees with NBS that the current rate design is not reflective of the actual cost distribution as determined by the cost of service analysis. Therefore, the proposed new rates are based on the 40% fixed and 60% variable allocations. NBS also evaluated the current 30% fixed/70% variable rate structure and compares the results below.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	ALT. 1 (Preferred) (40% Fixed / 60% Variable)		ALT. 2 (30% Fixed / 70% Variable)	
	Net Rev. Reqts (FY 2023/24)		Net Rev. Reqts (FY 2023/24)	
Commodity-Related Costs	\$ 9,032,472	60.0%	\$ 10,537,884	70.0%
Capacity-Related Costs	4,516,236	30.0%	3,161,365	21.0%
Customer-Related Costs	1,505,412	10.0%	1,354,871	9.0%
<b>Net Revenue Requirement</b>	<b>\$ 15,054,120</b>	<b>100.0%</b>	<b>\$ 15,054,120</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements – Preferred Rate Alternative**

Customer Classes	Classification Components			Cost of Service Net Revenue Requirements
	VARIABLE	FIXED		
	Commodity- Related Costs	Capacity- Related Costs	Customer- Related Costs	
Residential	\$ 5,470,437	\$ 2,758,274	\$ 1,312,941	\$ 9,541,651
Multi-Family	1,053,245	426,815	50,558	1,530,618
Commercial/Industrial	1,354,175	561,903	83,348	1,999,425
Institutional	155,983	103,540	3,302	262,825
Landscape	937,767	611,068	50,019	1,598,854
City Account	239	98	3,399	3,737
Hydrant	60,626	54,538	1,845	117,010
Total Net Revenue Requirement	\$ 9,032,472	\$ 4,516,236	\$ 1,505,412	\$ 15,054,120

<sup>8</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

## D. Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. Customer classes are most often identified as single-family, multi-family, commercial, landscape, etc., and the City follows this common methodology. The rates proposed in this report follow a similar structure where the fixed charges within each customer class vary by meter size while all customers are charged a uniform volumetric rate based on zones.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs as a part of COSA to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Customer Class	FY 2021/22 (1,000 Gal.yr.)	FY 2021/22 % of Total Volume (TG/Yr.)
Residential	1,348,786	60.6%
Multi-Family	259,687	11.7%
Commercial/Industrial	333,884	15.0%
Institutional	38,459	1.7%
Landscape	231,215	10.4%
City Account	59	0.0%
Hydrant	14,948	0.7%
<b>Total</b>	<b>2,227,038</b>	<b>100%</b>

**Figure 7** shows the peaking factors for each customer class. A “peaking factor” is the relationship between the average use by meter size to its peak use.

**Figure 7. Peaking Factors by Customer Class**

Customer Class	Average Monthly Use (TG)	Peak Monthly Use (TG)	Peak Monthly Factor	Max Month Capacity Factor
Residential	112,399	168,922	1.50	61.1%
Multi-Family	21,641	26,139	1.21	9.5%
Commercial/Industrial	27,824	34,412	1.24	12.4%
Institutional	3,205	6,341	1.98	2.3%
Landscape	19,268	37,423	1.94	13.5%
City Account	5	6	1.22	0.0%
Hydrant	1,246	3,340	2.68	1.2%
<b>Total</b>	<b>185,586</b>	<b>276,583</b>	<b>1.49</b>	<b>100%</b>

Both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events are generally allocated to each meter size according to its contribution to peak capacity events. These peaking factors are used to allocate the capacity-related costs to each customer class and are described in more detail later in this study.

**Figure 8** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 8. Number of Meters by Customer Class**

Customer Class	No. of Meters FY 2021/22 <sup>1</sup>	Percent of Total
Residential	13,518	<b>87.2%</b>
Multi-Family	521	<b>3.4%</b>
Commercial/Industrial	858	<b>5.5%</b>
Institutional	34	<b>0.2%</b>
Landscape	515	<b>3.3%</b>
City Account	35	<b>0.2%</b>
Hydrant	19	<b>0.1%</b>
<b>Total</b>	<b>15,500</b>	<b>100.0%</b>

1. Meter count data is based on the City's billing data for June 2022.

## E. Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 40%/60% (preferred) and 30%/70% rate designs with City staff over the course of this study. Ultimately, City staff selected the 40%/60% rate alternative, as it is closest to the actual cost of service based on NBS' analysis. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the City's water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing two-tiers. The following section describe how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### *Fixed Service Charges*

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. There are two components that comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with a higher peaking ratio is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower peaking ratios. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.



Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system's capacity.<sup>9</sup> The potential capacity demands (peaking) is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>10</sup> The AWWA capacity ratios used for this report are shown in **Figure 9**.

**Figure 9. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Meter Capacity (gpm) <sup>1</sup>	Equivalency to 1-inch
<i>Displacement Meters</i>		
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class I Meters</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
<i>Turbine Class II Meters</i>		
10 inch	4,200	140.00

1. Per AWWA M-1, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate "equivalent" meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 10** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 10. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential	4,445	8,273	172	459	167	2	0	0	0	13,518
Multi-Family	137	203	84	56	24	17	0	0	0	521
Commercial/Industrial	251	330	0	249	10	14	3	0	1	858
Institutional	0	1	0	15	8	9	1	0	0	34
Landscape	34	182	79	212	4	4	0	0	0	515
City Account	5	7	1	19	2	1	0	0	0	35
Hydrant	0	0	0	0	19	0	0	0	0	19
Total Meters/Accounts	4,872	8,996	336	1,010	234	47	4	0	1	15,500
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	140.00	
Total Equivalent Meters	4,872	14,993	1,120	5,387	2,496	783	133	0	140	29,925

1. Meter by Class and Size are based on June 2022 customer billing data.

2. Source: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1

Using the costs allocated to each customer class from Figure 5, **Figure 11** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of

<sup>9</sup> System capacity is the system's ability to supply water to all delivery points at the time when demanded.

<sup>10</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

**Figure 11. Calculation of Fixed Service Charges**

Number of Meters by Class and Size <sup>1</sup>	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential	4,445	8,273	172	459	167	2	0	0	0	13,518
Multi-Family	137	203	84	56	24	17	0	0	0	521
Commercial/Industrial	251	330	0	249	10	14	3	0	1	858
Institutional	0	1	0	15	8	9	1	0	0	34
Landscape	34	182	79	212	4	4	0	0	0	515
City Account	5	7	1	19	2	1	0	0	0	35
Hydrant	0	0	0	0	19	0	0	0	0	19
<b>Total Meters/Accounts</b>	<b>4,872</b>	<b>8,996</b>	<b>336</b>	<b>1,010</b>	<b>234</b>	<b>47</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>15,500</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	<i>140.00</i>	
<b>Total Equivalent Meters</b>	<b>4,872</b>	<b>14,993</b>	<b>1,120</b>	<b>5,387</b>	<b>2,496</b>	<b>783</b>	<b>133</b>	<b>0</b>	<b>140</b>	<b>29,925</b>
<b>Monthly Fixed Service Charges</b>										
Customer Costs (\$/Acct/month) <sup>3</sup>	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$12.58	\$20.96	\$41.92	\$67.08	\$134.15	\$209.61	\$419.22	\$670.76	\$1,760.74	
<b>Total Monthly Meter Charge</b>	<b>\$20.67</b>	<b>\$29.05</b>	<b>\$50.02</b>	<b>\$75.17</b>	<b>\$142.24</b>	<b>\$217.70</b>	<b>\$427.32</b>	<b>\$678.85</b>	<b>\$1,768.83</b>	
<b>Annual Fixed Costs Allocated to Monthly Meter Charges</b>										
Customer Costs	\$ 1,505,412									
Capacity Costs	4,516,236									
<b>Total Fixed Meter Costs</b>	<b>\$ 6,021,648</b>									
<b>Annual Revenue from Monthly Meter Charges</b>										
Customer Charges	\$ 473,185	\$ 873,722	\$ 32,633	\$ 98,095	\$ 22,727	\$ 4,565	\$ 388	\$ -	\$ 97	\$ 1,505,412
Capacity Charges	\$ 735,283	\$ 2,262,797	\$ 169,031	\$ 812,957	\$ 376,697	\$ 118,221	\$ 20,123	\$ -	\$ 21,129	\$ 4,516,236
<b>Total Rev. from Mo. Meter Charges</b>	<b>\$ 1,208,468</b>	<b>\$ 3,136,518</b>	<b>\$ 201,664</b>	<b>\$ 911,051</b>	<b>\$ 399,424</b>	<b>\$ 122,786</b>	<b>\$ 20,511</b>	<b>\$ -</b>	<b>\$ 21,226</b>	<b>\$ 6,021,648</b>

1. Meter by Class and Size are based on June 2022 customer billing data.

2. Source: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1

3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.

4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

## Volumetric Rates

Currently, the City uses a 2-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

**Figure 12** shows the calculation of the uniform tier rate per unit of water for all customers, including the basic commodity rate (without pumping costs) and rates for each zone (including pumping costs).

**Figure 12. Uniform Tier Rates for FY 2023/24**

Customer Classes	Water Use (TG/yr.) <sup>1</sup>	% of Total Water Use	Total Vol. Rev. Reqts. (Excl. Pumping)	Uniform Commodity Rates (\$/TG)	Uniform Commodity Rates Including Pumping Costs (\$/TG)		
					Zone 1	Zone 2	Zone 3
Residential - Tier 1	1,348,786	60.6%	\$ 4,912,312	\$3.64	\$4.00	\$4.37	\$4.73
Multi-Family	259,687	11.7%	945,787	\$3.64	\$4.00	\$4.37	\$4.73
Commercial/Industrial	333,884	15.0%	1,216,014	\$3.64	\$4.00	\$4.37	\$4.73
Institutional	38,459	1.7%	140,069	\$3.64	\$4.00	\$4.37	\$4.73
Landscape	231,215	10.4%	842,091	\$3.64	\$4.00	\$4.37	\$4.73
City Account	59	0.0%	215	\$3.64	\$4.00	\$4.37	\$4.73
Hydrant	14,948	0.7%	54,441	\$3.64	\$4.00	\$4.37	\$4.73
<b>Total Potable Water</b>	<b>2,227,038</b>	<b>39.4%</b>	<b>\$ 8,110,929</b>				
<b>Pumping Costs</b>			<b>921,543</b>				
<b>Total Volumetric Reve. Reqts.</b>			<b>\$ 9,032,472</b>				

## F. Proposed Water Rates

The City's previous rate study was completed eight years ago in 2015. Since then, the underlying cost factors (e.g., consumption by class, number of meters, peaking factors) have changed. The cost-of-service analysis by nature "re-balances" how costs are allocated between customer classes and, as a result, there

are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

**Figure 13** provides a comparison of the current and proposed water rates for FY 2023/24 through 2027/28 for each customer class and meter size. Projected rates for each fiscal year<sup>11</sup> reflect adjustments based on the cost-of-service analysis, the 40% fixed/60% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in Appendix A.

**Figure 13. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Service Charges						
Meter Size						
3/4 inch	\$11.53	\$20.67	\$22.32	\$23.66	\$24.61	\$25.59
1 inch	\$19.24	\$29.05	\$31.38	\$33.26	\$34.59	\$35.98
1 1/2 inch	\$38.47	\$50.02	\$54.02	\$57.26	\$59.55	\$61.93
2 inch	\$61.55	\$75.17	\$81.18	\$86.05	\$89.50	\$93.08
3 inch	\$115.39	\$142.24	\$153.62	\$162.84	\$169.36	\$176.13
4 inch	\$192.30	\$217.70	\$235.12	\$249.23	\$259.20	\$269.57
6 inch	\$384.62	\$427.32	\$461.50	\$489.19	\$508.76	\$529.11
8 inch	\$615.37	\$678.85	\$733.16	\$777.15	\$808.23	\$840.56
10 inch	\$884.50	\$1,768.83	\$1,910.34	\$2,024.96	\$2,105.95	\$2,190.19
Variable Charges for All Water Consumed (\$/1,000 gallons (or TG))						
Residential Customers - Tiered Volumetric Rates		Uniform Vol. Rates				
Tier 1 - Zone 1	\$4.39	\$4.00	\$4.32	\$4.58	\$4.77	\$4.96
Tier 1 - Zone 2	\$4.93	\$4.37	\$4.72	\$5.00	\$5.20	\$5.41
Tier 1 - Zone 3	\$5.52	\$4.73	\$5.11	\$5.41	\$5.63	\$5.85
Tier 2 ( more than 20 TG)						
Tier 2 - Zone 1	\$4.93	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 2	\$5.47	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 3	\$6.06	N.A.	N.A.	N.A.	N.A.	N.A.

*Note: The proposed rates for FY23/24 will be implemented January 1, 2024, and annually on January 1 for subsequent fiscal years thereafter*

## G. Comparison of Current and Proposed Water Bills

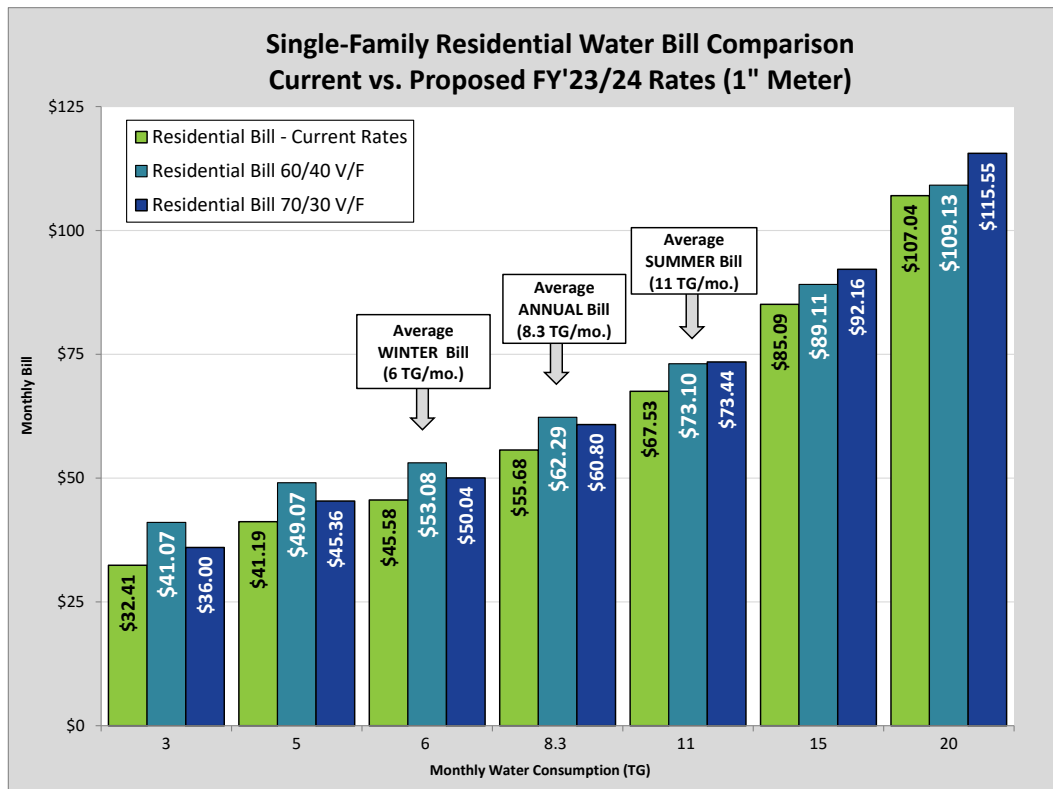
**Figure 14** and **Figure 15** compare a range of monthly water bills under the current and proposed water rates for residential and commercial customers, including the bills for Alternative 2, the 70% fixed/30% variable option. These monthly bills are based on typical meter sizes and highlight the average consumption levels for each customer.

These bill comparisons assume that financial plan projections remain accurate. However, some costs that are outside of the City's control could change, such as the cost of water purchased from Valley Water.

<sup>11</sup> All rate adjustments are scheduled to be effective on January 1, 2024.

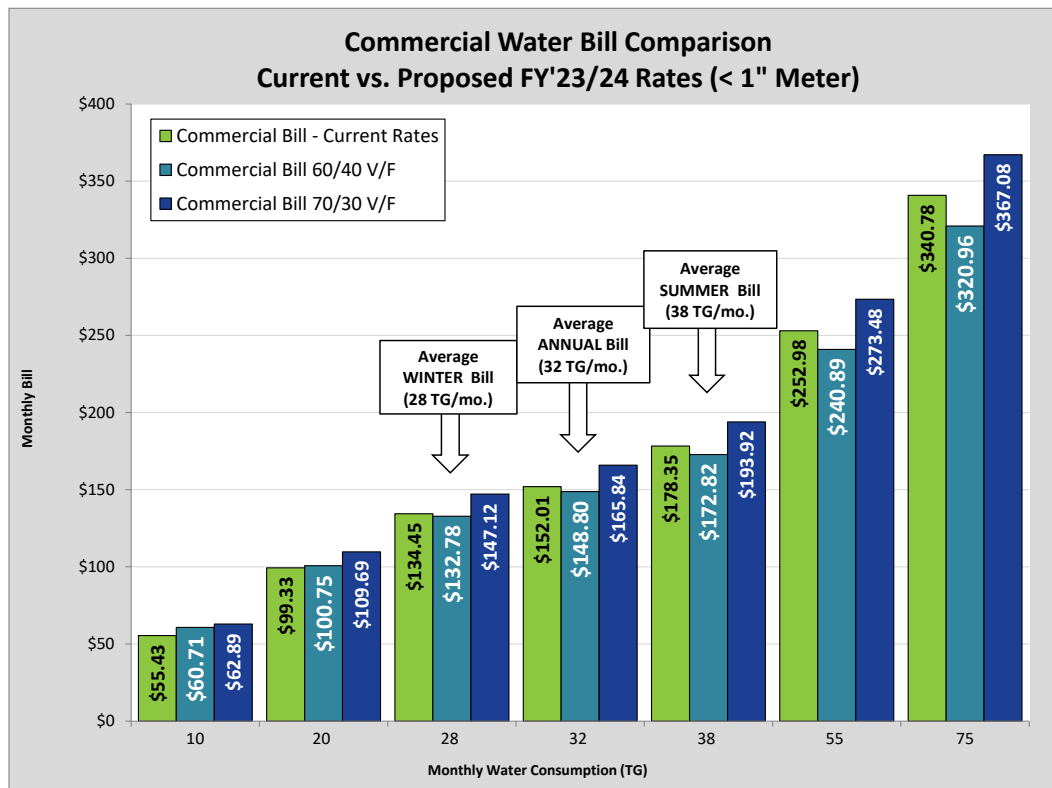
There is a “pass-through” provision that allows the City to make adjustments to water rates if these types of costs exceed those in the City’s projections.

**Figure 14. Monthly Water Bill Comparison for Residential Customers**



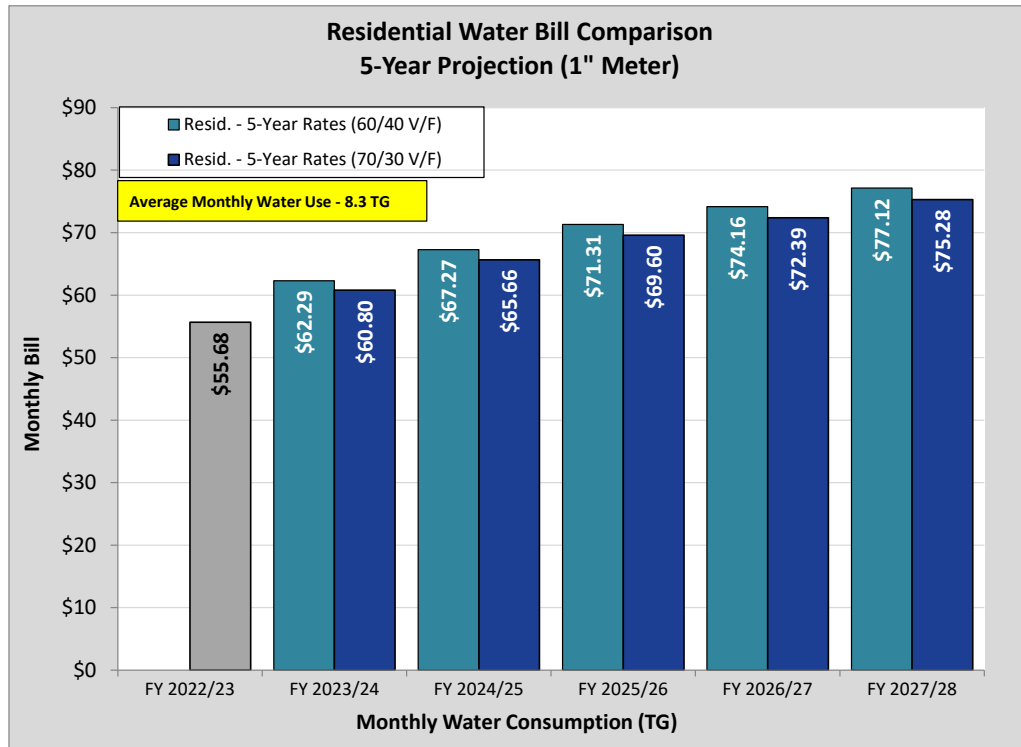


**Figure 15. Monthly Water Bill Comparison for Commercial Customers**



**Figure 16** and **Figure 17** compare the single-family and commercial water bills for the five-year rate adoption period assuming average consumption levels.

**Figure 16. Residential Water Bills – 5-Years**



**Figure 17. Commercial Water Bills – 5-Years**

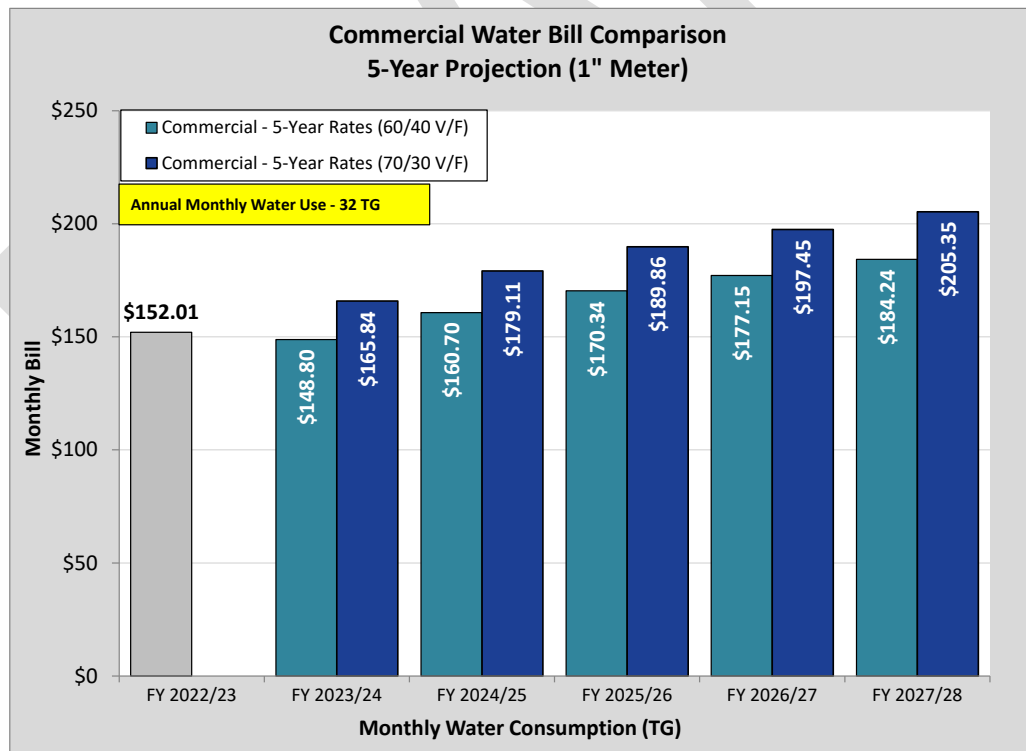
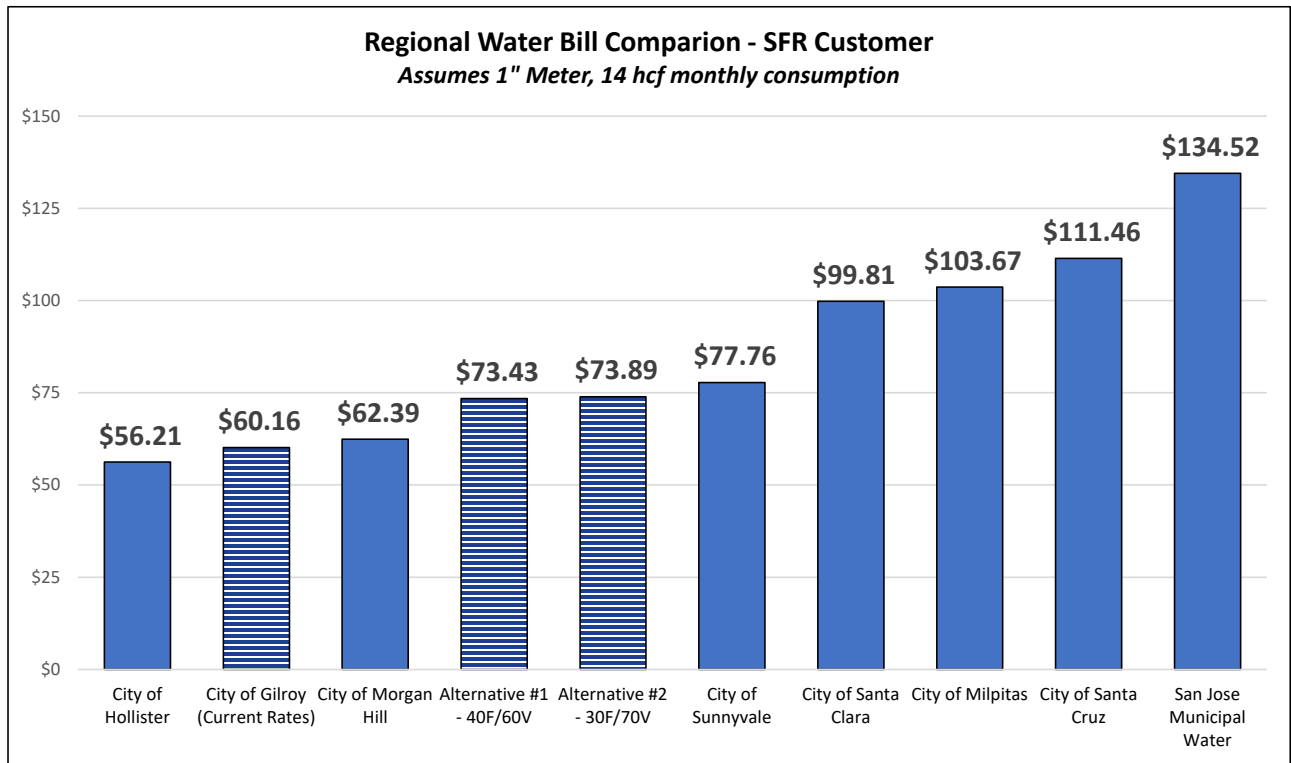


Figure 18 presents a comparison of residential water rates for similar communities.

**Figure 18. Residential Bills Comparison for Similar Communities**



## Section 3. Wastewater Rate study

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### A. Key Wastewater Rate Study Issues

The City's wastewater rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process based on both fixed monthly charges and volumetric rates.
- Maintain adequate reserve levels to ensure continuity in operations.
- Ensure adequate funding for the utility's capital projects, due to the level of capital investment planned over the next five years.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### B. Financial Plan

Like the water utility, it is important for the wastewater utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves.

The wastewater utility's rate increases are governed by these needs, and the current state of the City's wastewater utility is as follows:

- **Meeting Net Revenue Requirements:** For FY 2023/24 through FY 2027/28, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the City averages approximately \$13.1 million to \$17.1 million annually. If no rate increases are implemented, the City is projected to run an annual deficit of approximately \$280,000 beginning in FY 2024/25 but increasing to \$2.7 million by FY 2027/28, and the utility would struggle to meet its debt service coverage requirements.
- **Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The reserve funds for the wastewater utility are considered unrestricted reserves and consist of the following:
  - **Operating Reserve:** The target ending fund balance for the operating reserve is equal to six months of operating expenses, or approximately \$6.8 million in FY 2023/24. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
  - **Capital Rehabilitation & Replacement Reserve** equal to 50% of the average capital improvement costs over the 5-year rate adoption period which is approximately \$4.4 million.



This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

- **Maintaining Adequate Bond Coverage:** The City is required by the rate covenants of the 2021A Wastewater Revenue Bonds to maintain a minimum debt service coverage ratio of 1.25. The benefit of maintaining a coverage ratio higher than 1.25 is that it strengthens the City credit rating which helps lower interest rates for debt-funded capital projects and can reduce annual debt service payments. With the recommended rate increases, the City is projected to meet the debt coverage requirement for the five-year rate adoption period ending in FY 2027/28.

The recommended rate revenue increases are 4% annually throughout the 5-year rate adoption period.

**Figure 19** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in wastewater rate revenue proposed for the next 5 years. **Figure 20** summarizes the projected reserve fund balances and reserve targets for the wastewater utility's unrestricted funds.

**Figure 19. Summary of Wastewater Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Proj. Actuals	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Sources of Sewer Funds</b>						
User Fees	\$ 13,247,000	\$ 13,512,000	\$ 13,782,000	\$ 13,988,730	\$ 14,198,561	\$ 14,411,539
Interfund Transfer In	1,533,500	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000
Misc. Revenue & Interest Earnings <sup>2</sup>	992,066	649,871	397,017	15,619	15,853	16,091
<b>Total: Sources of Funds</b>	<b>\$ 15,772,566</b>	<b>\$ 16,405,871</b>	<b>\$ 16,423,017</b>	<b>\$ 16,248,349</b>	<b>\$ 16,458,414</b>	<b>\$ 16,671,630</b>
<b>Uses of Sewer Funds</b>						
7500 - Sewer Administration	\$ 3,606,254	\$ 2,143,559	\$ 2,202,325	\$ 2,339,468	\$ 2,481,991	\$ 2,625,123
7510 - Finance Sewer Utility Billing	921,605	1,037,477	1,083,341	1,120,978	1,159,924	1,200,226
7520 - Sewer Operations	2,758,341	4,362,836	4,320,125	4,464,460	4,613,637	4,767,818
SCWRA Oper. Costs (less Monit., Sampl., Pre-Tr.Costs)	5,715,995	6,146,815	6,517,038	6,781,500	6,989,600	7,207,300
Monitoring, Sampling, Pretreatment (Non-Resid. Co	N.A.	365,700	440,200	388,500	400,400	412,700
<b>Subtotal: Operating Expenses</b>	<b>\$ 13,002,195</b>	<b>\$ 13,690,686</b>	<b>\$ 14,122,829</b>	<b>\$ 14,706,406</b>	<b>\$ 15,245,153</b>	<b>\$ 15,800,467</b>
Debt Service	\$ 1,533,500	\$ 2,244,000	\$ 2,244,400	\$ 2,243,600	\$ 2,241,600	\$ 2,243,300
Rate-Funded Capital Expenses	-	75,401	335,906	211,300	755,038	1,334,115
<b>Total: Use of Funds</b>	<b>\$ 14,535,695</b>	<b>\$ 16,010,087</b>	<b>\$ 16,703,135</b>	<b>\$ 17,161,306</b>	<b>\$ 18,241,791</b>	<b>\$ 19,377,882</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 1,236,871</b>	<b>\$ 395,784</b>	<b>\$ (280,118)</b>	<b>\$ (912,957)</b>	<b>\$ (1,783,377)</b>	<b>\$ (2,706,252)</b>
Additional Revenue from Rate Increases <sup>1</sup>	\$ -	\$ 540,480	\$ 1,121,811	\$ 1,743,733	\$ 2,408,627	\$ 3,119,008
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 1,236,871</b>	<b>\$ 936,264</b>	<b>\$ 841,693</b>	<b>\$ 830,775</b>	<b>\$ 625,250</b>	<b>\$ 412,756</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>
<b>Debt Coverage After Rate Increase (1.25 required)</b>	<b>1.81</b>	<b>1.45</b>	<b>1.52</b>	<b>1.46</b>	<b>1.62</b>	<b>1.78</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 12,010,129</b>	<b>\$ 13,116,216</b>	<b>\$ 14,062,118</b>	<b>\$ 14,901,687</b>	<b>\$ 15,981,938</b>	<b>\$ 17,117,791</b>

1. Revenue from rate increases assumes an implementation date of January 1, 2024 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Bank Interest)].

**Figure 20. Summary of Wastewater Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Projected Actuals	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 6,501,000	\$ 6,845,000	\$ 7,061,000	\$ 7,353,000	\$ 7,623,000	\$ 7,900,000
<i>Recommended Minimum Target</i>	<i>6,501,000</i>	<i>6,845,000</i>	<i>7,061,000</i>	<i>7,353,000</i>	<i>7,623,000</i>	<i>7,900,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 12,942,049	\$ 13,495,633	\$ 11,271,248	\$ 8,151,561	\$ 6,946,887	\$ 5,648,582
<i>Recommended Minimum Target</i>	<i>4,420,000</i>	<i>4,420,000</i>	<i>4,420,000</i>	<i>4,420,000</i>	<i>4,420,000</i>	<i>4,420,000</i>
<b>Total Ending Balance</b>	<b>\$ 19,443,049</b>	<b>\$ 20,340,633</b>	<b>\$ 18,332,248</b>	<b>\$ 15,504,561</b>	<b>\$ 14,569,887</b>	<b>\$ 13,548,582</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 10,921,000</b>	<b>\$ 11,265,000</b>	<b>\$ 11,481,000</b>	<b>\$ 11,773,000</b>	<b>\$ 12,043,000</b>	<b>\$ 12,320,000</b>

A more detailed version of the utility's proposed 5-year financial plan is included in *Appendix B*. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the City's capital improvement program.

## C. Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as water consumption and number of equivalent dwelling units (EDUs), or accounts. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### CUSTOMER CLASSES AND ALLOCATION FACTORS

Customer classes are determined by combining customers with similar demand characteristics and types of use into categories that reflect the cost differentials to serve each type of customer. The most recent water consumption data was the basis for estimating the amount of flow that each customer class sends to the treatment plant.

**Figure 21** shows the development of the flow/volume allocation factors by customer class calculated by taking the lowest consecutive 3-month water usage for FY 2021/22 for residential customers, annualizing that usage, and using the annual consumption for non-residential customer classes.

**Figure 21. Development of the Flow Allocation Factor**

Customer Class	Consumption (TG/year) <sup>1</sup>	Number of Dwelling Units / Accounts <sup>2</sup>	Winter Consumption (Dec-Feb '21) <sup>3</sup>	Annualized Winter Consumption	Adjusted Annual Volume (gallons) <sup>3</sup>	Percentage of Adjusted Volume
<b>Residential Customers</b>						
Single-Family Residence	1,135,486	12,330	201,429	805,715	805,715,371	61.6%
Multi-Family Residence <sup>4</sup>	218,620	4,585	49,505	198,022	198,021,843	15.1%
<b>Non-Residential Customers</b>						
Low Strength	77,640	427			77,640,000	5.9%
Domestic Strength	98,610	253			98,610,000	7.5%
Medium Strength	53,149	55			53,149,000	4.1%
High Strength	74,067	128			74,067,000	5.7%
<b>Total:</b>	<b>1,657,571</b>	<b>17,778</b>	<b>250,934</b>	<b>1,003,737</b>	<b>1,307,203,214</b>	<b>100.0%</b>
1. Consumption data for residential customers is not available. Calculation of estimated consumption available in source file: FY 2021-22 Billing Journal Totals by Service v7.xlsx.						
2. SFR and MFR customers are based on the number of dwelling units and all other customers are based on the number of accounts.						
3. Annual consumption for all customer classes based on 12 months of water consumption.						
4. MFR dwelling units provided by the City. Source file: MFR Units.xlsx.						

Volumetric charges for non-residential customer classes were based on the annual consumption and their estimated effluent strengths (Residential customers do not have volumetric charges, just fixed monthly charges). **Figure 22** summarizes the development of the strength allocation factors by customer class. These strength-related percentages were used to allocate strength-related costs. (Note: Although residential customers do not have volumetric charges, their strengths, and their estimated pounds of BOD and TSS, are used to allocate capacity-related costs to single- and multi-family customers.)

**Figure 22. Development of the Strength Allocation Factor**

Customer Class	Annual Flow (gallons)	Biochemical Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Average Strength Factor (mg/l) <sup>1</sup>	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (me/l) <sup>1</sup>	Calculated TSS (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total
Residential Customers									
Single-Family Residence	805,715,371	205	1,377,532	2,755,063	51.4%	205	1,377,532	1,744,176	51.4%
Multi-Family Residence	198,021,843	205	338,558	677,116	12.6%	205	338,558	428,669	12.6%
Non-Residential Customers									
Low Strength	77,640,000	167	108,135	216,271	4.0%	167	108,135	136,917	4.0%
Domestic Strength	98,610,000	225	185,042	370,083	6.9%	225	185,042	234,293	6.9%
Medium Strength	53,149,000	400	177,305	354,610	6.6%	400	177,305	224,497	6.6%
High Strength	74,067,000	800	494,175	988,350	18.4%	800	494,175	625,705	18.4%
Total:	1,307,203,214		2,680,747	5,361,493	100.0%		2,680,747	3,394,256	100.0%
Total Annual from WWTP Data				5,361,493 BOD (lbs./yr.)				3,394,256 TSS (lbs./yr.)	
				2.00 BOD Adj. Factor				1.27 TSS Adj. Factor	

1. Avg. strength factors for BOD and TSS are from the CA State Water Resources Control Board, *Revenue Program Guidelines* (Appendix G), March 1998 Edition.

Figure 23 summarizes the development of the customer allocation factor.

**Figure 23. Development of the Customer Allocation Factor**

Customer Class	Number of Dwelling Units / Accounts	Percent of Total
<b>Residential Customers</b>		
Single-Family Residence	12,330	66.2%
Multi-Family Residence	4,585	24.6%
<b>Non-Residential Customers - Strength Classes</b>		
Low Strength	427	2.29%
Domestic Strength	253	1.36%
Medium Strength	55	0.30%
High Strength	128	0.69%
<b>Non-Residential Customers - Categorical Classes</b>		
Significant/Categorical	6	0.03%
Non-Significant/Categorical	458	2.46%
Other Non-Residential	387	2.08%
<b>Total:</b>	<b>18,628</b>	<b>100.0%</b>

## CLASSIFICATION AND ALLOCATION OF COSTS

As previously noted, costs are classified into the following four categories: (1) flow-related costs, (2) strength-related costs (BOD and TSS), (3) customer-related costs, and (4) direct allocation costs for monitoring, sampling, and pretreatment program costs. Most costs are typically allocated to more than one of these categories except for this last category in which costs, as implied by its name, are directly allocated to the three categories of non-residential customers (i.e., Significant/Categorical, Non-Significant/Categorical, and Other Non-Residential).

The City's budgeted costs were allocated to these four categories which serve as the basis for calculating the fixed and variable charges. Tables in Appendix B show how the City's expenses were classified and allocated to these cost-causation components.

Although the analysis of the classification of costs indicated that 44% of cost should be collected from volumetric charges and 56% from fixed charges<sup>12</sup>, these percentages don't really apply in the City's case because:

- Residential classes do not have a volumetric charge.
- Non-residential customers do not have a typical fixed charge that recovers system capacity and related fixed costs, just a volumetric charge based on their strength category.
- As mentioned above, non-residential classes do have a separate fixed charge for monitoring, sampling, and pretreatment program costs, but this is only for these directly allocated costs, not system capacity costs.

Figure 24 summarizes the allocation of the net revenue requirements to each cost causation component for the proposed rates.

**Figure 24. Allocation of Revenue Requirements by Customer Class**

Customer Class	Cost Classification Components						Cost of Service Net Rev. Req'ts.	% of COS Net Revenue Req'ts.
	Commodity	Capacity		Direct Allocation (Monitoring, Pretreat., etc.)		Customer		
		BOD	TSS	\$	Alloca. %			
Residential Customers								
Single-Family Residence	\$ 3,811,046	\$ 1,733,046	\$ 1,733,046			\$ 279,038	\$ 7,556,175	53.8%
Multi-Family Residence	936,646	425,933	425,933			103,762	1,892,275	13.5%
Non-Residential Customers								
Low Strength	\$ 367,238	\$ 136,043	\$ 136,043			\$ 9,663	\$ 648,988	4.6%
Domestic Strength	466,427	232,797	232,797			5,726	937,747	6.7%
Medium Strength	251,396	223,064	223,064			1,245	698,768	5.0%
High Strength	350,338	621,712	621,712			2,897	1,596,659	11.4%
Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs Only)						Fixed Charge Rev. Req'ts.		
Significant/Categorical				\$20,542	2.9%	136	\$20,678	0.1%
Non-Significant/Categorical				\$619,036	88.1%	10,354	\$629,390	4.5%
Other Non-Residential				\$63,046	9.0%	8,754	\$71,800	0.5%
Total	\$ 6,183,091	\$3,372,595	\$3,372,595	\$ 702,624		\$ 421,574	\$ 14,052,480	100.0%
1. Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs) are allocated on the basis of current/historical share of this program.								

1. Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs) are allocated on the basis of current/historical share of this program.

## D. Rate Design Analysis

During this rate study, NBS discussed with City staff various rate alternatives that collected revenue differently from fixed vs. variable charges. Ultimately, the rate alternative selected by City staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study which utilize wastewater strengths for various customers types based on values in the State water Resources Control Board guidelines,<sup>13</sup> (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer's perspective and easy to administrate from City staff's perspective.

### FIXED CHARGES

The fixed charge recognizes that the wastewater utility incurs fixed costs regardless of whether customers send any wastewater into the City's collection system. There are three factors used to develop the fixed charge: 1) the number of dwelling units for residential customers, 2) the number of accounts for non-

<sup>12</sup> FY 2021/22 data indicate sewer rates currently collect 75% of rate revenue from fixed charges and 25% from volumetric charges.

<sup>13</sup> The City's previous rate study showed domestic customer strengths for BOD and TSS of 200 to 225 mg/l (Table 1, page 5). Residential strength factors used here are the 205 mg/l shown in Table 22.

residential customers, and 3) the annual revenue requirement. The monthly fixed charge is calculated by taking 100% of total revenue requirements for residential customer classes and dividing by the number of accounts (for single-family) and by the number of dwelling units (for multi-family).

Non-residential fixed charges are based on the directly allocated monitoring, sampling, and pretreatment program costs and divided by the number of accounts in the three non-residential categorical customer classes (i.e., Non-Significant/Categorical, Significant/Categorical, and Other Non-Residential).

## VARIABLE CHARGES

The variable charges are calculated by dividing 100% of the annual net revenue requirements for the non-residential strength-related customer classes by the annual consumption.

The residential and non-residential fixed and variable charge calculations are summarized in **Figure 25**. The typical single-family residential customer has an average winter flow of 5.4 TG/month and strength factors of 205 mg/l for both BOD and TSS. Multi-family customers have an average winter flow of 3.6 TG/month and the same strength factors as single-family customers.

**Figure 25. Development of Fixed and Variable Charges**

Customer Class	No. of Dwelling Units / Accounts <sup>1</sup>	Annualized Consumption (Gallons) <sup>2</sup>	Annual Revenue Requirement			Mo. Fixed Charge Per EDU (Resid.) or Account (Non-Resid)	Volumetric Charge (\$/1,000 Gal.)
			Total	Fixed	Volumetric		
Residential - Monthly Fixed Rate							
Single-Family Residence	12,330	805,715,371	\$ 7,556,175	\$ 7,556,175		\$51.07	
Multi-Family Residence	4,585	198,021,843	1,892,275	1,892,275		\$34.39	
Non-Residential Customers							
Low Strength	427	77,640,000	\$ 648,988		\$ 648,988		\$8.36
Domestic Strength	253	98,610,000	937,747		937,747		\$9.51
Medium Strength	55	53,149,000	698,768		698,768		\$13.15
High Strength	128	74,067,000	1,596,659		1,596,659		\$21.56
Total	17,778	1,307,203,214	\$ 13,330,612	\$ 9,448,450	\$ 3,882,162		
Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs Only)							
Significant/Categorical <sup>3</sup>	6		\$20,678	\$ 20,678		\$287.19	
Non-Significant/Categorical <sup>3</sup>	458		629,390	629,390		\$114.64	
Other Non-Residential <sup>3</sup>	387		71,800	71,800		\$15.47	
Percent of Non-Resid. Rev. from Fixed vs. Vol. Charges			100.0%	0.0%	100.0%		

1. SFR and MFR customers are based on the number of dwelling units and all other customers are based on the number of accounts.

2. Residential customer consumption is the annualized average winter water consumption. Non-residential customers is total annual consumption.

3. Number of accounts estimated by dividing the annual fixed charge revenues by the current fixed charges (\$/account/month).

Also, the Significant, Non-Significant and Other Non-Residential accounts are included in the non-residential strength classes. They are shown here only for the calculation of the Monitoring, Sampling, and Pre-Treatment fixed charges.

## E. Proposed Wastewater Rates

The proposed wastewater rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 26** compares the current and proposed rates for FY 2023/24 through FY 2027/28 by customer class. While proposed rates in the first year (FY 2023/24) reflect the cost-of-service adjustments that often occur when they have not been updated in eight years, the projected rates for future years are strictly tied to annual rate increase in an “across-the-board” adjustment. More detailed tables on the development of the proposed rates are documented in *Appendix B*.

**Figure 26. Current vs. Proposed Wastewater Rates**

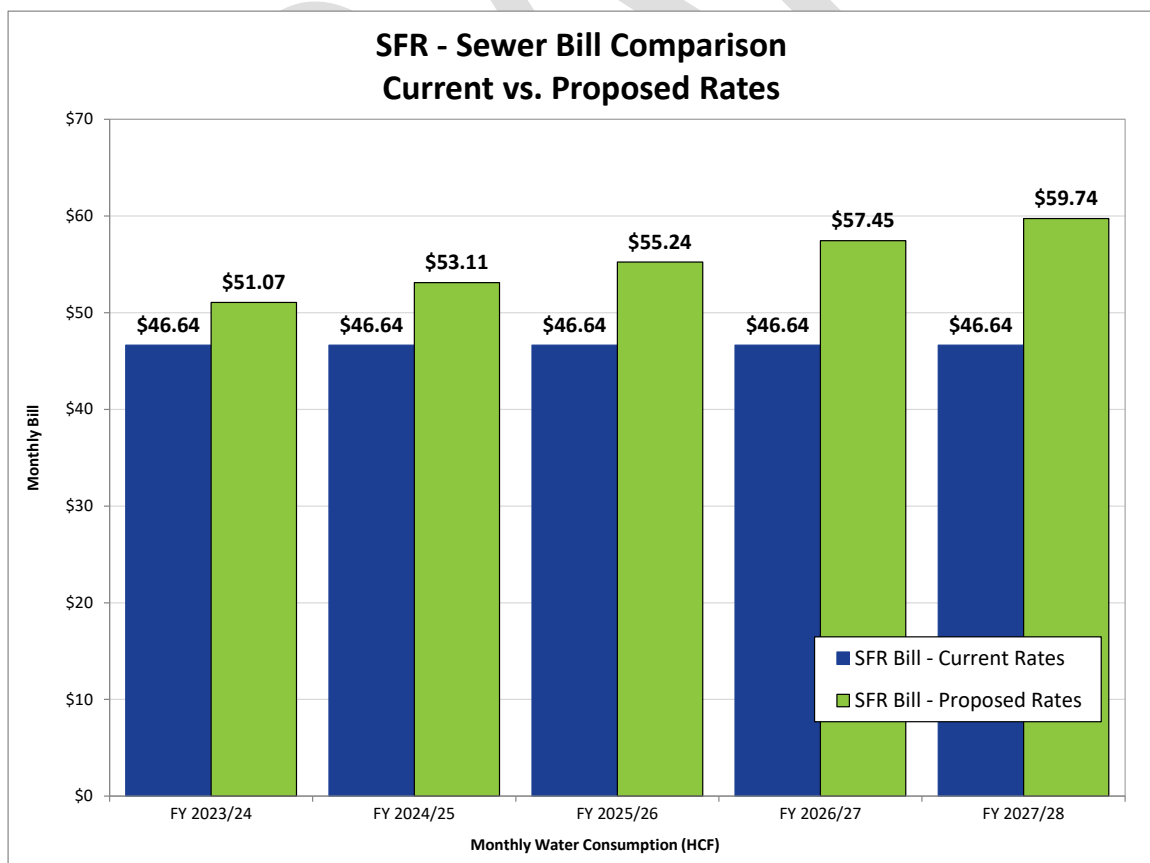
Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Charge						
Residential (100% Fixed)						
Single-Family Residence	\$46.64	\$51.07	\$53.11	\$55.24	\$57.45	\$59.74
Multi-Family Residence	\$33.13	\$34.39	\$35.77	\$37.20	\$38.69	\$40.23
Non-Residential Volumetric Rates						
Low Strength	\$7.41	\$8.36	\$8.69	\$9.04	\$9.40	\$9.78
Domestic Strength	\$9.21	\$9.51	\$9.89	\$10.29	\$10.70	\$11.12
Medium Strength	\$12.08	\$13.15	\$13.67	\$14.22	\$14.79	\$15.38
High Strength	\$18.63	\$21.56	\$22.42	\$23.32	\$24.25	\$25.22
Non-Residential - Monitoring & Pretreatment Program Base Rate Monthly Charges						
Significant/Categorical	\$240.95	\$287.19	\$298.68	\$310.63	\$323.05	\$335.98
Non-Significant/Categorical	\$95.22	\$114.64	\$119.22	\$123.99	\$128.95	\$134.11
Other Non-Residential	\$11.47	\$15.47	\$16.09	\$16.73	\$17.40	\$18.09

Note: The proposed rates for FY23/24 will be implemented on January 1, 2024, and annually on January 1 for subsequent fiscal years thereafter

## F. Comparison of Current and Proposed Wastewater Bills

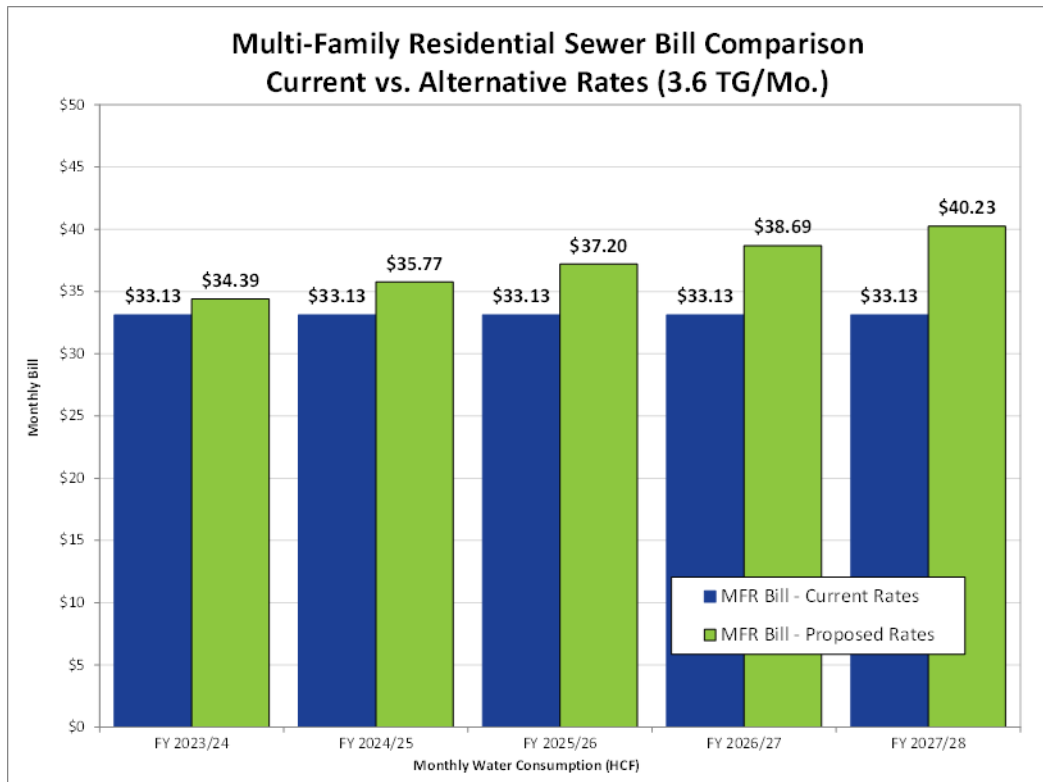
The following figures compare monthly wastewater bills under current and proposed rates for various customers over the 5-year rate period. These bill comparisons are calculated at typical levels of consumption. The last figure presents a comparison of residential sewer rates for similar communities.

**Figure 27. Single-Family Residential Wastewater Bill Comparison**

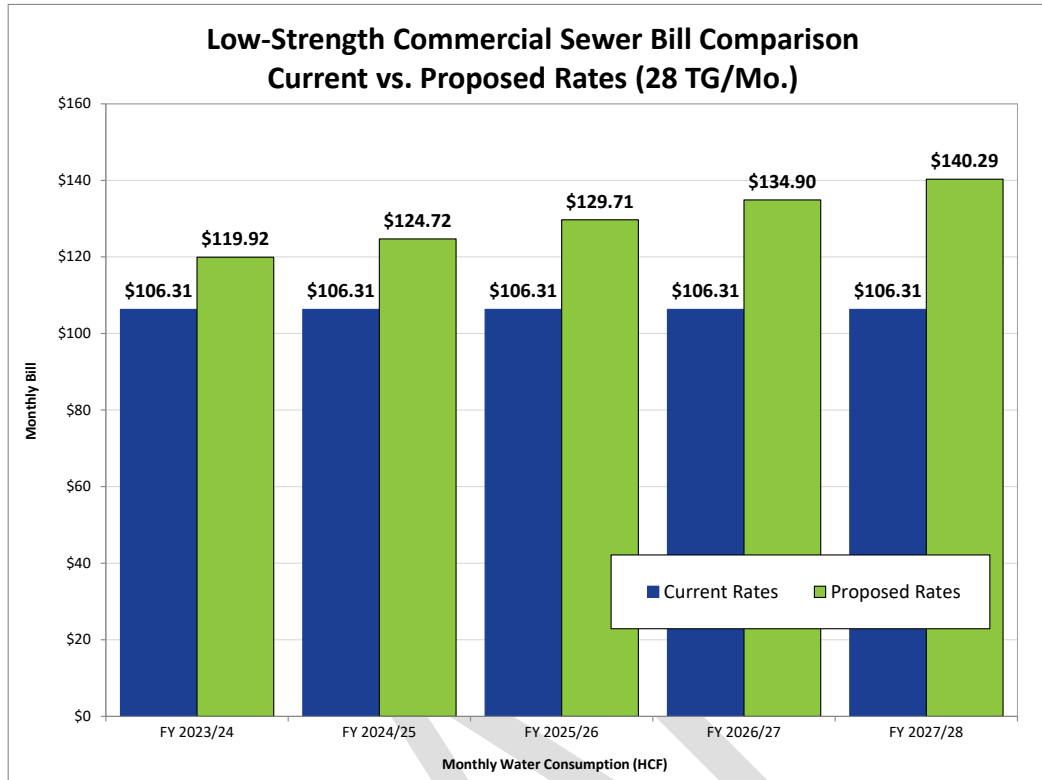




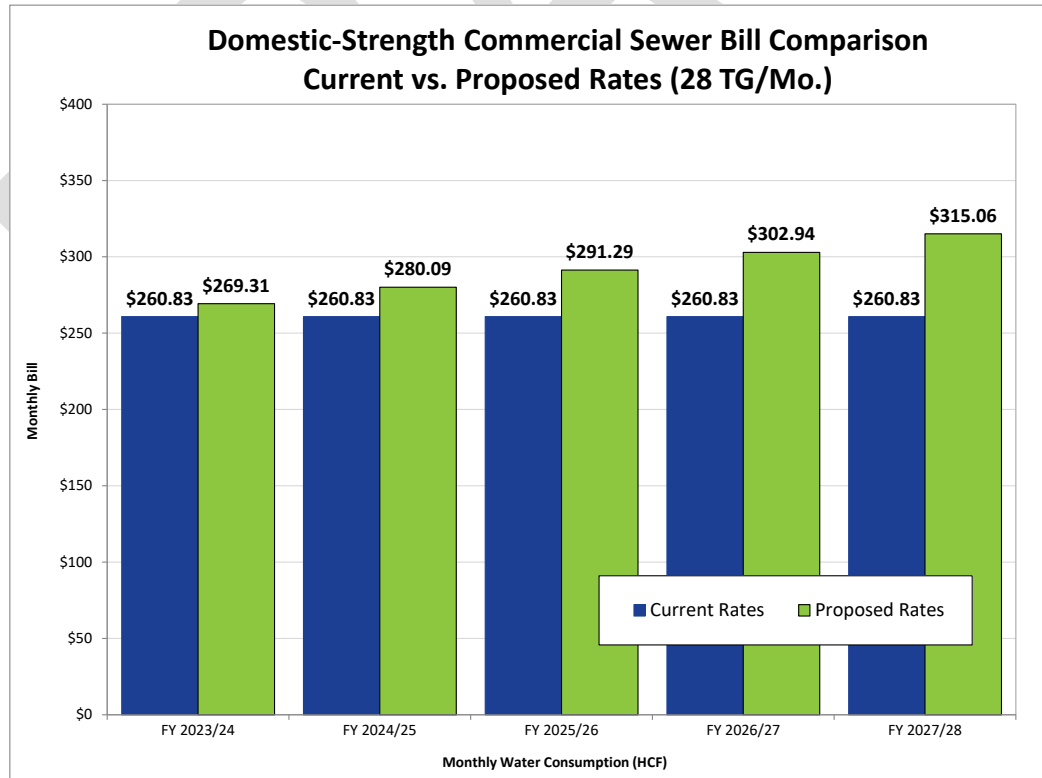
**Figure 28. Multi-Family Residential Wastewater Bill Comparison**



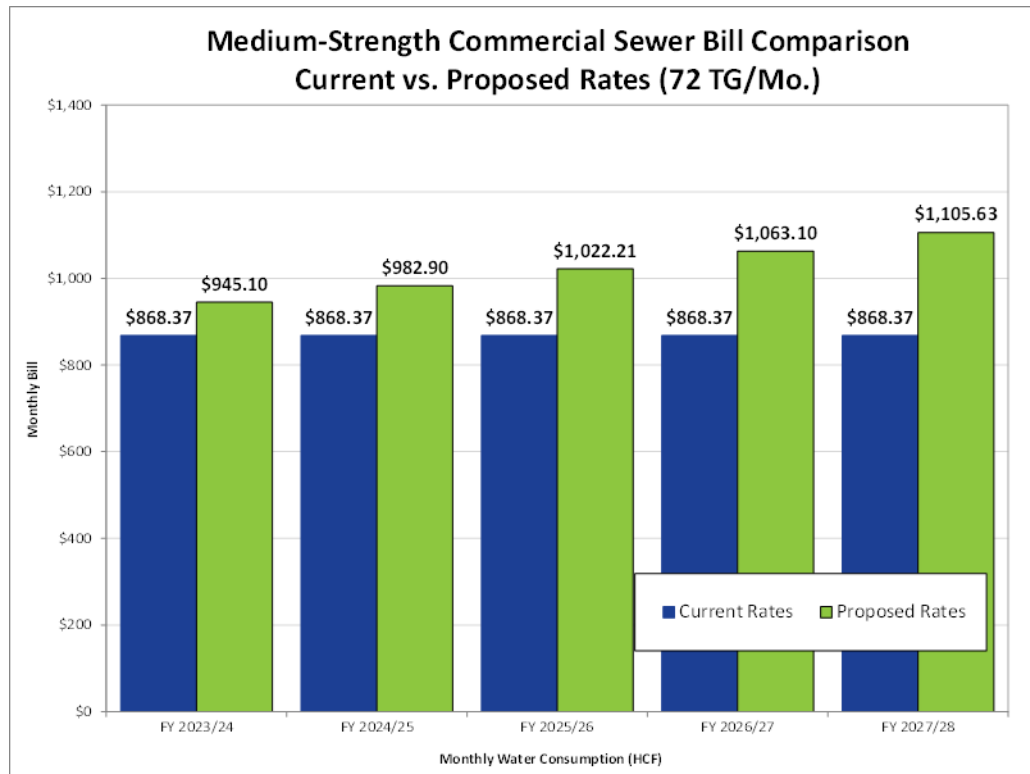
**Figure 29. Non-Residential Low Strength Wastewater Bill Comparison**



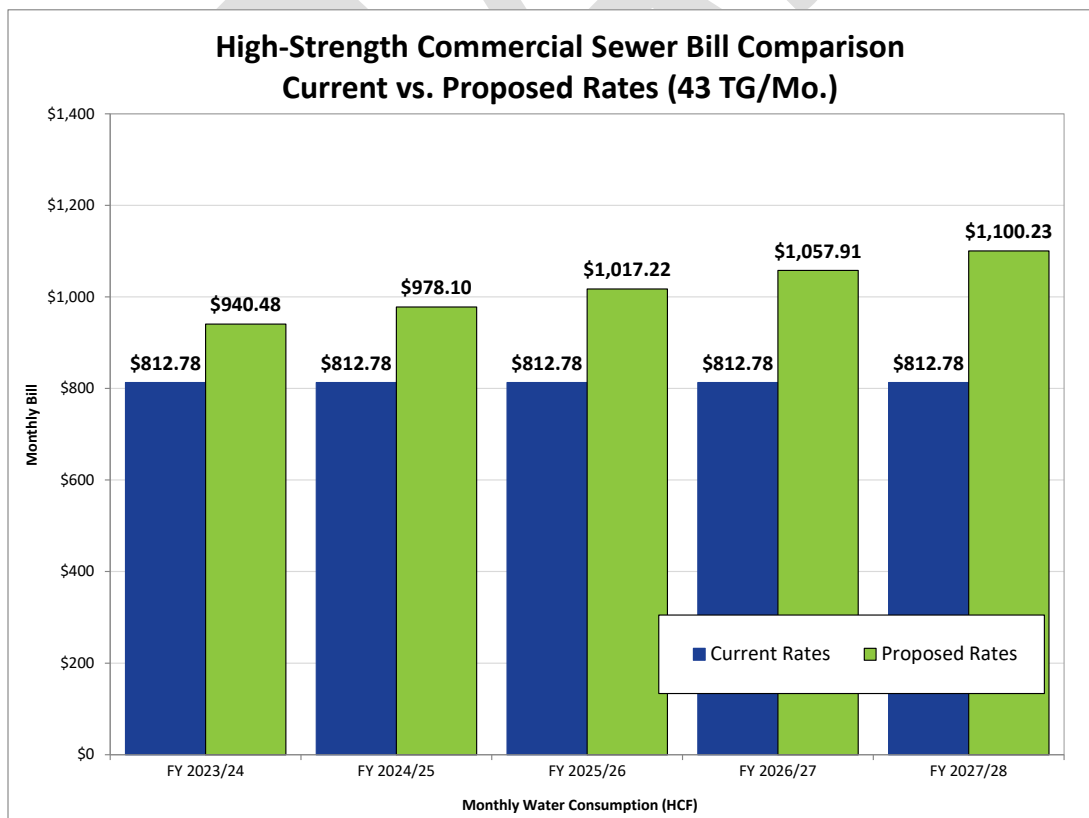
**Figure 30. Non-Residential Domestic Strength Wastewater Bill Comparison**



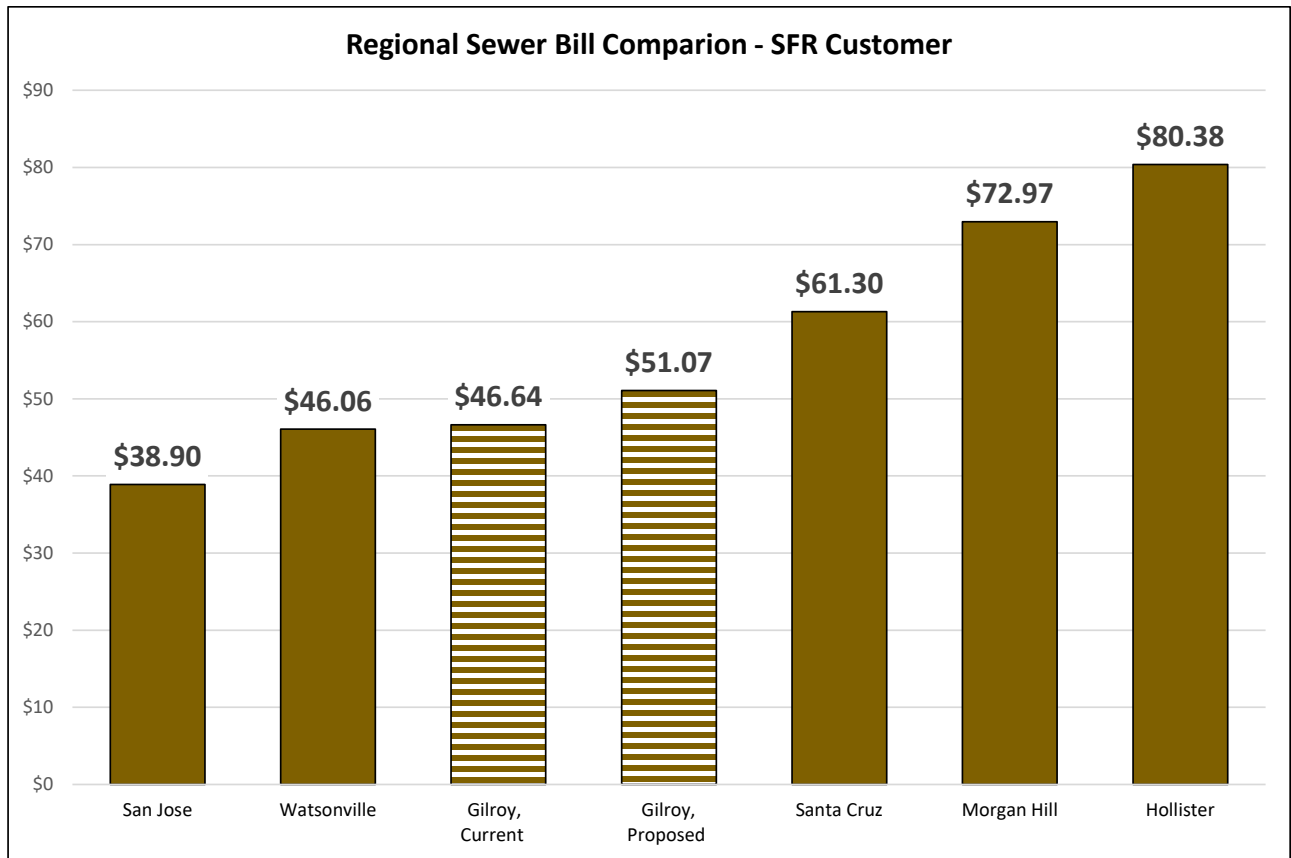
**Figure 31. Non-Residential Medium Strength Wastewater Bill Comparison**



**Figure 32. Non-Residential High Strength Wastewater Bill Comparison**



**Figure 33. Residential Bills Comparison for Similar Communities**



## Section 4. Recommendations and Next Steps

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### A. Consultant Recommendations

NBS recommends the City take the following actions:

- **Approve and Accept this Study:** NBS recommends the City Council formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the City should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 13 and Figure 26. This will help ensure the continued financial health of City's utilities.

### B. Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Technical Appendices provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### C. NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the City's budgets, capital improvement costs, customer accounts and consumption, and information from City staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

## Technical Appendices

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## Appendix A. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Budget	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Sources of Water Funds</b>						
Rate Revenue: <sup>1</sup>						
User Fees	\$ 13,665,000	\$ 13,939,000	\$ 14,218,000	\$ 14,431,270	\$ 14,647,739	\$ 14,867,455
Other Revenue:						
Connect/Install Charges	105,000	110,000	112,000	113,680	115,385	117,116
Bank Interest & Misc. <sup>2</sup>	488,737	499,621	509,514	5,075	5,151	5,228
<b>Total Sources of Funds</b>	<b>\$ 14,258,737</b>	<b>\$ 14,548,621</b>	<b>\$ 14,839,514</b>	<b>\$ 14,550,025</b>	<b>\$ 14,768,275</b>	<b>\$ 14,989,800</b>
<b>Uses of Water Funds</b>						
Operating Expenses: <sup>1</sup>						
Water Administration	\$ 2,759,176	\$ 3,460,721	\$ 3,533,818	\$ 3,636,249	\$ 3,748,440	\$ 3,864,096
Finance Water Utility Billing	873,507	1,047,309	1,077,076	1,095,995	1,133,828	1,172,968
Water Operations	4,983,992	6,952,444	6,568,972	6,810,814	7,061,889	7,322,564
Valley Water	3,293,972	4,641,000	4,873,050	5,116,703	5,372,538	5,641,165
Additional Capital Expenditures	-	404,450	404,450	-	-	-
Subtotal: Operating Expenses	\$ 11,910,647	\$ 16,505,924	\$ 16,457,366	\$ 16,659,760	\$ 17,316,694	\$ 18,000,793
Other Expenditures:						
New Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 453,067	\$ 906,134
Rate-Funded Capital Expenses	-	-	-	-	-	-
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 453,067	\$ 906,134
<b>Total Uses of Water Funds</b>	<b>\$ 11,910,647</b>	<b>\$ 16,505,924</b>	<b>\$ 16,457,366</b>	<b>\$ 16,659,760</b>	<b>\$ 17,769,761</b>	<b>\$ 18,906,927</b>
plus: Revenue from Rate Increases <sup>3</sup>	-	557,560	1,745,841	2,900,027	3,817,967	4,624,944
<b>Annual Surplus/(Deficit) After Rate Increases</b>	<b>\$ 2,348,090</b>	<b>\$ (1,399,743)</b>	<b>\$ 127,988</b>	<b>\$ 790,292</b>	<b>\$ 816,481</b>	<b>\$ 707,816</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 11,316,910</b>	<b>\$ 15,896,303</b>	<b>\$ 15,835,852</b>	<b>\$ 16,541,005</b>	<b>\$ 17,649,225</b>	<b>\$ 18,784,583</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 13,665,000</b>	<b>\$ 14,496,560</b>	<b>\$ 15,963,841</b>	<b>\$ 17,331,297</b>	<b>\$ 18,465,706</b>	<b>\$ 19,492,400</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>6.00%</b>	<b>4.00%</b>	<b>4.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>8.00%</b>	<b>16.64%</b>	<b>23.64%</b>	<b>28.58%</b>	<b>33.73%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.80</b>	<b>1.78</b>

1. Revenue and expenses for FY 2022/23 provided by the City. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 9 (See Exhibit 1 (O&M) Tab). Source file: FY23 Budgets.xlsx.
2. Interest income for FY FY 2022/23 is from the City's Budget. For all other years, it is calculated based on historical LAIF returns.
3. Revenue from rate increases assumes an implementation date of April 1, 2023 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

<b>3</b>	<b>&lt;-- Select Financial Plan Scenario Here</b>					
<b>Financial Plan Alternatives</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>FY 2024/25</b>	<b>FY 2025/26</b>	<b>FY 2026/27</b>	<b>FY 2027/28</b>
1 Alt 1 - No Annual Rate Increases/No New Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2 Alt 2 - Gen. Infl. Rate Increases/New Rev. Bonds	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
3 Alt 3 - Custom Rate Increases/New Rev. Bonds	0.00%	8.00%	8.00%	6.00%	4.00%	4.00%
4 Alt 4 - Full CIP/No New Debt	0.00%	12.00%	12.00%	12.00%	8.00%	6.00%
<b>CIP Funding Plan:</b>						
<b>2</b>	<b>85% Funding of CIP, at actual cost &amp; timing</b>					

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Budget	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Unrestricted Reserve:</b>						
<b>Total Beginning Cash<sup>1</sup></b>	<b>\$ 29,603,445</b>					
<b>Operating Reserve</b>						
Beginning Reserve Balance <sup>2</sup>	\$ 6,000,000	\$ 5,955,000	\$ 4,555,257	\$ 4,683,245	\$ 5,473,537	\$ 6,290,019
Plus: Net Cash Flow (After Rate Increases)	2,348,090	(1,399,743)	127,988	790,292	816,481	707,816
Less: Transfer out to Capital and Infrastructure Reserve	(2,393,090)	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>\$ 5,955,000</b>	<b>\$ 4,555,257</b>	<b>\$ 4,683,245</b>	<b>\$ 5,473,537</b>	<b>\$ 6,290,019</b>	<b>\$ 6,997,835</b>
<b>Target Ending Balance (6 Months of O&amp;M)<sup>2</sup></b>	<b>\$ 5,955,000</b>	<b>\$ 8,253,000</b>	<b>\$ 8,229,000</b>	<b>\$ 8,330,000</b>	<b>\$ 8,658,000</b>	<b>\$ 9,000,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 23,603,445	\$ 25,382,158	\$ 22,643,278	\$ 8,114,397	\$ 7,583,609	\$ 7,583,609
Plus: Transfer of Operating Reserve Surplus	2,393,090	-	-	-	-	-
Less: Use of Reserves for Capital Projects	(614,378)	(2,738,879)	(14,528,882)	(530,788)	-	(365,779)
<b>Ending Capital and Infrastructure Reserve Balance</b>	<b>\$ 25,382,158</b>	<b>\$ 22,643,278</b>	<b>\$ 8,114,397</b>	<b>\$ 7,583,609</b>	<b>\$ 7,583,609</b>	<b>\$ 7,217,830</b>
<b>Target Ending Balance (50% of Avg. CIP Costs)<sup>3</sup></b>	<b>\$ 4,140,000</b>	<b>\$ 4,140,000</b>	<b>\$ 4,140,000</b>	<b>\$ 4,140,000</b>	<b>\$ 4,140,000</b>	<b>\$ 4,140,000</b>
<b>Ending Balance - Unrestricted Reserves</b>	<b>\$ 31,337,158</b>	<b>\$ 27,198,535</b>	<b>\$ 12,797,642</b>	<b>\$ 13,057,146</b>	<b>\$ 13,873,627</b>	<b>\$ 14,215,665</b>
<b>Min. Target Ending Balance -Excl. Restricted Reserves</b>	<b>\$ 10,095,000</b>	<b>\$ 12,393,000</b>	<b>\$ 12,369,000</b>	<b>\$ 12,470,000</b>	<b>\$ 12,798,000</b>	<b>\$ 13,140,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 21,242,158</b>	<b>\$ 14,805,535</b>	<b>\$ 428,642</b>	<b>\$ 587,146</b>	<b>\$ 1,075,627</b>	<b>\$ 1,075,665</b>

1. Beginning cash balances provided by City staff for Fund 705 - Water Operations. Source file: *Account Trial Balance FY22 - 430-435-700-705.pdf*.
2. The target ending balance is set equal to 6 months of O&M expenses.
3. The target ending balance is set equal to 50% of average CIP costs for the 5-year rate adoption period. See *Exhibit 2 (CIP)* for details.

TABLE 3 : RESERVE FUND SUMMARY, cont.

SUMMARY OF CASH ACTIVITY	Budget	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Restricted Reserve:<sup>1</sup></b>						
<b>Water Impact Fee Reserve (provided for informational purposes only)</b>						
Beginning Reserve Balance	\$ 6,053,344	\$ 5,887,790	\$ 2,632,956	\$ 4,254,889	\$ 5,195,043	\$ 5,540,615
Plus: Interest Earnings & Misc.	99,508	107,507	109,421	47,557	48,451	49,368
Plus: Capacity Fee Revenue	319,569	478,204	1,512,512	892,597	297,121	363,752
Less: Use of Reserves for Capital Projects	(584,631)	(3,840,545)	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	<b>\$ 5,887,790</b>	<b>\$ 2,632,956</b>	<b>\$ 4,254,889</b>	<b>\$ 5,195,043</b>	<b>\$ 5,540,615</b>	<b>\$ 5,953,735</b>
<b>Debt Reserve</b>						
Beginning Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453,067
Plus: Reserve Funding from New Debt Obligations	-	-	-	-	453,067	453,067
Plus: Interest Earnings	-	-	-	-	-	3,838
<b>Ending Debt Reserve Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 453,067</b>	<b>\$ 909,972</b>
<b>Target Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 453,067</b>	<b>\$ 906,134</b>
<b>Annual Interest Earnings Rate<sup>2</sup></b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>

1. The beginning cash balances provided by the City. Source file: *Account Trial Balance FY22 - 430-435-700-705.pdf*.
2. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2022). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

CHART 1

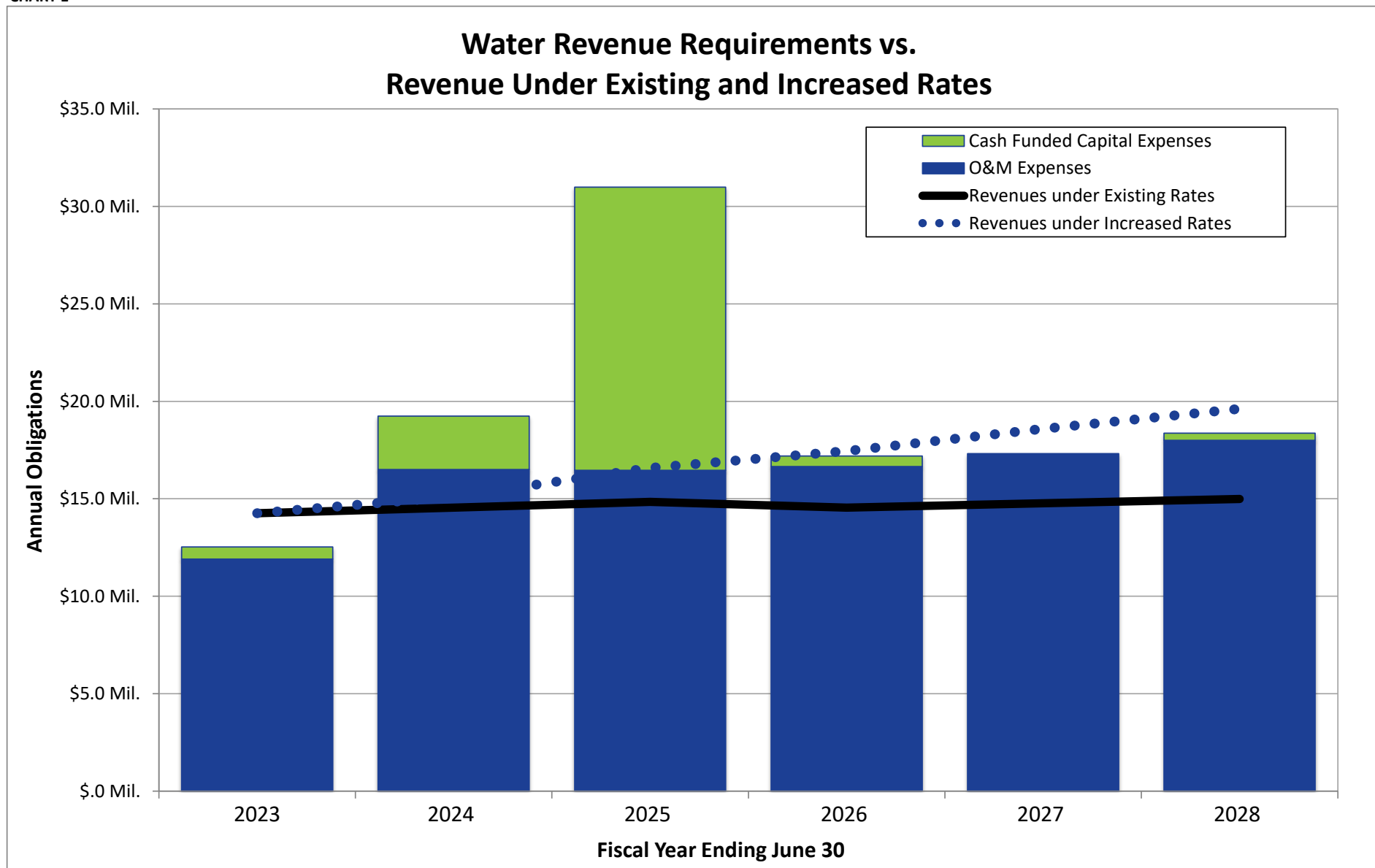
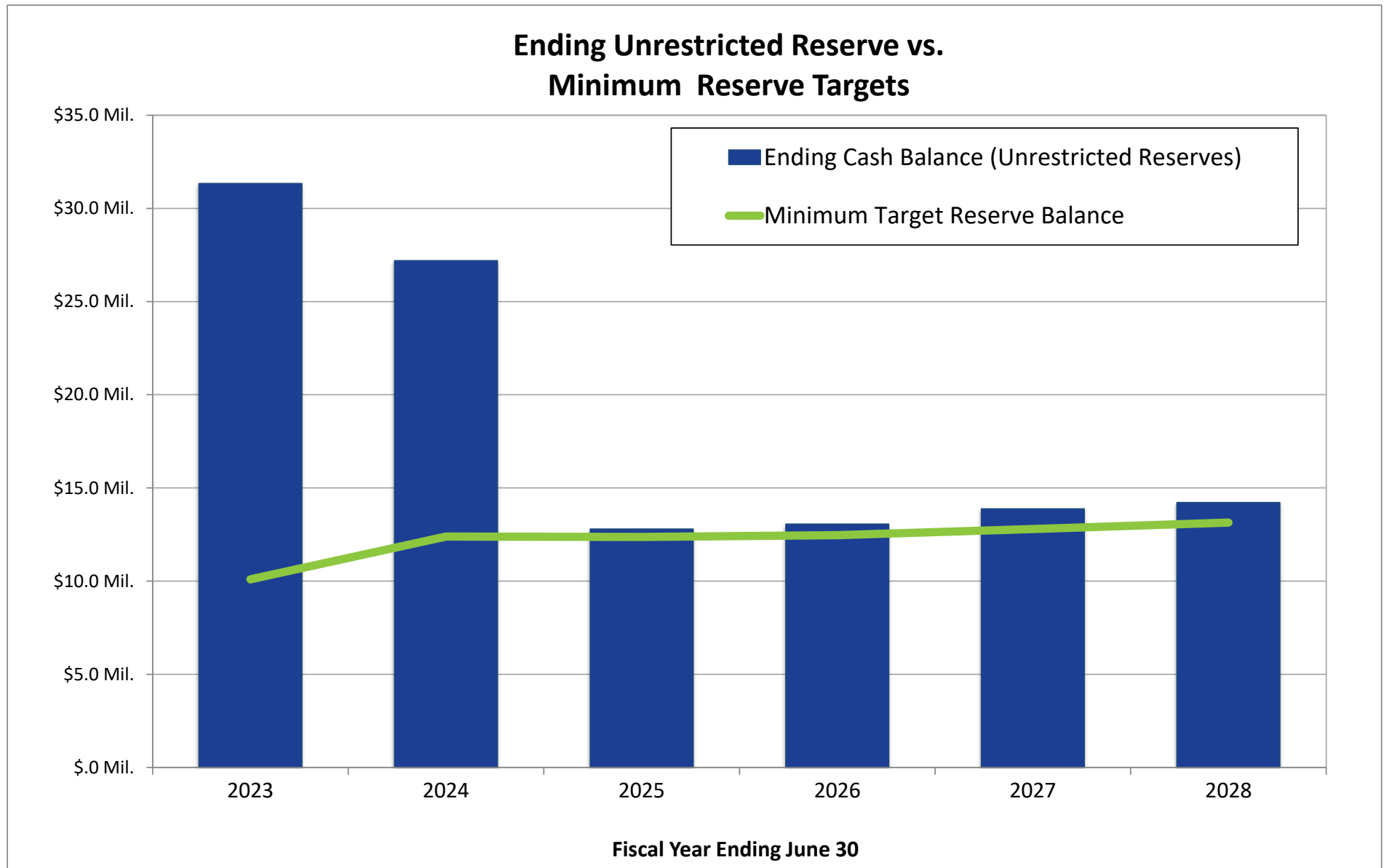


CHART 2



CITY OF GILROY  
WATER RATE STUDY  
Operating Revenue and Expenses

Exhibit 1

TABLE 4 REVENUE FORECAST<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Rate Revenue										
705	8000	705 -80-8000-000-45120	User Fees	1	\$ 13,665,000	\$ 13,939,000	\$ 14,218,000	\$14,431,270	\$14,647,739	\$14,867,455
Other Revenue										
705	8000	705 -80-8000-000-45140	Connect/Install Charges	1	105,000	110,000	112,000	113,680	115,385	117,116
705	8000	705 -80-8000-000-45145	Overhead Revenue	1	-	-	-	-	-	-
705	8000	705 -80-8000-000-46110	Bank Interest	See FP	483,737	494,621	504,514	-	-	-
705	8000	705 -80-8000-000-47810	Miscellaneous Revenues	1	5,000	5,000	5,000	5,075	5,151	5,228
Subtotal - Other Revenue					593,737	609,621	621,514	118,755	120,536	122,344
Water Impact Fee Revenue										
435	5500	435 -55-5500-000-45150	Developer's Impact Fee	1	319,569	478,204	1,512,512	892,597	297,121	363,752
435	5500	435 -55-5500-000-46110	Bank Interest	1	93,615	95,721	97,635	35,771	36,665	37,582
435	5500	435 -55-5500-000-48110	Interfund Transfer In	7	5,893	11,786	11,786	11,786	11,786	11,786
TOTAL: REVENUE					\$ 14,677,814	\$ 15,134,332	\$ 16,461,447	\$ 15,490,179	\$ 15,113,847	\$ 15,402,920



CITY OF GILROY  
WATER RATE STUDY  
Operating Revenue and Expenses

Exhibit 1

TABLE 5 OPERATING EXPENSE FORECAST<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 705 - Water Operations										
8000 - Water Administration										
705	8000	705 -80-8000-000-50120	Wages/Part Time	3	\$ 43,597	\$ 125,000	\$ 125,000	\$ 129,375	\$ 133,903	\$ 138,590
705	8000	705 -80-8000-000-50215	Retirement (Part Time)	3	632	2,813	2,813	2,911	3,013	3,119
705	8000	705 -80-8000-000-50220	Medicare	3	705	1,813	1,813	1,876	1,942	2,010
705	8000	705 -80-8000-000-51510	Professional Support	3	-	26,000	26,000	26,910	27,852	28,827
705	8000	705 -80-8000-000-51620	Audit Services	2	8,700	-	-	-	-	-
705	8000	705 -80-8000-000-51630	Contractual Services	2	-	6,500	6,400			
705	8000	706 -80-8000-000-54110	Interfund Transfer Out	2	13,796					
705	8000	705 -80-8000-000-54130	Fleet Service Charge	2	75,931	98,943	100,692	103,779	106,961	110,241
705	8000	705 -80-8000-000-54140	Facility Service Charge	2	124,543	294,076	316,145	325,838	335,829	346,126
705	8000	705 -80-8000-000-54145	Info Tech Service Charge	2	454,960	606,926	558,596	575,723	593,376	611,570
705	8000	705 -80-8000-000-54150	Overhead Charges	2	1,558,875	1,779,498	1,854,574	1,911,438	1,970,045	2,030,450
705	8000	705 -80-8000-000-54155	Liability Insurance Charges	2	401,933	430,902	452,735	466,617	480,924	495,669
705	8000	705 -80-8000-000-57145	Water Conservation	2	60,504	72,500	72,500	74,723	77,014	79,375
705	8000	705 -80-8000-000-58130	Claims	2	15,000	15,750	16,550	17,057	17,580	18,119
Subtotal - Water Administration					\$ 2,759,176	\$ 3,460,721	\$ 3,533,818	\$ 3,636,249	\$ 3,748,440	\$ 3,864,096
8010 - Finance Water Utility Billing										
705	8010	705 -80-8010-000-50110	Salaries	3	\$ 455,813	\$ 580,139	\$ 620,284	\$ 641,994	\$ 664,464	\$ 687,720
705	8010	705-80-8020-000-50110	Utility Billing Sup/Sen. Acct.	3	-	-	-	-	-	-
705	8010	705 -80-8010-000-50114	Earned Leave Cashout	3	5,519	-	-	-	-	-
705	8010	705 -80-8010-000-50120	Wages/Part Time	3	23,048	33,750	21,788	22,551	23,340	24,157
705	8010	705 -80-8010-000-50130	Overtime	3	14,000	10,000	10,000			
705	8010	705 -80-8010-000-50150	Overtime Meals	3	30	-	-			
705	8010	705 -80-8010-000-50205	Workers Comp	3	2,023	2,411	2,521	2,610	2,701	2,796
705	8010	705 -80-8010-000-50210	Retirement (Full Time)	3	48,749	69,133	71,870	74,385	76,989	79,683
705	8010	705 -80-8010-000-50212	Deferred Compensation	3	1,176	2,016	2,016	2,087	2,160	2,235
705	8010	705 -80-8010-000-50213	UAL Retirement	3	82,911	88,913	95,465	98,806	102,264	105,843
705	8010	705 -80-8010-000-50215	Retirement (Part Time)	3	18	759	490	507	525	544
705	8010	705 -80-8010-000-50220	Medicare	3	7,467	9,053	9,466	9,797	10,140	10,495
705	8010	705 -80-8010-000-50225	Health Insurance Benefits	3	105,332	113,442	113,594	117,570	121,685	125,944
705	8010	705 -80-8010-000-50230	Life Insurance Benefits	3	778	757	779	806	834	863
705	8010	705 -80-8010-000-50235	Employee Assistance Prog	3	935	1,087	1,109	1,148	1,188	1,230
705	8010	705 -80-8010-000-50240	Unemployment Insurance	3	805	912	959	992	1,027	1,063
705	8010	705 -80-8010-000-50255	Misc Disability Insurance	3	984	1,260	1,260	1,304	1,350	1,397
705	8010	705 -80-8010-000-50260	Retiree Medical	3	-	900	900			
705	8010	705 -80-8010-000-51110	Employee Training	2	-	3,400	3,400			
705	8010	705 -80-8010-000-51120	Employee Travel, Food,Lodge	2	669	1,250	1,250			
705	8010	705 -80-8010-000-51430	Postage	2	50	100	100			
705	8010	705 -80-8010-000-50510	Professional Support	2	2,200	-	-			
705	8010	705 -80-8010-000-51630	Contractual Services	2	119,000	126,025	117,825	121,438	125,161	128,999
705	8010	705 -80-8010-000-52110	Office/Computer Supplies	2	2,000	2,000	2,000			
Subtotal - Finance Water Utility Billing					\$ 873,507	\$ 1,047,309	\$ 1,077,076	\$ 1,095,995	\$ 1,133,828	\$ 1,172,968

CITY OF GILROY  
WATER RATE STUDY  
Operating Revenue and Expenses

Exhibit 1

TABLE 6 OPERATING EXPENSE FORECAST, cont.<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period					
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	
Fund 705 - Water Operations											
8020 - Water Operations											
705	8020	705-80-8020-000-50110	Salaries	3	\$ 1,463,012	\$ 2,269,298	\$ 2,432,834	\$ 2,517,983	\$ 2,606,113	\$ 2,697,327	
705	8020	705-80-8020-000-50110	FT Engineer I/II (Water)	3	-	-	-	-	-	-	
705	8020	705-80-8020-000-50110	Employee Training	3	-	25,000	25,000	25,875	26,781	27,718	
705	8020	705-80-8020-000-50120	Employee Travel, Food, Lodging	3	-	5,000	5,000	5,175	5,356	5,544	
705	8020	705-80-8020-000-50114	Earned Leave Cashout	3	9,000	-	-	-	-	-	
705	8020	705-80-8020-000-50120	Wages/Part Time	3	37,812	-	-	-	-	-	
705	8020	705-80-8020-000-50130	Overtime	3	63,051	73,710	77,395	80,104	82,907	85,809	
705	8020	705-80-8020-000-50150	Overtime Meals	3	-	2,000	2,000	2,070	2,142	2,217	
705	8020	705-80-8020-000-50205	Workers Comp	3	77,758	101,497	106,072	109,785	113,627	117,604	
705	8020	705-80-8020-000-50210	Retirement (Full Time)	3	152,220	271,399	282,934	292,837	303,086	313,694	
705	8020	705-80-8020-000-50212	Deferred Compensation	3	3,772	7,326	7,326	7,582	7,848	8,122	
705	8020	705-80-8020-000-50213	UAL Retirement	3	293,133	353,639	383,140	396,550	410,429	424,794	
705	8020	705-80-8020-000-50215	Retirement (Part Time)	3	521	-	-	-	-	-	
705	8020	705-80-8020-000-50220	Medicare	3	24,353	33,996	36,422	37,697	39,016	40,382	
705	8020	705-80-8020-000-50225	Health Insurance Benefits	3	313,426	460,498	461,940	478,108	494,842	512,161	
705	8020	705-80-8020-000-50230	Life Insurance Benefits	3	2,448	3,144	3,243	3,356	3,474	3,595	
705	8020	705-80-8020-000-50235	Employee Assistance Prog	3	2,911	4,262	4,347	4,499	4,657	4,820	
705	8020	705-80-8020-000-50240	Unemployment Insurance	3	2,794	3,620	3,816	3,950	4,088	4,231	
705	8020	705-80-8020-000-50255	Misc Disability Insurance	3	2,999	4,964	4,964	5,138	5,318	5,504	
705	8020	705-80-8020-000-50260	Retiree Medical	3	2,400	2,400	-	-	-	-	
705	8020	705-80-8020-000-50310	Apparel, Boots, Ppe	2	22,291	30,000	30,000	30,920	31,868	32,845	
705	8020	705-80-8020-000-51410	Utilities	5	921,543	1,013,698	1,064,382	1,120,163	1,178,868	1,240,648	
705	8020	705-80-8020-000-51420	Telecommunications	2	50,000	8,100	8,100	8,348	8,604	8,868	
705	8020	705-80-8020-000-51510	Professional Support	2	2,153	5,000	5,000	5,153	5,311	5,474	
705	8020	705-80-8020-000-51630	Contractual Services	2	376,939	1,128,400	450,000	463,798	478,018	492,675	
705	8020	705-80-8020-000-52110	Office/Computer Supplies	2	4,026	15,000	15,000	15,460	15,934	16,423	
705	8020	705-80-8020-000-52150	Department Supplies	2	51,494	60,000	60,000	61,840	63,736	65,690	
705	8020	705-80-8020-000-52210	Repairs & Maintenance	2	147,625	250,000	250,000	257,665	265,566	273,708	
705	8020	705-80-8020-000-52220	Well System Maintenance	2	27,642	150,000	150,000	154,599	159,339	164,225	
705	8020	705-80-8020-000-52310	Equipment Rental	2	33	10,000	10,000	10,307	10,623	10,948	
705	8020	705-80-8020-000-52710	Permits	2	1,973	10,000	10,000	10,307	10,623	10,948	
705	8020	705-80-8020-000-53120	Equipment/Furniture	2	84,337	75,000	75,000	77,300	79,670	82,113	
705	8020	705-80-8020-000-53135	Improvements	2	365,770	-	-	-	-	-	
705	8020	705-80-8020-000-53142	Capital Improvement Plan	See Exh 2	-	-	-	-	-	-	
705	8020	705-80-8020-000-54110	Interfund Transfer Out	2	342,000	433,788	458,181	472,229	486,709	501,632	
705	8020	705-80-8020-000-57150	Valley Water	6	3,293,972	4,641,000	4,873,050	5,116,703	5,372,538	5,641,165	
Subtotal - Water Operations						\$ 8,143,407	\$ 11,451,740	\$ 11,295,146	\$ 11,775,500	\$ 12,277,089	\$ 12,800,885

CITY OF GILROY  
WATER RATE STUDY  
Operating Revenue and Expenses

Exhibit 1

TABLE 7 OPERATING EXPENSE FORECAST, cont. <sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 705 - Water Operations										
8030 - Water Backflow Prevention										
705	8030	705 -80-8030-000-50110	Salaries	3	\$ 79,465	\$ 74,991	\$ 79,074	\$ 81,842	\$ 84,706	\$ 87,671
705	8030	705 -80-8030-000-50130	Earned Leave Cashout	3	-	-	-	-	-	-
705	8030	705 -80-8030-000-50205	Wages/Part Time	3	-	-	-	-	-	-
705	8030	705 -80-8030-000-50210	Overtime	3	6,460	7,500	7,500	7,763	8,034	8,315
705	8030	705 -80-8030-000-50212	Overtime Meals	3	-	-	-	-	-	-
705	8030	705 -80-8030-000-50213	Compensated Absences	3	-	-	-	-	-	-
705	8030	705 -80-8030-000-50220	Workers Comp	3	5,789	4,450	4,590	4,751	4,917	5,089
705	8030	705 -80-8030-000-50225	Retirement (Full Time)	3	8,537	9,005	9,233	9,556	9,891	10,237
705	8030	705 -80-8030-000-50230	Deferred Compensation	3	249	-	-	-	-	-
705	8030	705 -80-8030-000-50235	Ual Retirement	3	16,763	11,703	12,455	12,891	13,342	13,809
705	8030	705 -80-8030-000-50240	Retirement (Part Time)	3	-	-	-	-	-	-
705	8030	705 -80-8030-000-50255	Medicare	3	1,340	1,197	1,256	1,300	1,345	1,393
705	8030	705 -80-8030-000-51430	Health Insurance Benefits	3	14,085	12,312	12,312	12,743	13,189	13,651
705	8030	705 -80-8030-000-51510	Life Insurance Benefits	3	104	90	92	95	99	102
705	8030	705 -80-8030-000-51630	Employee Assistance Prog	3	137	116	119	123	127	132
705	8030	705 -80-8030-000-52110	Unemployment Insurance	3	157	117	122	126	131	135
705	8030	705 -80-8030-000-50255	Misc Disability Insurance	3	141	123	123	127	132	136
705	8030	705 -80-8030-000-51110	Employee Training	3	-	1,000	1,000	1,035	1,071	1,109
705	8030	705 -80-8030-000-51120	Employee Travel, Food,Lodge	3	-	1,000	1,000	1,035	1,071	1,109
705	8030	705 -80-8030-000-51430	Postage	3	-	100	-	-	-	-
705	8030	705 -80-8030-000-51510	Professional Support	3	1,331	1,000	1,000	1,035	1,071	1,109
705	8030	705 -80-8030-000-51630	Contractual Services	3	-	6,000	6,000	6,210	6,427	6,652
705	8030	705 -80-8030-000-52110	Office/Computer Supplies	3	-	1,000	1,000	1,035	1,071	1,109
705	8030	705 -80-8030-000-52210	Repairs & Maintenance	3	-	10,000	10,000	10,350	10,712	11,087
Subtotal - Water Backflow Prevention					\$ 134,558	\$ 141,704	\$ 146,876	\$ 152,017	\$ 157,337	\$ 162,844

TABLE 8 OPERATING EXPENSE FORECAST, cont.<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 705 - Water Operations										
Additional Capital Expenditures										
705	8020	705-80-8020-000-53120	One-time Vehicles	One-Time	-	404,450	404,450	-	-	-
Subtotal - Additional Expenditures					\$ -	\$ 404,450	\$ 404,450	\$ -	\$ -	\$ -
TOTAL: WATER OPERATIONS EXPENSES					\$ 11,910,647	\$ 16,505,924	\$ 16,457,366	\$ 16,659,760	\$ 17,316,694	\$ 18,000,793

TABLE 9 FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>2</sup>	Basis	2023	2024	2025	2026	2027	2028
Customer Growth <sup>3</sup>	1	--	1.50%	1.50%	1.50%	1.50%	1.50%
General Cost Inflation <sup>4</sup>	2	--	3.07%	3.07%	3.07%	3.07%	3.07%
Labor Cost Inflation <sup>5</sup>	3	--	3.50%	3.50%	3.50%	3.50%	3.50%
Electricity <sup>6</sup>	4	--	5.64%	5.64%	5.64%	5.64%	5.64%
Fuel & Utilities <sup>7</sup>	5	--	5.24%	5.24%	5.24%	5.24%	5.24%
Water Purchases <sup>8</sup>	6	--	5.00%	5.00%	5.00%	5.00%	5.00%
No Escalation	7	--	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2022/23 provided by the City. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 9. Source file: *FY23 Budgets.xlsx*.

2. Expenses are inflated each year by the following annual inflation factor categories.

3. Customer growth is based on estimated service area population growth through FY 2044/45. Source file: *Gilroy 2020 UWMP.pdf*, page 3-9.

4. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Francisco-Oakland-Hayward, CA area.

5. Labor cost inflation is based on the 5-year average annual change in the Quarterly Census of Employment and Wages for San Francisco County, CA.

6. Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for San Francisco County.

7. Fuel & Utilities cost inflation is based on the 5-year average annual change in the Consumer Price Index - Average Price Data for Fuels and related products and power. This factor is used for utility costs other than electricity.

8. The growth for water purchases is estimated at 4% annually and calculated using the City's budgets for FY 2021/22 and FY 2022/23. Source file: *FY23 Budgets.xlsx*.

CITY OF GILROY  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

Exhibit 2

TABLE 10 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget	5-Year Projected Rate Period				
Funding Sources:	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	584,631	3,840,545	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	6,000,000	6,000,000	4,000,000
Use of Capital Rehabilitation and Replacement Reserve	614,378	2,738,879	14,528,882	530,788	-	365,779
Rate Revenue	-	-	-	-	-	-
<b>Total Sources of Capital Funds</b>	<b>\$ 1,199,009</b>	<b>\$ 6,579,425</b>	<b>\$ 14,528,882</b>	<b>\$ 6,530,788</b>	<b>\$ 6,000,000</b>	<b>\$ 4,365,779</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 1,199,009	\$ 6,579,425	\$ 14,528,882	\$ 6,530,788	\$ 3,199,919	\$ 4,365,779
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,800,082</b>	<b>\$ -</b>
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 4,000,000</b>

Financial Plan Scenario:

3	Alt 3 - Custom Rate Increases/New Rev. Bonds
---	--

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Insert policy choice in box to right, based on options listed below:

Policy Choice	2023	2024	2025	2026	2027	2028
1 Full Funding of CIP, at actual cost & timing	\$ 1,410,599	\$ 7,740,500	\$ 17,092,802	\$ 7,683,280	\$ 3,764,610	\$ 5,136,210
2 85% Funding of CIP, at actual cost & timing	\$ 1,199,009	\$ 6,579,425	\$ 14,528,882	\$ 6,530,788	\$ 3,199,919	\$ 4,365,779
3 60% Funding of CIP, at actual cost & timing	\$ 846,359	\$ 4,644,300	\$ 10,255,681	\$ 4,609,968	\$ 2,258,766	\$ 3,081,726

Capital Improvement Program Funding Choice	2023	2024	2025	2026	2027	2028
Effective Annual Funding Amount	\$ 1,199,009	\$ 6,579,425	\$ 14,528,882	\$ 6,530,788	\$ 3,199,919	\$ 4,365,779

CITY OF GILROY  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

Exhibit 2

CAPITAL IMPROVEMENT PROGRAM

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)

Project No.	Description	2023	2024	2025	2026 <sup>2</sup>	2027	2028
<i>Capital Improvement Program - Fiscal Year 2023 to Fiscal Year 2028</i>							
800250	Casey and Swanston Water Line Replacement	\$ -	\$ 466,707	\$ 2,825,800	\$ -	\$ -	\$ -
800310	Automated Flexnet Water Meter Installation	794,200	612,700	612,700	-	-	-
800590	Broadway and Sargent Water Line Replacement	-	-	185,295	877,600	-	-
800600	Church and Gurries Water Line Replacement	-	86,966	314,600	-	-	-
800610	Church Street - Welburn to First Water Line Replacement	-	-	250,335	1,173,400	-	-
800620	Forest and Eighth Water Line Replacement	-	89,974	369,200	-	-	-
800630	Steel Water Service Line Replacement Citywide	-	104,280	104,280	104,280	104,280	104,280
900740	Monterey-Leavesley to Ronan Water Line Replacement	-	-	821,473	4,651,900	-	-
800640	Monterey and Eighth Water Line Replacement	-	-	101,325	406,700	-	-
800650	Abandon 2" Water Line from 7041 to 7161 Monterey Street	-	108,900	847,000	-	-	-
800660	Murray at Burke Water Line Reroute	-	-	133,794	469,400	-	-
800670	Saint Louise Hospital Large Water Meter Replacement	-	63,200	-	-	-	-
800690	Water Reservoirs A and B - Painting	-	483,200	-	-	-	-
800700	Water Reservoirs A and B - Retrofit Overflow Piping	-	482,000	-	-	-	-
800710	Water Well Nos. 1 and 4 Compliance Improvements	-	82,600	-	-	-	-
800720	Water Well Nos. 1, 2, 4 and 6 Upgrade Improvements	-	1,025,200	10,527,000	-	-	-
9000730	Martin and Railroad Water Line	-	-	-	-	-	1,371,600
<b>Subtotal - Capital Improvement Program</b>		<b>\$ 794,200</b>	<b>\$ 3,605,727</b>	<b>\$ 17,092,802</b>	<b>\$ 7,683,280</b>	<b>\$ 104,280</b>	<b>\$ 1,475,880</b>
<i>Water System Master Plan Projects <sup>3</sup></i>							
<i>Pipeline Improvements</i>							
P1-1	Zone 1	\$ -	\$ -	\$ -	\$ -	\$ 163,250	\$ 163,250
P1-2	Monterey Hwy / Orsetti Rd / Hwy 101	-	-	-	-	244,430	244,430
P1-3	Monterey Hwy	-	-	-	-	11,690	11,690
P1-4	Murray Ave	-	-	-	-	111,650	111,650
P1-5	Arroyo Cir	-	-	-	-	3,580	3,580
P1-6	Lewis St	-	-	-	-	8,120	8,120
P1-7	Forest St	-	-	-	-	13,550	13,550
P1-8	Gilman Rd / Camino Arroyo	-	-	-	-	15,240	15,240
P1-9	Pacheco Pass Hwy	-	-	-	-	87,810	87,810
P1-10	Camino Arroyo	-	-	-	-	154,290	154,290
P1-11	Cameron Blvd	-	-	-	-	106,580	106,580
P1-12	ROW	-	-	-	-	82,230	82,230
P1-13	ROW / Cameron Blvd	-	-	-	-	230,400	230,400
P1-14	Luchessa Ave	-	-	-	-	328,850	328,850
P1-15	Thomas Rd	-	-	-	-	155,300	155,300
P1-16	Rossi Ln	-	-	-	-	138,560	138,560
P1-17	ROW	-	-	-	-	91,860	91,860
P1-18	ROW	-	-	-	-	146,670	146,670
P1-19	Garlic Farm Wy / Southside Dr	-	-	-	-	234,970	234,970
P1-20	Southside Dr	-	-	-	-	33,510	33,510
P1-21	Southside Dr	-	-	-	-	152,770	152,770
P1-22	Santa Teresa Blvd	-	-	-	-	14,230	14,230
<i>Storage Reservoir Improvements</i>							
3H-1	Construct an additional storage at existing 3D site	-	-	-	-	20,790	20,790
<i>Groundwater Well Improvements</i>							
GW-10	Intersection of San Ysidro Ave and Las Animas Ave	-	-	-	-	370,000	370,000
GW-11	Intersection of Camino Arroyo and Renz Lane	-	-	-	-	370,000	370,000
GW-12	Intersection of Wren Ave and Vickery Lane	-	-	-	-	370,000	370,000
<b>Subtotal - Master Plan Projects</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,660,330</b>	<b>\$ 3,660,330</b>
<i>Impact Fee Projects <sup>4</sup></i>							
800050	McCarthy Site Well (Well #9)	\$ 562,145	\$ 3,550,800	\$ -	\$ -	\$ -	\$ -
<b>Subtotal - Impact Fee Projects</b>		<b>\$ 562,145</b>	<b>\$ 3,550,800</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<i>Estimated Future Projects</i>							
<b>Future Projects <sup>5</sup></b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total: CIP Program Costs (Current-Year Dollars)</b>		<b>\$ 1,356,345</b>	<b>\$ 7,156,527</b>	<b>\$ 17,092,802</b>	<b>\$ 7,683,280</b>	<b>\$ 3,764,610</b>	<b>\$ 5,136,210</b>



CITY OF GILROY  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

Exhibit 2

TABLE 12 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars) <sup>6</sup>

Project No.	Description	2023	2024	2025	2026 <sup>2</sup>	2027	2028
<i>Capital Improvement Program - Fiscal Year 2023 to Fiscal Year 2028</i>							
800250	Casey and Swanston Water Line Replacement	\$ -	\$ 504,790	\$ 2,825,800	\$ -	\$ -	\$ -
800310	Automated Flexnet Water Meter Installation	825,968	662,696	612,700	-	-	-
800590	Broadway and Sargent Water Line Replacement	-	-	185,295	877,600	-	-
800600	Church and Gurries Water Line Replacement	-	94,062	314,600	-	-	-
800610	Church Street - Welburn to First Water Line Replacement	-	-	250,335	1,173,400	-	-
800620	Forest and Eighth Water Line Replacement	-	97,316	369,200	-	-	-
800630	Steel Water Service Line Replacement Citywide	-	112,789	104,280	104,280	104,280	104,280
900740	Monterey-Leavesley to Ronan Water Line Replacement	-	-	821,473	4,651,900	-	-
800640	Monterey and Eighth Water Line Replacement	-	-	101,325	406,700	-	-
800650	Abandon 2" Water Line from 7041 to 7161 Monterey Street	-	117,786	847,000	-	-	-
800660	Murray at Burke Water Line Reroute	-	-	133,794	469,400	-	-
800670	Saint Louise Hospital Large Water Meter Replacement	-	68,357	-	-	-	-
800690	Water Reservoirs A and B - Painting	-	522,629	-	-	-	-
800700	Water Reservoirs A and B - Retrofit Overflow Piping	-	521,331	-	-	-	-
800710	Water Well Nos. 1 and 4 Compliance Improvements	-	89,340	-	-	-	-
800720	Water Well Nos. 1, 2, 4 and 6 Upgrade Improvements	-	1,108,856	10,527,000	-	-	-
9000730	Martin and Railroad Water Line	-	-	-	-	-	1,371,600
<b>Subtotal - Capital Improvement Program</b>		<b>\$ 825,968</b>	<b>\$ 3,899,954</b>	<b>\$ 17,092,802</b>	<b>\$ 7,683,280</b>	<b>\$ 104,280</b>	<b>\$ 1,475,880</b>
<i>Water System Master Plan Projects <sup>3</sup></i>							
<i>Pipeline Improvements</i>							
P1-1	Zone 1	\$ -	\$ -	\$ -	\$ -	\$ 163,250	\$ 163,250
P1-2	Monterey Hwy / Orsetti Rd / Hwy 101	-	-	-	-	244,430	244,430
P1-3	Monterey Hwy	-	-	-	-	11,690	11,690
P1-4	Murray Ave	-	-	-	-	111,650	111,650
P1-5	Arroyo Cir	-	-	-	-	3,580	3,580
P1-6	Lewis St	-	-	-	-	8,120	8,120
P1-7	Forest St	-	-	-	-	13,550	13,550
P1-8	Gilman Rd / Camino Arroyo	-	-	-	-	15,240	15,240
P1-9	Pacheco Pass Hwy	-	-	-	-	87,810	87,810
P1-10	Camino Arroyo	-	-	-	-	154,290	154,290
P1-11	Cameron Blvd	-	-	-	-	106,580	106,580
P1-12	ROW	-	-	-	-	82,230	82,230
P1-13	ROW / Cameron Blvd	-	-	-	-	230,400	230,400
P1-14	Luchessa Ave	-	-	-	-	328,850	328,850
P1-15	Thomas Rd	-	-	-	-	155,300	155,300
P1-16	Rossi Ln	-	-	-	-	138,560	138,560
P1-17	ROW	-	-	-	-	91,860	91,860
P1-18	ROW	-	-	-	-	146,670	146,670
P1-19	Garlic Farm Wy / Southside Dr	-	-	-	-	234,970	234,970
P1-20	Southside Dr	-	-	-	-	33,510	33,510
P1-21	Southside Dr	-	-	-	-	152,770	152,770
P1-22	Santa Teresa Blvd	-	-	-	-	14,230	14,230
<i>Storage Reservoir Improvements</i>							
3H-1	Construct an additional storage at existing 3D site	-	-	-	-	20,790	20,790
<i>Groundwater Well Improvements</i>							
GW-10	Intersection of San Ysidro Ave and Las Animas Ave	-	-	-	-	370,000	370,000
GW-11	Intersection of Camino Arroyo and Renz Lane	-	-	-	-	370,000	370,000
GW-12	Intersection of Wren Ave and Vickery Lane	-	-	-	-	370,000	370,000
<b>Subtotal - Master Plan Projects</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,660,330</b>	<b>\$ 3,660,330</b>
<i>Impact Fee Projects <sup>4</sup></i>							
800050	McCarthy Site Well (Well #9)	\$ 584,631	\$ 3,840,545	\$ -	\$ -	\$ -	\$ -
<b>Subtotal - Impact Fee Projects</b>		<b>\$ 584,631</b>	<b>\$ 3,840,545</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<i>Estimated Future Projects</i>							
<b>Future Projects <sup>5</sup></b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total: CIP Program Costs (Future-Year Dollars)</b>		<b>\$ 1,410,599</b>	<b>\$ 7,740,500</b>	<b>\$ 17,092,802</b>	<b>\$ 7,683,280</b>	<b>\$ 3,764,610</b>	<b>\$ 5,136,210</b>

TABLE 13 : FORECASTING ASSUMPTIONS

Project No.	Description	2023	2024	2025	2026 <sup>2</sup>	2027	2028
	Annual Construction Cost Inflation, Per Engineering News Record <sup>7</sup>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
	Cumulative Construction Cost Multiplier from 2023	1.04	1.08	1.12	1.17	1.22	1.27

1. Capital project costs provided by City Staff. Source file: *11. Adopted-CIP-FY24-28.pdf*, pages 43, 80-107.
2. Capital projects beginning in FY 2025/26 are unfunded and identified in the City's Capital Improvement Program. These costs have been allocated over a 5-year period from FY 2025/26 through FY 2029/30. Source: *11. Adopted-CIP-FY21-FY25.pdf*, pages 243-246.
3. Capital project costs are from the City's Draft Water System Master Plan (May 2022). Source file: *Draft Water Master Plan.pdf*, Table 8.2, pages 107-108.
4. Capital project funded by impact fees. Source file: *11. Adopted-CIP-FY21-FY25.pdf*, pages 98-99.
5. Future project costs beyond FY 2029/30 were calculated based on the City's 7-year average.
6. The project costs in future-year dollars have been inflated by 4% annually.
7. For reference purposes, the annual Construction Cost Inflation percentage is the 5-year average change in the Construction Cost Index for September 2017-2022 (4.0%). Source: Engineering News Record website (<http://enr.construction.com>).

*\*Currently, the City does not have any outstanding revenue bonds or loans.*

TABLE 14 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Annual Repayment Schedules:</b>						
<u>SRF Loan/Revenue Bond</u>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

<i>Existing Annual Debt Service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Annual Coverage Requirement</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Debt Reserve Target</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF GILROY**  
**WATER RATE STUDY**  
**Projected Water Rates Under Existing Rate Schedule**

**Exhibit 4**

**TABLE 16 : CURRENT WATER RATE SCHEDULE**

Water Rate Schedule <sup>1,2</sup>	Current Rates July 1, 2019
<b>Base Charges</b>	
<b>Meter Size</b> 3/4 inch 1 inch 1 1/2 inch 2 inch 3 inch 4 inch 6 inch 8 inch 10 inch	\$11.53 \$19.24 \$38.47 \$61.55 \$115.39 \$192.30 \$384.62 \$615.37 \$884.50
<b>Volumetric Charge for All Water Consumed (in \$/1,000 Gallons)</b>	
<b>Tier 1 - 1-30,000 Gallons</b> Zone 1 Zone 2 Zone 3 <b>Tier 2 -30,000+ Gallons</b> Zone 1 Zone 2 Zone 3	\$4.39 \$4.93 \$5.52 \$4.93 \$5.47 \$6.06

1. Rates available on the City website. Source: <https://www.cityofgilroy.org/758/Water-and-Wastewater-Rates> .

2. Senior citizens who qualify for PG&E's Care Program may apply for a senior low income discount that gives them an exemption for the monthly base charge and the first 5,000 gallons per month.

CITY OF GILROY  
WATER RATE STUDY  
Cost-of-Service Analysis & Rate Design

TABLE 17 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2023/24	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
<b>Fund 705 - Water Operations</b>							
<b>8000 - Water Administration</b>							
Wages/Part Time	\$ 125,000	\$ 31,250	\$ 31,250	\$ 62,500	25.0%	25.0%	50.0%
Retirement (Part Time)	2,813	703	703	1,407	25.0%	25.0%	50.0%
Medicare	1,813	453	453	907	25.0%	25.0%	50.0%
Professional Support	26,000	6,500	6,500	13,000	25.0%	25.0%	50.0%
Audit Services	-	-	-	-	25.0%	25.0%	50.0%
Contractual Services	6,500	1,625	1,625	3,250	25.0%	25.0%	50.0%
Fleet Service Charge	98,943	24,736	24,736	49,472	25.0%	25.0%	50.0%
Facility Service Charge	294,076	73,519	73,519	147,038	25.0%	25.0%	50.0%
Info Tech Service Charge	606,926	151,732	151,732	303,463	25.0%	25.0%	50.0%
Overhead Charges	1,779,498	444,875	444,875	889,749	25.0%	25.0%	50.0%
Liability Insurance Charges	430,902	107,726	107,726	215,451	25.0%	25.0%	50.0%
Water Conservation	72,500	18,125	18,125	36,250	25.0%	25.0%	50.0%
Claims	15,750	3,938	3,938	7,875	25.0%	25.0%	50.0%
<b>Subtotal - Water Administration</b>	<b>\$ 3,460,721</b>	<b>\$ 865,180</b>	<b>\$ 865,180</b>	<b>\$ 1,730,361</b>	<b>25.0%</b>	<b>25.0%</b>	<b>50.0%</b>
<b>8010 - Finance Water Utility Billing</b>							
Salaries	\$ 580,139	\$ 232,056	\$ 290,070	\$ 58,014	40.0%	50.0%	10.0%
Utility Billing Sup/Sen. Acct.	-	-	-	-	40.0%	50.0%	10.0%
Earned Leave Cashout	-	-	-	-	40.0%	50.0%	10.0%
Wages/Part Time	33,750	13,500	16,875	3,375	40.0%	50.0%	10.0%
Overtime	10,000	4,000	5,000	1,000	40.0%	50.0%	10.0%
Overtime Meals	-	-	-	-	40.0%	50.0%	10.0%
Workers Comp	2,411	964	1,206	241	40.0%	50.0%	10.0%
Retirement (Full Time)	69,133	27,653	34,566	6,913	40.0%	50.0%	10.0%
Deferred Compensation	2,016	806	1,008	202	40.0%	50.0%	10.0%
Ual Retirement	88,913	35,565	44,456	8,891	40.0%	50.0%	10.0%
Retirement (Part Time)	759	304	380	76	40.0%	50.0%	10.0%
Medicare	9,053	3,621	4,527	905	40.0%	50.0%	10.0%
Health Insurance Benefits	113,442	45,377	56,721	11,344	40.0%	50.0%	10.0%
Life Insurance Benefits	757	303	379	76	40.0%	50.0%	10.0%
Employee Assistance Prog	1,087	435	544	109	40.0%	50.0%	10.0%
Unemployment Insurance	912	365	456	91	40.0%	50.0%	10.0%
Misc Disability Insurance	1,260	504	630	126	40.0%	50.0%	10.0%
Retiree Medical	900	360	450	90	40.0%	50.0%	10.0%
Employee Training	3,400	1,360	1,700	340	40.0%	50.0%	10.0%
Employee Travel, Food,Lodge	1,250	500	625	125	40.0%	50.0%	10.0%
Postage	100	40	50	10	40.0%	50.0%	10.0%
Professional Support	-	-	-	-	40.0%	50.0%	10.0%
Contractual Services	126,025	50,410	63,013	12,603	40.0%	50.0%	10.0%
Office/Computer Supplies	2,000	800	1,000	200	40.0%	50.0%	10.0%
<b>Subtotal - Finance Water Utility Billing</b>	<b>\$ 1,047,309</b>	<b>\$ 418,923</b>	<b>\$ 523,654</b>	<b>\$ 104,731</b>	<b>40.0%</b>	<b>50.0%</b>	<b>10.0%</b>

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TABLE 18 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2023/24	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
<b>Fund 705 - Water Operations</b>							
<b>8020 - Water Operations</b>							
Salaries	\$ 2,269,298	\$ 1,021,184	\$ 1,134,649	\$ 113,465	45.0%	50.0%	5.0%
Ft Engineer I/li (Water)	-	-	-	-	45.0%	50.0%	5.0%
Employee Training	25,000	11,250	12,500	1,250	45.0%	50.0%	5.0%
Employee Travel, Food, Lodging	5,000	2,250	2,500	250	45.0%	50.0%	5.0%
Earned Leave Cashout	-	-	-	-	45.0%	50.0%	5.0%
Wages/Part Time	-	-	-	-	45.0%	50.0%	5.0%
Overtime	73,710	33,170	36,855	3,686	45.0%	50.0%	5.0%
Overtime Meals	2,000	900	1,000	100	45.0%	50.0%	5.0%
Workers Comp	101,497	45,674	50,749	5,075	45.0%	50.0%	5.0%
Retirement (Full Time)	271,399	122,130	135,700	13,570	45.0%	50.0%	5.0%
Deferred Compensation	7,326	3,297	3,663	366	45.0%	50.0%	5.0%
Ual Retirement	353,639	159,138	176,820	17,682	45.0%	50.0%	5.0%
Retirement (Part Time)	-	-	-	-	45.0%	50.0%	5.0%
Medicare	33,996	15,298	16,998	1,700	45.0%	50.0%	5.0%
Health Insurance Benefits	460,498	207,224	230,249	23,025	45.0%	50.0%	5.0%
Life Insurance Benefits	3,144	1,415	1,572	157	45.0%	50.0%	5.0%
Employee Assistance Prog	4,262	1,918	2,131	213	45.0%	50.0%	5.0%
Unemployment Insurance	3,620	1,629	1,810	181	45.0%	50.0%	5.0%
Misc Disability Insurance	4,964	2,234	2,482	248	45.0%	50.0%	5.0%
Retiree Medical	2,400	1,080	1,200	120	45.0%	50.0%	5.0%
Apparel, Boots, Ppe	30,000	13,500	15,000	1,500	45.0%	50.0%	5.0%
Utilities	1,013,698	456,164	506,849	50,685	45.0%	50.0%	5.0%
Telecommunications	8,100	3,645	4,050	405	45.0%	50.0%	5.0%
Professional Support	5,000	2,250	2,500	250	45.0%	50.0%	5.0%
Contractual Services	1,128,400	507,780	564,200	56,420	45.0%	50.0%	5.0%
Office/Computer Supplies	15,000	6,750	7,500	750	45.0%	50.0%	5.0%
Department Supplies	60,000	27,000	30,000	3,000	45.0%	50.0%	5.0%
Repairs & Maintenance	250,000	112,500	125,000	12,500	45.0%	50.0%	5.0%
Well System Maintenance	150,000	67,500	75,000	7,500	45.0%	50.0%	5.0%
Equipment Rental	10,000	4,500	5,000	500	45.0%	50.0%	5.0%
Permits	10,000	4,500	5,000	500	45.0%	50.0%	5.0%
Equipment/Furniture	75,000	33,750	37,500	3,750	45.0%	50.0%	5.0%
Improvements	-	-	-	-	45.0%	50.0%	5.0%
Capital Improvement Plan	-	-	-	-	45.0%	50.0%	5.0%
Interfund Transfer Out	433,788	195,205	216,894	21,689	45.0%	50.0%	5.0%
Valley Water	4,641,000	4,641,000	-	-	100.0%	0.0%	0.0%
<b>Subtotal - Water Operations</b>	<b>\$ 11,451,740</b>	<b>\$ 7,705,833</b>	<b>\$ 3,405,370</b>	<b>\$ 340,537</b>	<b>67.3%</b>	<b>29.7%</b>	<b>3.0%</b>

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TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2023/24	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
<b>Fund 705 - Water Operations</b>							
<b>8030 - Water Backflow Prevention</b>							
Salaries	\$ 74,991	\$ 33,746	\$ 37,496	\$ 3,750	45.0%	50.0%	5.0%
Earned Leave Cashout	-	-	-	-	45.0%	50.0%	5.0%
Wages/Part Time	-	-	-	-	45.0%	50.0%	5.0%
Overtime	7,500	3,375	3,750	375	45.0%	50.0%	5.0%
Overtime Meals	-	-	-	-	45.0%	50.0%	5.0%
Compensated Absences	-	-	-	-	45.0%	50.0%	5.0%
Workers Comp	4,450	2,003	2,225	223	45.0%	50.0%	5.0%
Retirement (Full Time)	9,005	4,052	4,503	450	45.0%	50.0%	5.0%
Deferred Compensation	-	-	-	-	45.0%	50.0%	5.0%
Ual Retirement	11,703	5,266	5,852	585	45.0%	50.0%	5.0%
Retirement (Part Time)	-	-	-	-	45.0%	50.0%	5.0%
Medicare	1,197	539	599	60	45.0%	50.0%	5.0%
Health Insurance Benefits	12,312	5,540	6,156	616	45.0%	50.0%	5.0%
Life Insurance Benefits	90	41	45	5	45.0%	50.0%	5.0%
Employee Assistance Prog	116	52	58	6	45.0%	50.0%	5.0%
Unemployment Insurance	117	53	59	6	45.0%	50.0%	5.0%
Misc Disability Insurance	123	55	62	6	45.0%	50.0%	5.0%
Employee Training	1,000	450	500	50	45.0%	50.0%	5.0%
Employee Travel, Food,Lodge	1,000	450	500	50	45.0%	50.0%	5.0%
Postage	100	45	50	5	45.0%	50.0%	5.0%
Professional Support	1,000	450	500	50	45.0%	50.0%	5.0%
Contractual Services	6,000	2,700	3,000	300	45.0%	50.0%	5.0%
Office/Computer Supplies	1,000	450	500	50	45.0%	50.0%	5.0%
Repairs & Maintenance	10,000	4,500	5,000	500	45.0%	50.0%	5.0%
<b>Subtotal - Water Backflow Prevention</b>	<b>\$ 141,704</b>	<b>\$ 63,767</b>	<b>\$ 70,852</b>	<b>\$ 7,085</b>	<b>45.0%</b>	<b>50.0%</b>	<b>5.0%</b>
<b>Additional Capital Expenditures</b>							
One-Time Vehicles	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%
Subtotal - Additional Expenditures	404,450	404,450	-	-	100.0%	0.0%	0.0%
<b>Subtotal - Additional Expenditures</b>	<b>\$ 404,450</b>	<b>\$ 404,450</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Rate-Funded CIP</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>TOTAL: WATER OPERATIONS EXPENSES</b>	<b>\$ 16,505,924</b>	<b>\$ 9,458,154</b>	<b>\$ 4,865,057</b>	<b>\$ 2,182,714</b>	<b>57.3%</b>	<b>29.5%</b>	<b>13.2%</b>

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, continued							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2023/24	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
<b>Debt Service Payments</b>							
Outstanding Debt	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
New Debt Issue - SRF Loan	-	-	-	-	0.0%	100.0%	0.0%
New Debt Issue - Revenue Bond	-	-	-	-	0.0%	100.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>							
Rate Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	50.0%	50.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 16,505,924</b>	<b>\$ 9,458,154</b>	<b>\$ 4,865,057</b>	<b>\$ 2,182,714</b>	<b>57.3%</b>	<b>29.5%</b>	<b>13.2%</b>
<b>Less: Non-Rate Revenues</b>							
<b>Other Revenue</b>							
Connect/Install Charges	\$ (110,000)	\$ (63,032)	\$ (32,422)	\$ (14,546)	57.3%	29.5%	13.2%
Overhead Revenue	-	-	-	-	57.3%	29.5%	13.2%
Bank Interest	(494,621)	(283,426)	(145,788)	(65,408)	57.3%	29.5%	13.2%
Miscellaneous Revenues	(5,000)	(2,865)	(1,474)	(661)	57.3%	29.5%	13.2%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 15,896,303</b>	<b>\$ 9,108,831</b>	<b>\$ 4,685,373</b>	<b>\$ 2,102,098</b>			
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>57.3%</b>	<b>29.5%</b>	<b>13.2%</b>			



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TABLE 21 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses				
Adjustment for Current Rate Level:	Total	(COM)	(CAP)	(CA)
Test Year (FY 2023/24) Target Rate Rev. After Rate Increases	\$ 15,054,120			
Projected Rate Revenue at Current Rates	\$ 13,939,000			
Test Year (FY 2023/24) Projected Rate Adjustment	8%			
<b>Adjusted Net Revenue Req'ts</b>	<b>\$ 15,054,120</b>	<b>\$ 8,626,247</b>	<b>\$ 4,437,143</b>	<b>\$ 1,990,730</b>
<i>Percent of Revenue</i>	<i>100.0%</i>	<i>57.3%</i>	<i>29.5%</i>	<i>13.2%</i>

TABLE 22 : NET REVENUE REQUIREMENTS PER COSA RESULTS

<i>Net Revenue Requirements - Per COSA Results 57% Fixed / 43% Variable</i>	Total Rate Revenue Requirements FY 2023/24	Commodity Related Costs	Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	57.3%	29.5%	13.2%
Rate-Design Adjustments to Fixed/Variable (\$)	\$15,054,120	\$8,626,247	\$4,437,143	\$1,990,730

TABLE 23 : REVISED NET REVENUE REQUIREMENTS PER COSA RESULTS - ALT. #1

Rate-Design Adjustments to Fixed/Variable %	100.0%	57.0%	30.0%	13.0%
Rate-Design Adjustments to Fixed/Variable % (Rounded)	100.0%	60.0%	30.0%	10.0%
Rate-Design Adjustments to Fixed/Variable (\$)	\$15,054,120	\$9,032,472	\$4,516,236	\$1,505,412

TABLE 24 : REVISED NET REVENUE REQUIREMENTS - 30% FIXED/70% VOLUMETRIC) - ALT. #2

Rate-Design Adjustments to Fixed/Variable %	100.0%	70.0%	21.0%	9.0%
Rate-Design Adjustments to Fixed/Variable (\$) <sup>1</sup>	\$15,054,120	\$10,537,884	\$3,161,365	\$1,354,871

TABLE 25 : REVISED NET REVENUE REQUIREMENTS - (50% FIXED/50% VOLUMETRIC) - ALT. #3

Rate-Design Adjustments to Fixed/Variable %	102.0%	50.0%	40.0%	12.0%
Rate-Design Adjustments to Fixed/Variable (\$) <sup>1</sup>	\$15,054,120	\$7,527,060	\$6,021,648	\$1,806,494

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**TABLE 26 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>				
Customer Class	FY 2021/22 (1,000 Gal.yr.)	% Adjustment for Conservation	Est. FY 2021/22 Volume Adjusted for Conservation	FY 2021/22 % of Total Volume (TG/Yr.)
Residential	1,348,786	0.0%	1,348,786	60.6%
Multi-Family	259,687	0.0%	259,687	11.7%
Commercial/Industrial	333,884	0.0%	333,884	15.0%
Institutional	38,459	0.0%	38,459	1.7%
Landscape	231,215	0.0%	231,215	10.4%
City Account	59	0.0%	59	0.0%
Hydrant	14,948	0.0%	14,948	0.7%
<b>Total</b>	<b>2,227,038</b>		<b>2,227,038</b>	<b>100%</b>

1. Consumption data is based on the City of Gilroy's billing data.

**Commodity Related Costs:** Costs associated with the total consumption (flow) of water over a specified period of time (e.g. annual).

**TABLE 27 : DEVELOPMENT OF THE CAPACITY ALLOCATION FACTORS**

Development of the PEAK CAPACITY (MAX MONTH) Allocation Factors				
Customer Class	Average Monthly Use (TG)	Peak Monthly Use (TG)	Peak Monthly Factor	Max Month Capacity Factor
Residential	112,399	168,922	1.50	61.1%
Multi-Family	21,641	26,139	1.21	9.5%
Commercial/Industrial	27,824	34,412	1.24	12.4%
Institutional	3,205	6,341	1.98	2.3%
Landscape	19,268	37,423	1.94	13.5%
City Account	5	6	1.22	0.0%
Hydrant	1,246	3,340	2.68	1.2%
<b>Total</b>	<b>185,586</b>	<b>276,583</b>	<b>1.49</b>	<b>100%</b>

1. Based on peak monthly data (peak day data not available).

**Capacity Related Costs:** Costs associated with the maximum demand required at one point in time or the maximum size of facilities required to meet this demand.

**TABLE 28 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters FY 2021/22 <sup>1</sup>	Percent of Total
Residential	13,518	87.2%
Multi-Family	521	3.4%
Commercial/Industrial	858	5.5%
Institutional	34	0.2%
Landscape	515	3.3%
City Account	35	0.2%
Hydrant	19	0.1%
<b>Total</b>	<b>15,500</b>	<b>100.0%</b>

1. Meter count data is based on the City's billing data for June 2022.

**Customer Related Costs:** Costs associated with having a customer on the water system. These costs vary with the addition or deletion of customers on the system. Examples: Meter-reading, Postage and billing.

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TABLE 29 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	ALT. 1 (Preferred) (40% Fixed / 60% Variable)		ALT. 2 (30% Fixed / 70% Variable)	
	Net Rev. Reqts (FY 2023/24)		Net Rev. Reqts (FY 2023/24)	
Commodity-Related Costs	\$ 9,032,472	60.0%	\$ 10,537,884	70.0%
Capacity-Related Costs	4,516,236	30.0%	3,161,365	21.0%
Customer-Related Costs	1,505,412	10.0%	1,354,871	9.0%
<b>Net Revenue Requirement</b>	<b>\$ 15,054,120</b>	<b>100.0%</b>	<b>\$ 15,054,120</b>	<b>100.0%</b>

ALTERNATIVE 3 (50% Fixed / 50% Variable) Cost-of-Service Net Revenue Requirements (FY 2023/24) <sup>1</sup>	
\$ 7,527,060	49.0%
6,021,648	39.0%
1,806,494	12.0%
<b>\$ 15,355,202</b>	<b>100.0%</b>

TABLE 30 : COST-OF-SERVICE SUMMARY OF REVENUE REQUIREMENTS

Customer Class	Allocated Costs FY 2020/21		Allocated Costs FY 2020/21	
	2023/24 COS Rev. Req't	% of COS Rev. Req't.	2023/24 COS Rev. Req't	% of COS Rev. Req't.
Residential	\$ 9,541,651	63.4%	\$ 9,494,615	63.1%
Multi-Family	1,530,618	10.2%	1,573,058	10.4%
Commercial/Industrial	1,999,425	13.3%	2,048,215	13.6%
Institutional	262,825	1.7%	257,430	1.7%
Landscape	1,598,854	10.6%	1,566,826	10.4%
City Account	3,737	0.0%	3,407	0.0%
Hydrant	117,010	0.8%	110,568	0.7%
<b>Total</b>	<b>\$ 15,054,120</b>	<b>100%</b>	<b>\$ 15,054,120</b>	<b>100%</b>

COSA Allocated Costs FY 2020/21	
2023/24 COS Rev. Req't	% of COS Rev. Req't.
\$ 9,811,925	63.9%
1,507,461	9.8%
1,977,699	12.9%
272,002	1.8%
1,656,253	10.8%
4,409	0.0%
125,454	0.8%
<b>\$ 15,355,202</b>	<b>100%</b>

TABLE 31 : ALLOCATION OF UNADJUSTED NET REVENUE REQUIREMENTS - FY 2023/24

Alt. 1 - 40% Fixed / 60% Variable					
Customer Classes	Classification Components			Cost of Service Net Revenue Requirements	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity- Related Costs	Capacity-Related Costs	Customer- Related Costs		
Residential	\$ 5,470,437	\$ 2,758,274	\$ 1,312,941	\$ 9,541,651	63.4%
Multi-Family	1,053,245	426,815	50,558	1,530,618	10.2%
Commercial/Industrial	1,354,175	561,903	83,348	1,999,425	13.3%
Institutional	155,983	103,540	3,302	262,825	1.7%
Landscape	937,767	611,068	50,019	1,598,854	10.6%
City Account	239	98	3,399	3,737	0.0%
Hydrant	60,626	54,538	1,845	117,010	0.8%
Total Net Revenue Requirement	\$ 9,032,472	\$ 4,516,236	\$ 1,505,412	\$ 15,054,120	100%
Total Net Revenue Requirement by Classification Component	VARIABLE \$9,032,472	FIXED \$6,021,648		\$15,054,120	

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**TABLE 32 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES FOR FY 2023/24 - ALTERNATIVE 2**

Alt. 1 - 40% Fixed / 60% Variable									
Number of Meters by Class and Size <sup>1</sup>	FY2023/24								
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch
Residential	4,445	8,273	172	459	167	2	0	0	0
Multi-Family	137	203	84	56	24	17	0	0	0
Commercial/Industrial	251	330	0	249	10	14	3	0	1
Institutional	0	1	0	15	8	9	1	0	0
Landscape	34	182	79	212	4	4	0	0	0
City Account	5	7	1	19	2	1	0	0	0
Hydrant	0	0	0	0	19	0	0	0	0
<b>Total Meters/Accounts</b>	<b>4,872</b>	<b>8,996</b>	<b>336</b>	<b>1,010</b>	<b>234</b>	<b>47</b>	<b>4</b>	<b>0</b>	<b>1</b>
<i>Hydraulic Capacity Factor</i> <sup>2</sup>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	<i>140.00</i>
<b>Total Equivalent Meters</b>	<b>4,872</b>	<b>14,993</b>	<b>1,120</b>	<b>5,387</b>	<b>2,496</b>	<b>783</b>	<b>133</b>	<b>0</b>	<b>140</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$12.58	\$20.96	\$41.92	\$67.08	\$134.15	\$209.61	\$419.22	\$670.76	\$1,760.74
<b>Total Monthly Meter Charge</b>	<b>\$20.67</b>	<b>\$29.05</b>	<b>\$50.02</b>	<b>\$75.17</b>	<b>\$142.24</b>	<b>\$217.70</b>	<b>\$427.32</b>	<b>\$678.85</b>	<b>\$1,768.83</b>
<b>Annual Fixed Costs Allocated to Monthly Meter Charges</b>									
Customer Costs	\$ 1,505,412								
Capacity Costs	4,516,236								
<b>Total Fixed Meter Costs</b>	\$ 6,021,648								
<b>Annual Revenue from Monthly Meter Charges</b>									
Customer Charges	\$ 473,185	\$ 873,722	\$ 32,633	\$ 98,095	\$ 22,727	\$ 4,565	\$ 388	\$ -	\$ 97
Capacity Charges	\$ 735,283	\$ 2,262,797	\$ 169,031	\$ 812,957	\$ 376,697	\$ 118,221	\$ 20,123	\$ -	\$ 21,129
<b>Total Rev. from Mo. Meter Charges</b>	<b>\$ 1,208,468</b>	<b>\$ 3,136,518</b>	<b>\$ 201,664</b>	<b>\$ 911,051</b>	<b>\$ 399,424</b>	<b>\$ 122,786</b>	<b>\$ 20,511</b>	<b>\$ -</b>	<b>\$ 21,226</b>

1. Meter by Class and Size are based on June 2022 customer billing data.
2. Source: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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**TABLE 33 : ALLOCATION OF UNADJUSTED NET REVENUE REQUIREMENTS - FY 2023/24**

Alt. 2 - 30% Fixed / 70% Variable					
Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity- Related Costs	Capacity-Related Costs	Customer- Related Costs		
Residential	\$ 6,382,176	\$ 1,930,792	\$ 1,181,647	\$ 9,494,615	63.1%
Multi-Family	1,228,786	298,771	45,502	1,573,058	10.4%
Commercial/Industrial	1,579,871	393,332	75,013	2,048,215	13.6%
Institutional	181,980	72,478	2,972	257,430	1.7%
Landscape	1,094,062	427,748	45,017	1,566,826	10.4%
City Account	279	69	3,059	3,407	0.0%
Hydrant	70,731	38,176	1,661	110,568	0.7%
Total Net Revenue Requirement	\$ 10,537,884	\$ 3,161,365	\$ 1,354,871	\$ 15,054,120	99%
Total Net Revenue Requirement by Classification Component	VARIABLE \$10,537,884	FIXED \$4,516,236		\$15,054,120	

**TABLE 34 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES FOR FY 2023/24 - ALTERNATIVE 1**

<b>Alt. 2 - 30% Fixed / 70% Variable</b>										
Number of Meters by Class and Size <sup>1</sup>	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential	4,445	8,273	172	459	167	2	0	0	0	13,518
Multi-Family	137	203	84	56	24	17	0	0	0	521
Commercial/Industrial	251	330	0	249	10	14	3	0	1	858
Institutional	0	1	0	15	8	9	1	0	0	34
Landscape	34	182	79	212	4	4	0	0	0	515
City Account	5	7	1	19	2	1	0	0	0	35
Hydrant	0	0	0	0	19	0	0	0	0	19
<b>Total Meters/Accounts</b>	<b>4,872</b>	<b>8,996</b>	<b>336</b>	<b>1,010</b>	<b>234</b>	<b>47</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>15,500</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	<i>140.00</i>	
<b>Total Equivalent Meters</b>	<b>4,872</b>	<b>14,993</b>	<b>1,120</b>	<b>5,387</b>	<b>2,496</b>	<b>783</b>	<b>133</b>	<b>0</b>	<b>140</b>	<b>29,925</b>
<b>Monthly Fixed Service Charges</b>										
Customer Costs (\$/Acct/month) <sup>3</sup>	\$7.28	\$7.28	\$7.28	\$7.28	\$7.28	\$7.28	\$7.28	\$7.28	\$7.28	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$8.80	\$14.67	\$29.35	\$46.95	\$93.91	\$146.73	\$293.46	\$469.53	\$1,232.51	
<b>Total Monthly Meter Charge</b>	<b>\$16.09</b>	<b>\$21.96</b>	<b>\$36.63</b>	<b>\$54.24</b>	<b>\$101.19</b>	<b>\$154.01</b>	<b>\$300.74</b>	<b>\$476.81</b>	<b>\$1,239.80</b>	
<b>Annual Fixed Costs Allocated to Monthly Meter Charges</b>										
Customer Costs	\$ 1,354,871									
Capacity Costs		3,161,365								
<b>Total Fixed Meter Costs</b>	<b>\$ 4,516,236</b>									
<b>Annual Revenue from Monthly Meter Charges</b>										
Customer Charges	\$ 425,866	\$ 786,350	\$ 29,370	\$ 88,285	\$ 20,454	\$ 4,108	\$ 350	\$ -	\$ 87	\$ 1,354,871
Capacity Charges	\$14,698	\$1,583,958	\$118,321	\$569,070	\$263,688	\$82,755	\$14,086	\$-	\$14,790	\$3,161,365
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ 940,565</b>	<b>\$ 2,370,307</b>	<b>\$ 147,692</b>	<b>\$ 657,355</b>	<b>\$ 284,142</b>	<b>\$ 86,863</b>	<b>\$ 14,436</b>	<b>\$ -</b>	<b>\$ 14,878</b>	<b>\$ 4,516,236</b>

1. Meter by Class and Size are based on June 2022 customer billing data.
2. Source: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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TABLE 35 : FIXED CHARGES REVENUE CHECK

Number of Meters by Class and Size	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential	4,445	8,273	172	459	167	2	0	0	0	13,518
Multi-Family	137	203	84	56	24	17	0	0	0	521
Commercial/Industrial	251	330	0	249	10	14	3	0	1	858
Institutional	0	1	0	15	8	9	1	0	0	34
Landscape	34	182	79	212	4	4	0	0	0	515
City Account	5	7	1	19	2	1	0	0	0	35
Hydrant	0	0	0	0	19	0	0	0	0	19
<b>Total Meters/Accounts</b>	<b>4,872</b>	<b>8,996</b>	<b>336</b>	<b>1,010</b>	<b>234</b>	<b>47</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>15,500</b>

TABLE 36 : PROJECTED FIXED REVENUE CHECK

Alt. 2 - 30% Fixed / 70% Variable

Projected Revenue From Fixed Charges by Customer Class	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
<b>Charges by Meter Size</b>	<b>\$16.09</b>	<b>\$21.96</b>	<b>\$36.63</b>	<b>\$54.24</b>	<b>\$101.19</b>	<b>\$154.01</b>	<b>\$300.74</b>	<b>\$476.81</b>	<b>\$1,239.80</b>	
<b>Revenue from Fixed Charges</b>										
Residential	\$ 858,130	\$ 2,179,808	\$ 75,604	\$ 298,738	\$ 202,785	\$ 3,696	\$ -	\$ -	\$ -	\$ 3,618,762
Multi-Family	26,449	53,487	36,923	36,447	29,143	31,418	-	-	-	213,867
Commercial/Industrial	48,457	86,950	-	162,061	12,143	25,874	10,827	-	14,878	361,189
Institutional	-	263	-	9,763	9,714	16,633	3,609	-	-	39,983
Landscape	6,564	47,954	34,725	137,979	4,857	7,393	-	-	-	239,472
City Account	965	1,844	440	12,366	2,429	1,848	-	-	-	19,892
Hydrant	-	-	-	-	23,071	-	-	-	-	23,071
<b>Total Revenue - Fixed Charges</b>										<b>\$ 4,516,236</b>

TABLE 37 : PROJECTED FIXED REVENUE CHECK

Customer Class	Net Revenue Requirement (Alternative 1 - 30% Fixed / 70% Variable)		
	COS Rev. Req't	Expected Revenue	Over/(Under) Collected
Residential	\$ 3,112,439	\$ 3,618,762	\$ 506,323
Multi-Family	344,273	213,867	(130,405)
Commercial/Industrial	468,345	361,189	(107,156)
Institutional	75,450	39,983	(35,467)
Landscape	472,764	239,472	(233,292)
City Account	3,128	19,892	16,764
Hydrant	39,837	23,071	(16,766)
<b>Total</b>	<b>\$ 4,516,236</b>	<b>\$ 4,516,236</b>	<b>\$ -</b>

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TABLE 38 : PROJECTED FIXED REVENUE CHECK

Alt. 1 - 40% Fixed / 60% Variable

Projected Revenue From Fixed Charges by Customer Class	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
<b>Charges by Meter Size</b>	<b>\$20.67</b>	<b>\$29.05</b>	<b>\$50.02</b>	<b>\$75.17</b>	<b>\$142.24</b>	<b>\$217.70</b>	<b>\$427.32</b>	<b>\$678.85</b>	<b>\$1,768.83</b>	
<b>Revenue from Fixed Charges</b>										
Residential	\$ 1,102,554	\$ 2,884,439	\$ 103,233	\$ 414,032	\$ 285,059	\$ 5,225	\$ -	\$ -	\$ -	\$ 4,794,541
Multi-Family	33,982	70,777	50,416	50,514	40,967	44,412	-	-	-	291,067
Commercial/Industrial	62,259	115,057	-	224,606	17,069	36,574	15,383	-	21,226	492,175
Institutional	-	349	-	13,530	13,656	23,512	5,128	-	-	56,175
Landscape	8,433	63,456	47,415	191,231	6,828	10,450	-	-	-	327,812
City Account	1,240	2,441	600	17,139	3,414	2,612	-	-	-	27,446
Hydrant	-	-	-	-	32,432	-	-	-	-	32,432
<b>Total Revenue - Fixed Charges</b>										<b>\$ 6,021,648</b>

TABLE 39 : PROJECTED FIXED REVENUE CHECK

Customer Class	Net Revenue Requirement (Alternative 2 (COSA) - 40% Fixed / 60% Variable)		
	COS	Expected	Over/(Under)
	Rev. Req't	Revenue	Collected
Residential	\$ 4,071,215	\$ 4,794,541	\$ 723,326
Multi-Family	477,373	291,067	(186,306)
Commercial/Industrial	645,250	492,175	(153,076)
Institutional	106,842	56,175	(50,668)
Landscape	661,087	327,812	(333,275)
City Account	3,497	27,446	23,949
Hydrant	56,383	32,432	(23,951)
<b>Total</b>	<b>\$ 6,021,648</b>	<b>\$ 6,021,648</b>	<b>\$ -</b>



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TABLE 40 : PROJECTED FIXED REVENUE CHECK

Projected Revenue From Fixed Charges by Customer Class	FY2023/24									Total
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
<b>Charges by Meter Size</b>	<b>\$26.48</b>	<b>\$37.66</b>	<b>\$65.61</b>	<b>\$99.15</b>	<b>\$188.58</b>	<b>\$289.19</b>	<b>\$568.68</b>	<b>\$904.05</b>	<b>\$2,357.36</b>	
<b>Revenue from Fixed Charges</b>										
Residential	\$ 1,412,510	\$ 3,738,785	\$ 135,416	\$ 546,099	\$ 377,916	\$ 6,941	\$ -	\$ -	\$ -	\$ 6,217,667
Multi-Family	43,535	91,741	66,134	66,626	54,311	58,996	-	-	-	381,343
Commercial/Industrial	79,762	149,136	-	296,250	22,630	48,585	20,472	-	28,288	645,122
Institutional	-	452	-	17,846	18,104	31,233	6,824	-	-	74,459
Landscape	10,804	82,251	62,197	252,229	9,052	13,881	-	-	-	430,414
City Account	1,589	3,163	787	22,605	4,526	3,470	-	-	-	36,141
Hydrant	-	-	-	-	42,996	-	-	-	-	42,996
<b>Total Revenue - Fixed Charges</b>										<b>\$ 7,828,142</b>

TABLE 41 : PROJECTED FIXED REVENUE CHECK

Customer Class	Net Revenue Requirement (Alternative 3 - 40% Fixed / 60% Variable)		
	COS Rev. Req't	Expected Revenue	Over/(Under) Collected
Residential	\$ 5,253,228	\$ 6,217,667	\$ 964,439
Multi-Family	629,757	381,343	(248,414)
Commercial/Industrial	849,221	645,122	(204,099)
Institutional	142,016	74,459	(67,557)
Landscape	874,780	430,414	(444,366)
City Account	4,210	36,141	31,932
Hydrant	74,931	42,996	(31,935)
<b>Total</b>	<b>\$ 7,828,142</b>	<b>\$ 7,828,142</b>	<b>\$ -</b>

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**TABLE 42 : PROPOSED VOLUMETRIC CHARGES FOR FY 2022/23**

<b>Alt. 1 - 40% Fixed / 60% Variable</b>							
Customer Classes	Water Use (TG/yr.) <sup>1</sup>	% of Total Water Use	Total Vol. Rev. Reqts. (Excl. Pumping)	Uniform Commodity Rates (\$/TG)	Uniform Commodity Rates Including Pumping Costs (\$/TG)		
					Zone 1	Zone 2	Zone 3
Residential - Tier 1	1,348,786	60.6%	\$ 4,912,312	\$3.64	\$4.00	\$4.37	\$4.73
Multi-Family	259,687	11.7%	945,787	\$3.64	\$4.00	\$4.37	\$4.73
Commercial/Industrial	333,884	15.0%	1,216,014	\$3.64	\$4.00	\$4.37	\$4.73
Institutional	38,459	1.7%	140,069	\$3.64	\$4.00	\$4.37	\$4.73
Landscape	231,215	10.4%	842,091	\$3.64	\$4.00	\$4.37	\$4.73
City Account	59	0.0%	215	\$3.64	\$4.00	\$4.37	\$4.73
Hydrant	14,948	0.7%	54,441	\$3.64	\$4.00	\$4.37	\$4.73
<b>Total Potable Water</b>	<b>2,227,038</b>	<b>39.4%</b>	<b>\$ 8,110,929</b>				
<b>Pumping Costs</b>			<b>921,543</b>				
<b>Total Volumetric Reve. Reqts.</b>			<b>\$ 9,032,472</b>				

1. Water consumption is actual consumption for FY 2021/22 and includes an adjustment for conservation.  
2. Total volumetric revenue requirements based on rate alternative less supply costs and pumping costs.

**TABLE 43 : CONSUMPTION BY ZONE FOR FY 2021/22**

<b>Alt. 1 - 40% Fixed / 60% Variable - CONSUMPTION by Zone</b>				
Customer Class	CONSUMPTION by Zone and by Class (TG/Yr.)			Total Consumption
	Zone 1	Zone 2	Zone 3	
Residential	1,110,987	198,886	38,913	1,348,786
Multi-Family	259,459	0	228	259,687
Comm/Industrial	333,140	744	0	333,884
Institutional	38,459	0	0	38,459
Landscape	202,531	28,638	46	231,215
City Account	59	0	0	59
Hydrant	7,654	1,737	5,557	14,948
<b>Total</b>	<b>1,952,289</b>	<b>230,005</b>	<b>44,744</b>	<b>2,227,038</b>

**TABLE 44 : PUMPING BY ZONE FOR FY 2021/22**

<b>Alt. 1 - 40% Fixed / 60% Variable - PUMPING by Zone</b>				
Customer Class	PUMPING by Zone and by Class (TG/Yr.) <sup>1</sup>			Total Pumping
	Zone 1	Zone 2	Zone 3	
Residential	1,348,786	237,799	38,913	1,625,498
Multi-Family	259,687	228	228	260,143
Comm/Industrial	333,884	744	0	334,628
Institutional	38,459	0	0	38,459
Landscape	231,215	28,684	46	259,945
City Account	59	0	0	59
Hydrant	14,948	7,294	5,557	27,799
<b>Total</b>	<b>2,227,038</b>	<b>274,749</b>	<b>44,744</b>	<b>2,546,531</b>

1. Includes water in Zone 3 pumped through Zones 1 and 2, etc.

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**TABLE 45 : ESTIMATED ZONAL PUMPING COSTS AND RATES BY CUSTOMER CLASS AND ZONE**

Customer Class	Zonal Pumping Costs (\$/Yr.)			Zonal Costs by Class (\$/Yr.)
	Zone 1	Zone 2	Zone 3	
Residential	\$488,101	\$86,055	\$14,082	\$588,238
Multi-Family	\$93,976	\$83	\$83	\$94,141
Comm/Industrial	\$120,827	\$269	\$0	\$121,096
Institutional	\$13,918	\$0	\$0	\$13,918
Landscape	\$83,672	\$10,380	\$17	\$94,069
City Account	\$21	\$0	\$0	\$21
Hydrant	\$5,409	\$2,640	\$2,011	\$10,060
Total	\$805,924	\$99,427	\$16,192	\$921,543
<b>Pumping by Zone (TG/Yr.)</b>	<b>2,227,038</b>	<b>274,749</b>	<b>44,744</b>	
<b>Zonal Pumping Rate (\$/TG)</b>	<b>\$0.362</b>	<b>\$0.362</b>	<b>\$0.362</b>	

**TABLE 46 : VOLUMETRIC RATES BY CUSTOMER CLASS AND ZONE**

<b>Alt. 1 (40% Fixed/60% Vol.) - Cumulative Zonal Vol. Rates by Zone</b>				
Customer Class	Volumetric Rates	Cumulative Vol. Rates by Zone (\$/TG)		
		Zone 1	Zone 2	Zone 3
Residential	\$3.64	\$4.004	\$4.366	\$4.728
Multi-Family	3.64	\$4.004	\$4.366	\$4.728
Comm/Industrial	3.64	\$4.004	\$4.366	\$4.728
Institutional	3.64	\$4.004	\$4.366	\$4.728
Landscape	3.64	\$4.004	\$4.366	\$4.728
City Account	3.64	\$4.004	\$4.366	\$4.728
Hydrant	3.64	\$4.004	\$4.366	\$4.728

**TABLE 47 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS AND ZONE**

Customer Class	Volumetric Revenue by Zone (\$/Yr.)			Total Volumetric Rate Revenue
	Zone 1	Zone 2	Zone 3	
Residential	\$4,448,288	\$868,294	\$183,968	\$5,500,550
Multi-Family	1,038,850	0	1,078	1,039,928
Comm/Industrial	1,333,862	3,248	0	1,337,110
Institutional	153,986	0	0	153,986
Landscape	810,915	125,027	217	936,160
City Account	236	0	0	236
Hydrant	30,646	7,583	26,272	64,501
<b>Grand Total</b>	<b>\$7,816,784</b>	<b>\$1,004,153</b>	<b>\$211,535</b>	<b>\$9,032,472</b>

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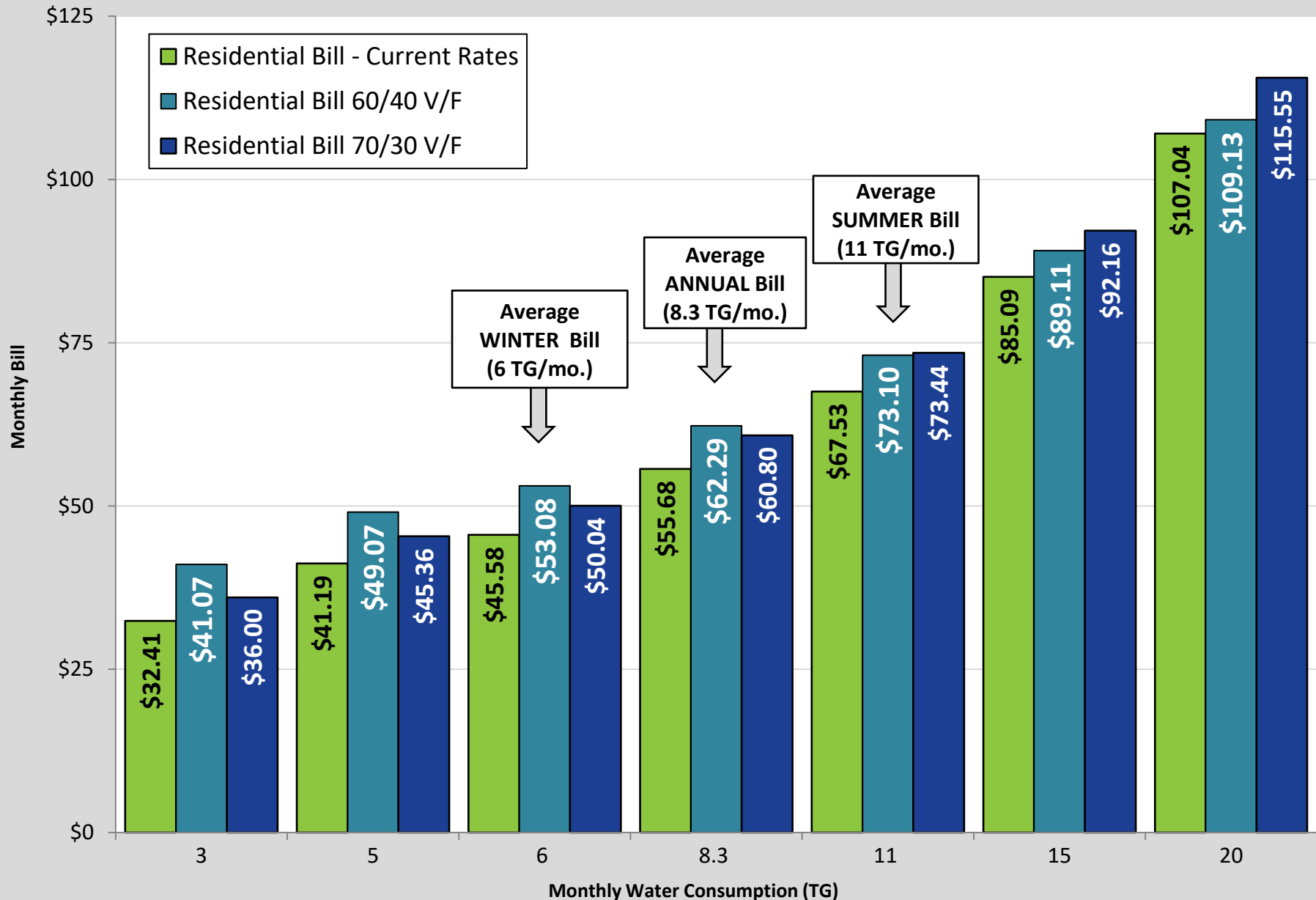
**CURRENT VS. PROPOSED WATER RATES** *Alt. 1 - 40% Fixed / 60% Variable*

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Service Charges						
Meter Size						
3/4 inch	\$11.53	\$20.67	\$22.32	\$23.66	\$24.61	\$25.59
1 inch	\$19.24	\$29.05	\$31.38	\$33.26	\$34.59	\$35.98
1 1/2 inch	\$38.47	\$50.02	\$54.02	\$57.26	\$59.55	\$61.93
2 inch	\$61.55	\$75.17	\$81.18	\$86.05	\$89.50	\$93.08
3 inch	\$115.39	\$142.24	\$153.62	\$162.84	\$169.36	\$176.13
4 inch	\$192.30	\$217.70	\$235.12	\$249.23	\$259.20	\$269.57
6 inch	\$384.62	\$427.32	\$461.50	\$489.19	\$508.76	\$529.11
8 inch	\$615.37	\$678.85	\$733.16	\$777.15	\$808.23	\$840.56
10 inch	\$884.50	\$1,768.83	\$1,910.34	\$2,024.96	\$2,105.95	\$2,190.19
Variable Charges for All Water Consumed (\$/1,000 gallons (or TG))						
Residential Customers - Tiered Volumetric Rate		Uniform Vol. Rates				
Tier 1 - Zone 1	\$4.39	\$4.00	\$4.32	\$4.58	\$4.77	\$4.96
Tier 1 - Zone 2	\$4.93	\$4.37	\$4.72	\$5.00	\$5.20	\$5.41
Tier 1 - Zone 3	\$5.52	\$4.73	\$5.11	\$5.41	\$5.63	\$5.85
Tier 2 ( more than 30 TG)						
Tier 2 - Zone 1	\$4.93	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 2	\$5.47	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 2 - Zone 3	\$6.06	N.A.	N.A.	N.A.	N.A.	N.A.

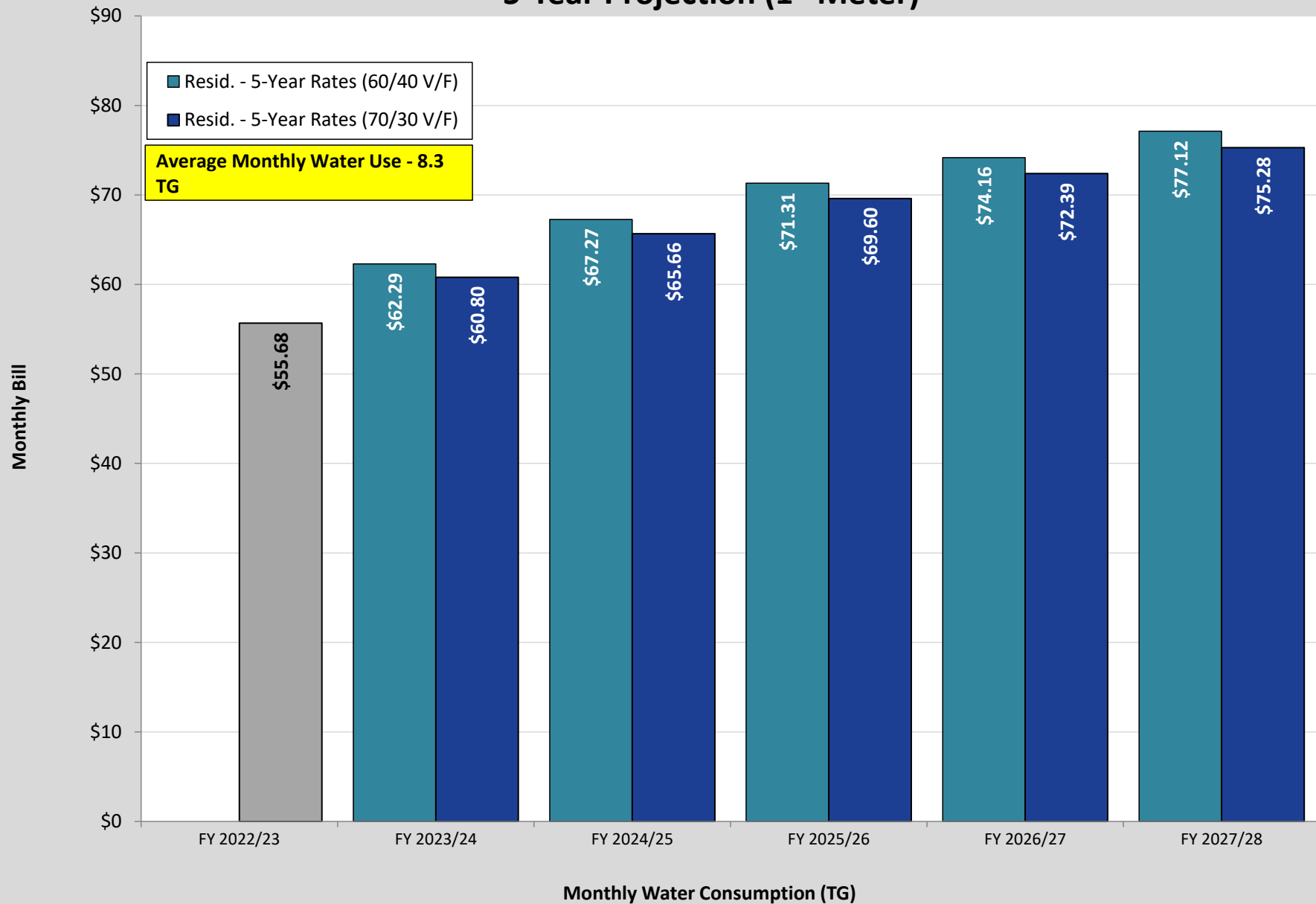
*Note: The City recently transitioned from July1-June 30 fiscal years to calendar years (January to December).*

# Single-Family Residential Water Bill Comparison

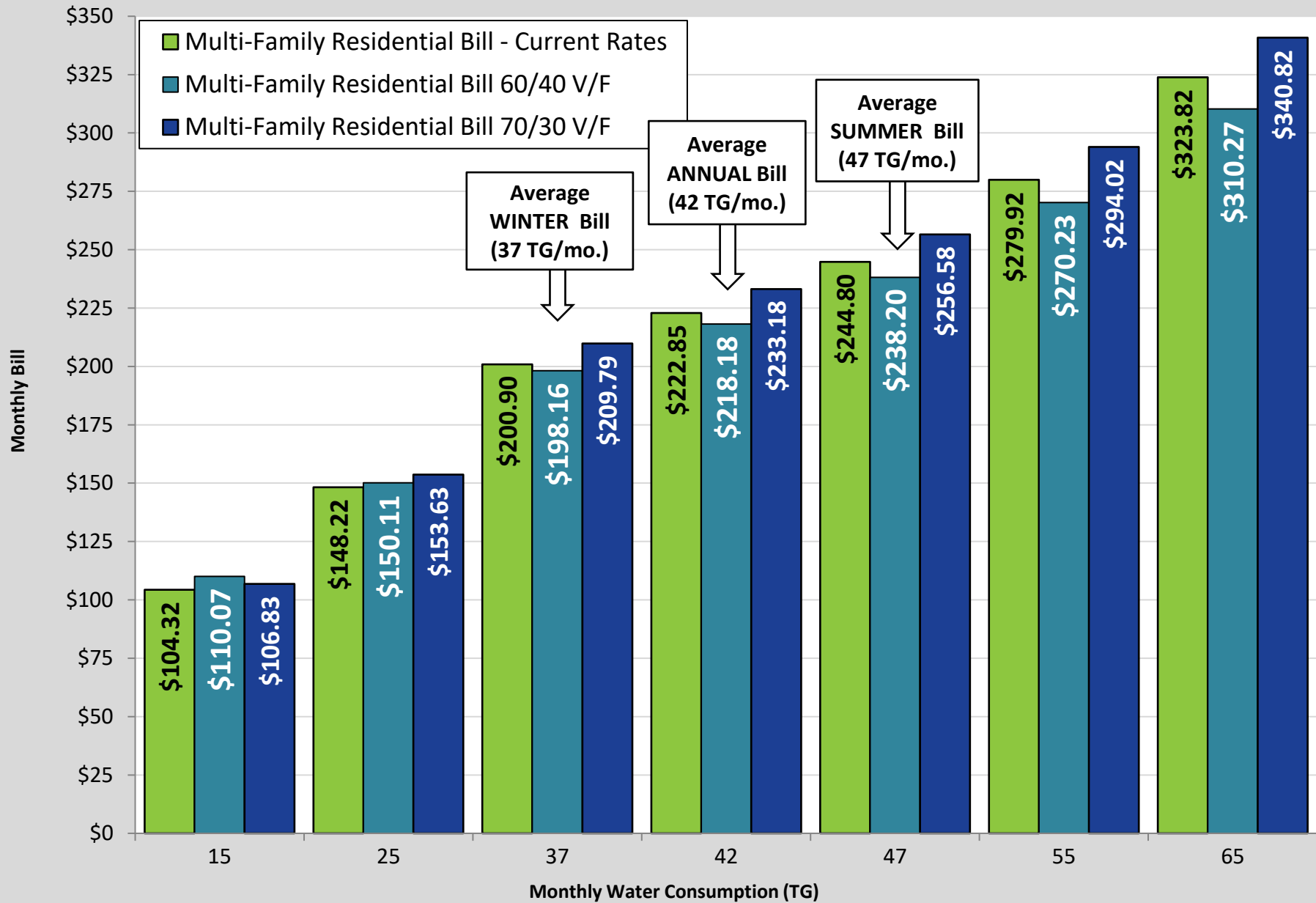
## Current vs. Proposed FY'23/24 Rates (1" Meter)



## Residential Water Bill Comparison 5-Year Projection (1" Meter)

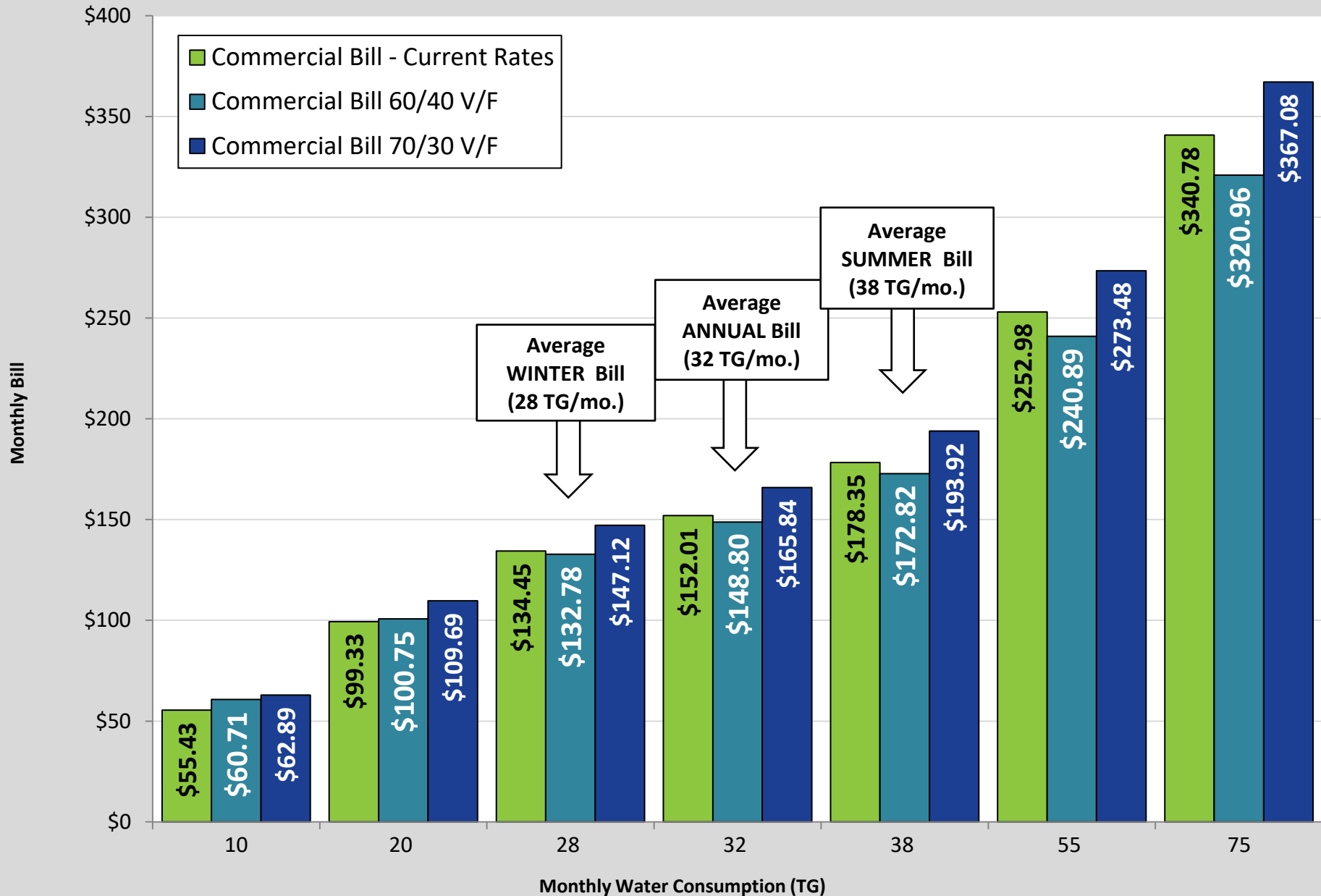


## Multi-Family Residential Water Bill Comparison Current vs. Proposed FY'22/23 Rates (1.5" Meter)



# Commercial Water Bill Comparison

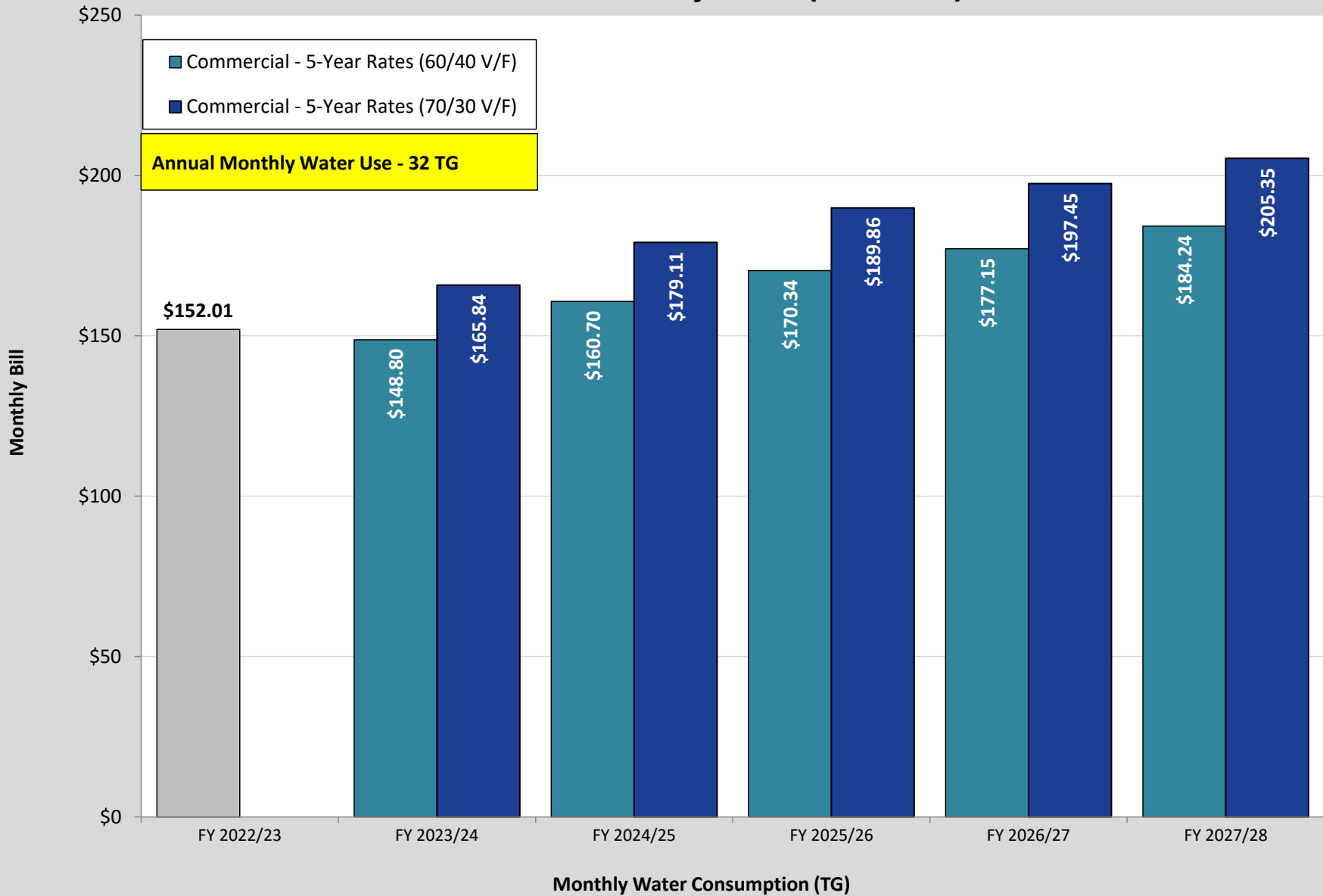
## Current vs. Proposed FY'23/24 Rates (< 1" Meter)





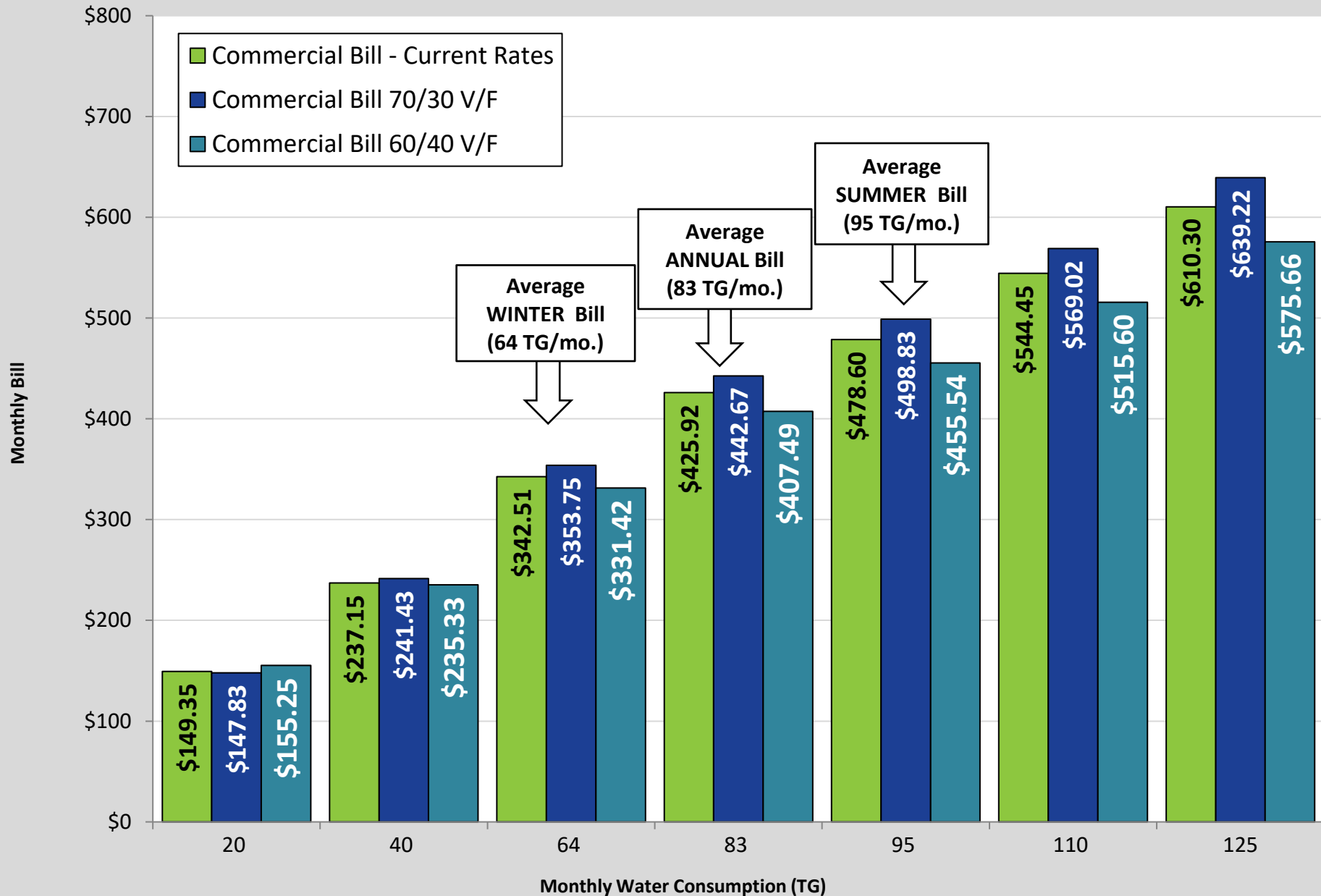
# Commercial Water Bill Comparison

## 5-Year Projection (1" Meter)

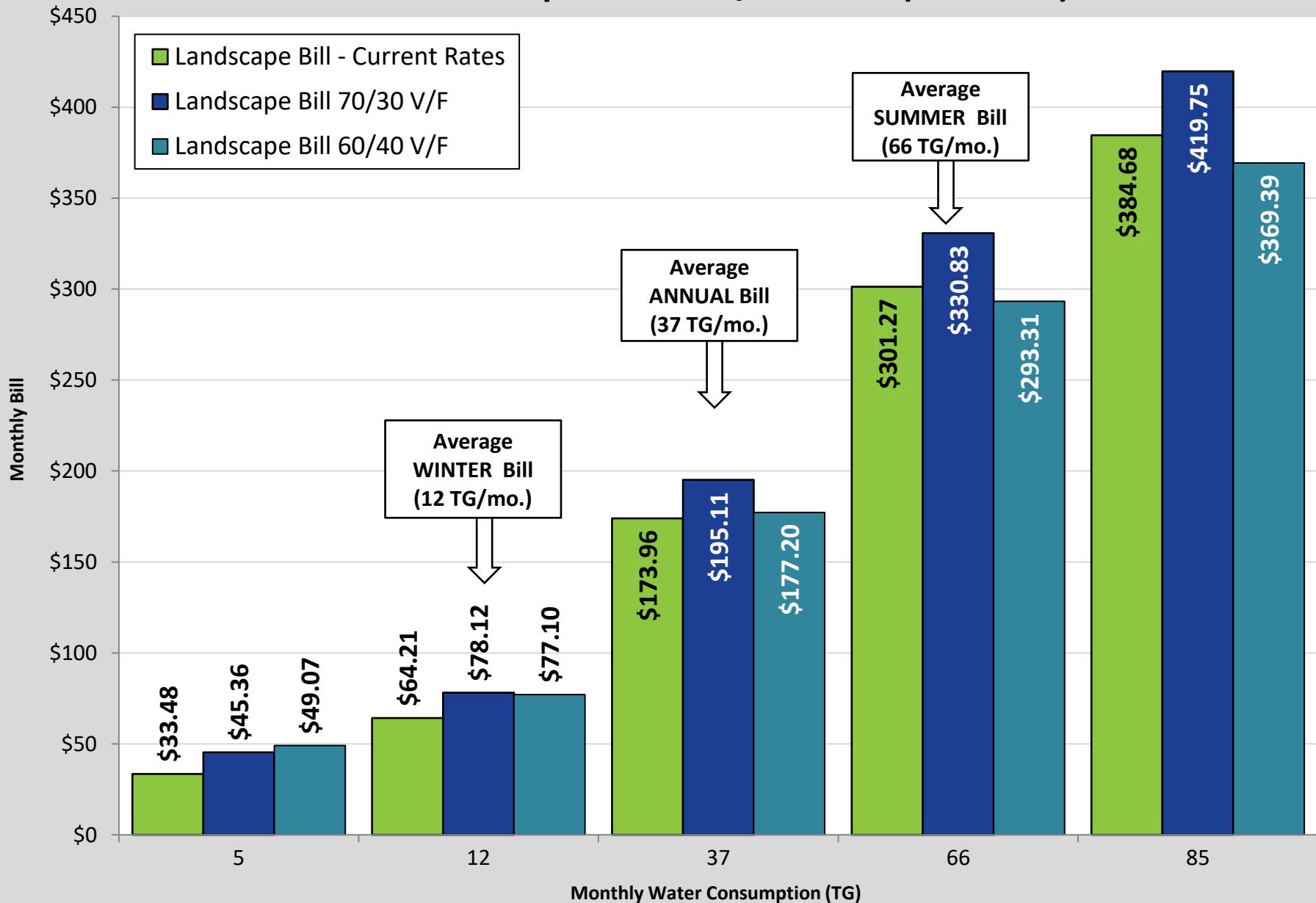


# Commercial Water Bill Comparison

## Current vs. Proposed FY'22/23 Rates (2" Meter)



## Landscape Bill Comparison - Commercial Current vs. Proposed FY'22/23 Rates (2" Meter)



## Appendix B. Wastewater Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected Actuals	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Sources of Funds<sup>1</sup></b>						
Rate Revenue:						
User Fees	\$ 13,247,000	\$ 13,512,000	\$ 13,782,000	\$ 13,988,730	\$ 14,198,561	\$ 14,411,539
Other Revenue:						
Misc. Revenue & Interest Earnings <sup>2</sup>	992,066	649,871	397,017	15,619	15,853	16,091
Interfund Transfer In	1,533,500	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000
<b>Total: Sources of Funds</b>	<b>\$ 15,772,566</b>	<b>\$ 16,405,871</b>	<b>\$ 16,423,017</b>	<b>\$ 16,248,349</b>	<b>\$ 16,458,414</b>	<b>\$ 16,671,630</b>
<b>Uses of Water Funds<sup>1</sup></b>						
Operating Expenses:						
7500 - Sewer Administration	\$ 3,606,254	\$ 2,143,559	\$ 2,202,325	\$ 2,339,468	\$ 2,481,991	\$ 2,625,123
7510 - Finance Sewer Utility Billing	921,605	1,037,477	1,083,341	1,120,978	1,159,924	1,200,226
7520 - Sewer Operations	2,758,341	4,362,836	4,320,125	4,464,460	4,613,637	4,767,818
SCWRA Oper. Costs (less Monit., Sampl., Pre-Tr.Costs)	5,715,995	6,146,815	6,517,038	6,781,500	6,989,600	7,207,300
Monitoring, Sampling, Pretreatment (Non-Resid. C)	N.A.	365,700	440,200	388,500	400,400	412,700
Subtotal: Operating Expenses	\$ 13,002,195	\$ 13,690,686	\$ 14,122,829	\$ 14,706,406	\$ 15,245,153	\$ 15,800,467
Other Expenditures:						
Existing Debt Service	\$ 1,533,500	\$ 2,244,000	\$ 2,244,400	\$ 2,243,600	\$ 2,241,600	\$ 2,243,300
Rate-Funded Capital Expenses	-	75,401	335,906	211,300	755,038	1,334,115
Subtotal: Other Expenditures	\$ 1,533,500	\$ 2,319,401	\$ 2,580,306	\$ 2,454,900	\$ 2,996,638	\$ 3,577,415
<b>Total: Uses of Funds</b>	<b>\$ 14,535,695</b>	<b>\$ 16,010,087</b>	<b>\$ 16,703,135</b>	<b>\$ 17,161,306</b>	<b>\$ 18,241,791</b>	<b>\$ 19,377,882</b>
Plus: Revenue from Rate Increases <sup>2</sup>	-	540,480	1,121,811	1,743,733	2,408,627	3,119,008
<b>Annual Surplus/(Deficit)</b>	<b>\$ 1,236,871</b>	<b>\$ 936,264</b>	<b>\$ 841,693</b>	<b>\$ 830,775</b>	<b>\$ 625,250</b>	<b>\$ 412,756</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 12,010,129</b>	<b>\$ 13,116,216</b>	<b>\$ 14,062,118</b>	<b>\$ 14,901,687</b>	<b>\$ 15,981,938</b>	<b>\$ 17,117,791</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 13,247,000</b>	<b>\$ 14,052,480</b>	<b>\$ 14,903,811</b>	<b>\$ 15,732,463</b>	<b>\$ 16,607,187</b>	<b>\$ 17,530,547</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>4.00%</b>	<b>8.16%</b>	<b>12.49%</b>	<b>16.99%</b>	<b>21.67%</b>
<b>Debt Coverage After Rate Increase (1.25 required)</b>	<b>1.81</b>	<b>1.45</b>	<b>1.52</b>	<b>1.46</b>	<b>1.62</b>	<b>1.78</b>

- Revenue and expenses for FY 2022/23 through FY204/25 provided by the City. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 9 (See Exhibit 1 (O&M) Tab). Source file: FY23 Budgets.xlsx. The new vehicles expense in FY24 and FY25 was transferred to the CIP budget to avoid increasing rates to meet coverage requirements.
- Interest income for FY2022-23 through FY2024-25 is from the City's Budget. For all other years, it is calculated based on historical LAIF returns.
- Revenue from rate increases assumes an implementation date of April 1, 2023 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

Selection of Financial Plan Alternative		2					
Financial Plan Alternatives		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
1	Alternative 1 - 2% Annual Rate Increases	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2	Alternative 2 - 4% Annual Rate Increases	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3	Alternative 3 - Custom Rate Increases	0.00%	7.00%	7.00%	7.00%	7.00%	7.00%
4	No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected Actuals	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Total Beginning Cash<sup>1</sup></b>	<b>\$ 18,206,179</b>					
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 13,654,634	\$ 6,501,000	\$ 6,845,000	\$ 7,061,000	\$ 7,353,000	\$ 7,623,000
Plus: Net Cash Flow (After Rate Increases)	1,236,871	936,264	841,693	830,775	625,250	412,756
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	-	56,234	59,209	61,078	63,603	65,939
Less: Transfer Out to Capital Replacement Reserve	(8,390,505)	(648,498)	(684,902)	(599,853)	(418,853)	(201,695)
<b>Ending Operating Reserve Balance</b>	<b>\$ 6,501,000</b>	<b>\$ 6,845,000</b>	<b>\$ 7,061,000</b>	<b>\$ 7,353,000</b>	<b>\$ 7,623,000</b>	<b>\$ 7,900,000</b>
<b>Target Ending Balance (6 months of O&amp;M)<sup>2</sup></b>	<b>\$ 6,501,000</b>	<b>\$ 6,845,000</b>	<b>\$ 7,061,000</b>	<b>\$ 7,353,000</b>	<b>\$ 7,623,000</b>	<b>\$ 7,900,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 4,551,545	\$ 12,942,049	\$ 13,495,633	\$ 11,271,248	\$ 8,151,561	\$ 6,946,887
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	8,390,505	648,498	684,902	599,853	418,853	201,695
Less: Use of Reserves for Capital Projects	-	(94,914)	(2,909,287)	(3,719,540)	(1,623,527)	(1,500,000)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 12,942,049</b>	<b>\$ 13,495,633</b>	<b>\$ 11,271,248</b>	<b>\$ 8,151,561</b>	<b>\$ 6,946,887</b>	<b>\$ 5,648,582</b>
<b>Target Ending Balance (Avg. Annual CIP)<sup>3</sup></b>	<b>\$ 4,420,000</b>	<b>\$ 4,420,000</b>	<b>\$ 4,420,000</b>	<b>\$ 4,420,000</b>	<b>\$ 4,420,000</b>	<b>\$ 4,420,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 19,443,049</b>	<b>\$ 20,340,633</b>	<b>\$ 18,332,248</b>	<b>\$ 15,504,561</b>	<b>\$ 14,569,887</b>	<b>\$ 13,548,582</b>
<b>Min. Target Ending Cash Balance -Excl. Restricted Rese</b>	<b>\$ 10,921,000</b>	<b>\$ 11,265,000</b>	<b>\$ 11,481,000</b>	<b>\$ 11,773,000</b>	<b>\$ 12,043,000</b>	<b>\$ 12,320,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 8,522,049</b>	<b>\$ 9,075,633</b>	<b>\$ 6,851,248</b>	<b>\$ 3,731,561</b>	<b>\$ 2,526,887</b>	<b>\$ 1,228,582</b>
<b>Days Cash on Hand</b>	<b>546</b>	<b>540</b>	<b>463</b>	<b>380</b>	<b>333</b>	<b>289</b>
<b>Annual Interest Earnings Rate<sup>4</sup></b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.85%</b>

1. Beginning cash balances provided by City staff for Fund 700 - Sewer Operations. Source file: *Account Trial Balance FY22 - 430-435-700-705.pdf*.

2. The target ending balance is set equal to 90-days of O&M expenses.

3. The target ending balance is set equal to the average annual CIP costs in future dollars for City infrastructure of approximately \$30 M; we have doubled this to reflect a lesser reserve target that includes about 50% of SCRWA infrastructure (i.e., half of \$74 M).

4. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2022). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

TABLE 3 : RESERVE FUND SUMMARY, cont.

SUMMARY OF CASH ACTIVITY	Projected	5-Year Projected Rate Period				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Restricted Reserves:</b>						
<b>Sewer Impact Fee Reserve</b>						
Beginning Reserve Balance <sup>1</sup>	\$ 14,976,546	\$ 15,048,572	\$ 15,194,152	\$ 18,873,406	\$ 19,967,880	\$ 18,302,389
Plus: Allocated Interest Earnings <sup>1</sup>	219,443	224,381	228,868	234,590	240,454	246,466
Less: Interfund Transfer out	(1,533,500)	(2,244,000)	(2,244,000)	(2,244,000)	(2,244,000)	(2,244,000)
Plus: Interfund Transfer In	386,083	437,408	410,049			
Plus: Impact Fee Revenue <sup>1</sup>	1,000,000	1,803,192	5,620,243	3,315,184	1,093,093	1,357,983
Less: Use of Reserves for Capital Projects <sup>2</sup>	-	(75,401)	(335,906)	(211,300)	(755,038)	(2,840,381)
<b>Ending Impact Fee Fund Balance</b>	<b>\$ 15,048,572</b>	<b>\$ 15,194,152</b>	<b>\$ 18,873,406</b>	<b>\$ 19,967,880</b>	<b>\$ 18,302,389</b>	<b>\$ 14,822,457</b>
<b>Target Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Debt Reserve</b>						
Beginning Reserve Balance <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending Debt Reserve Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Target Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Annual Interest Earnings Rate<sup>4</sup></b>	<b>0.87%</b>	<b>0.87%</b>	<b>0.87%</b>	<b>0.87%</b>	<b>0.87%</b>	<b>0.87%</b>

1. Beginning cash balance for FY 2022/23 provided by City staff. Source file: 4 - Current Cash and Fund Balance - Wastewater 12062021.xlsx .

2. Determined in the CIP (Exhibit 2).

4. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2022). The source is the California State Treasurer's website:

<https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp> .

CHART 1

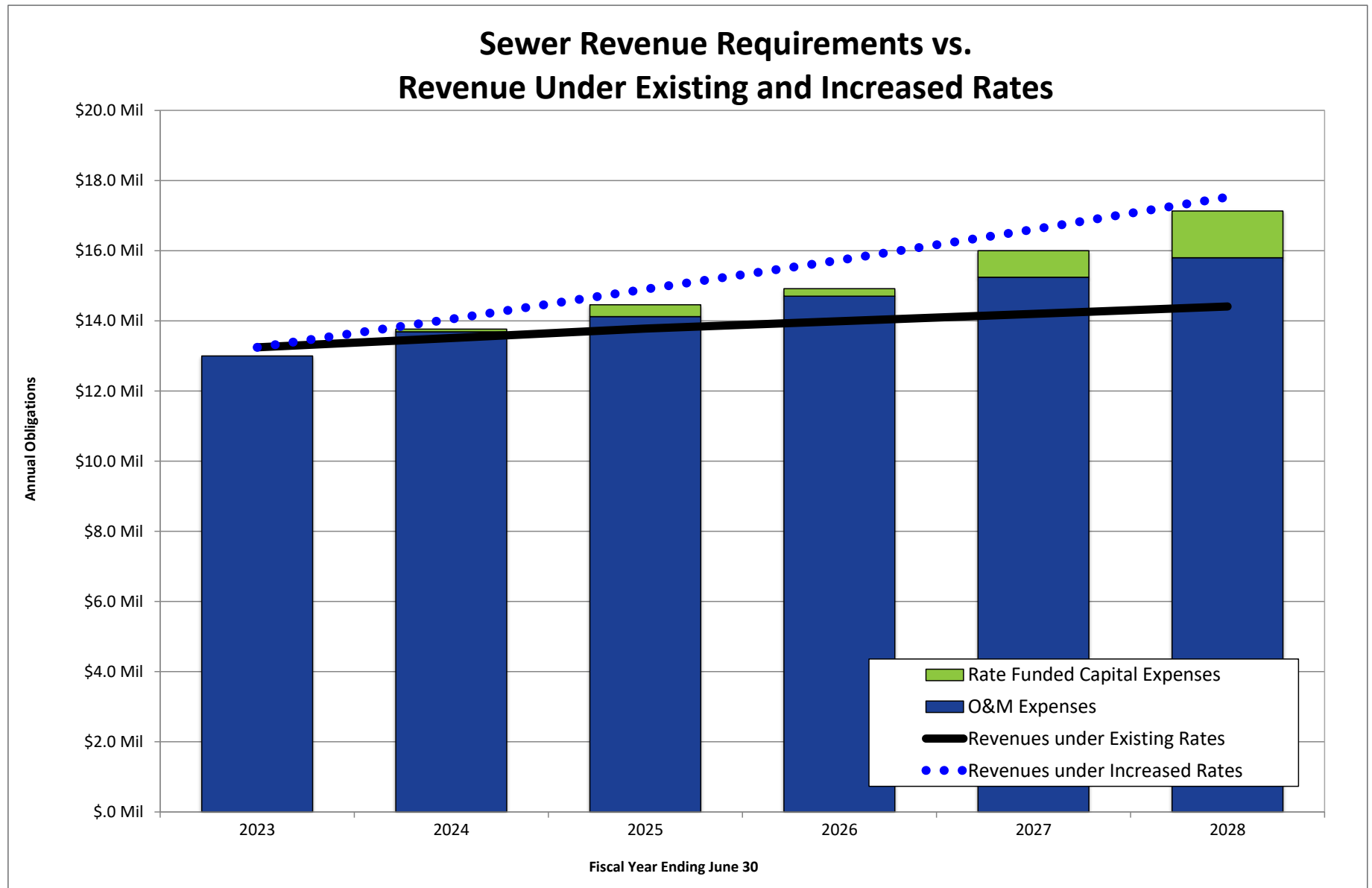




CHART 2

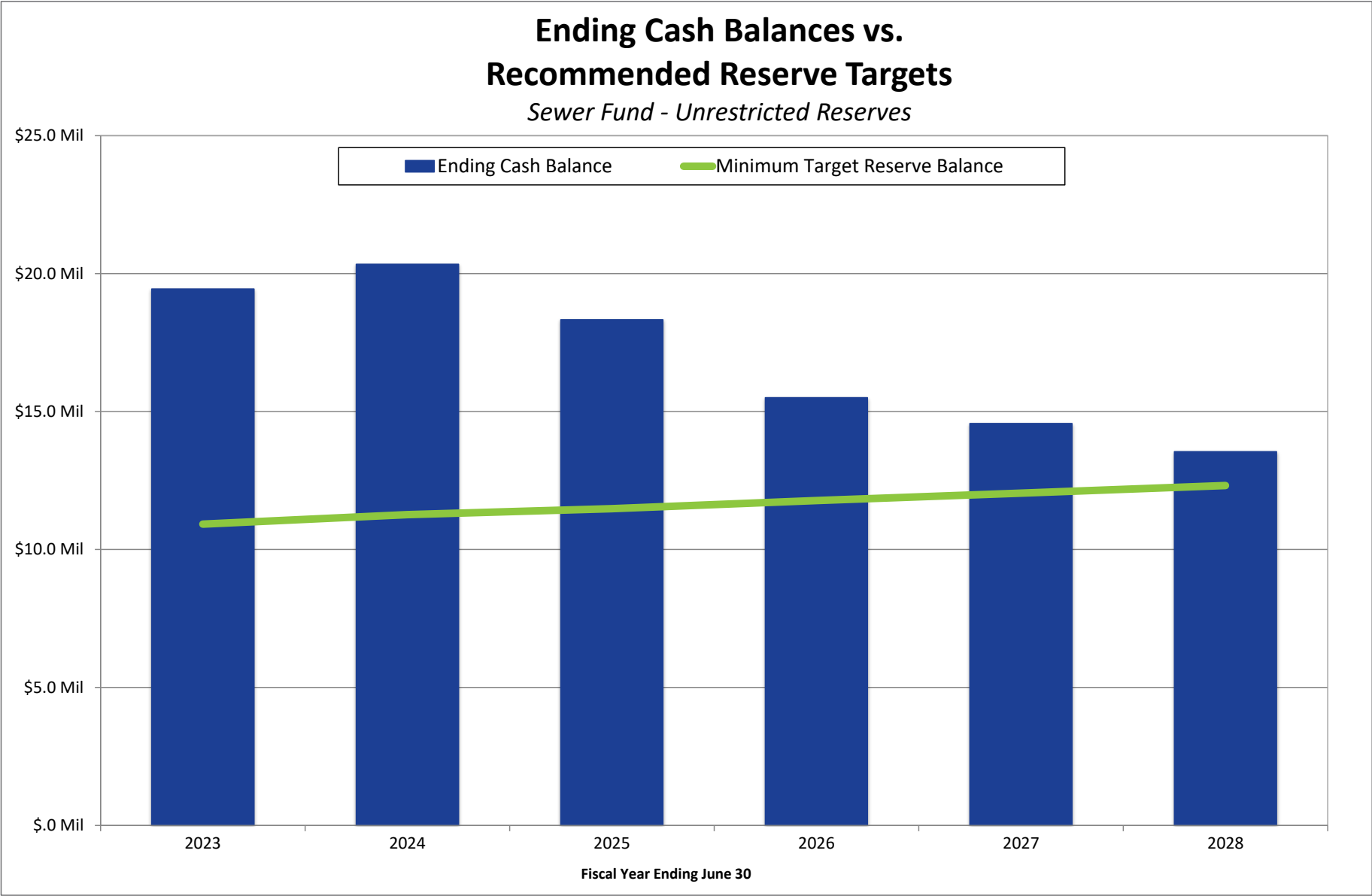


CHART 3

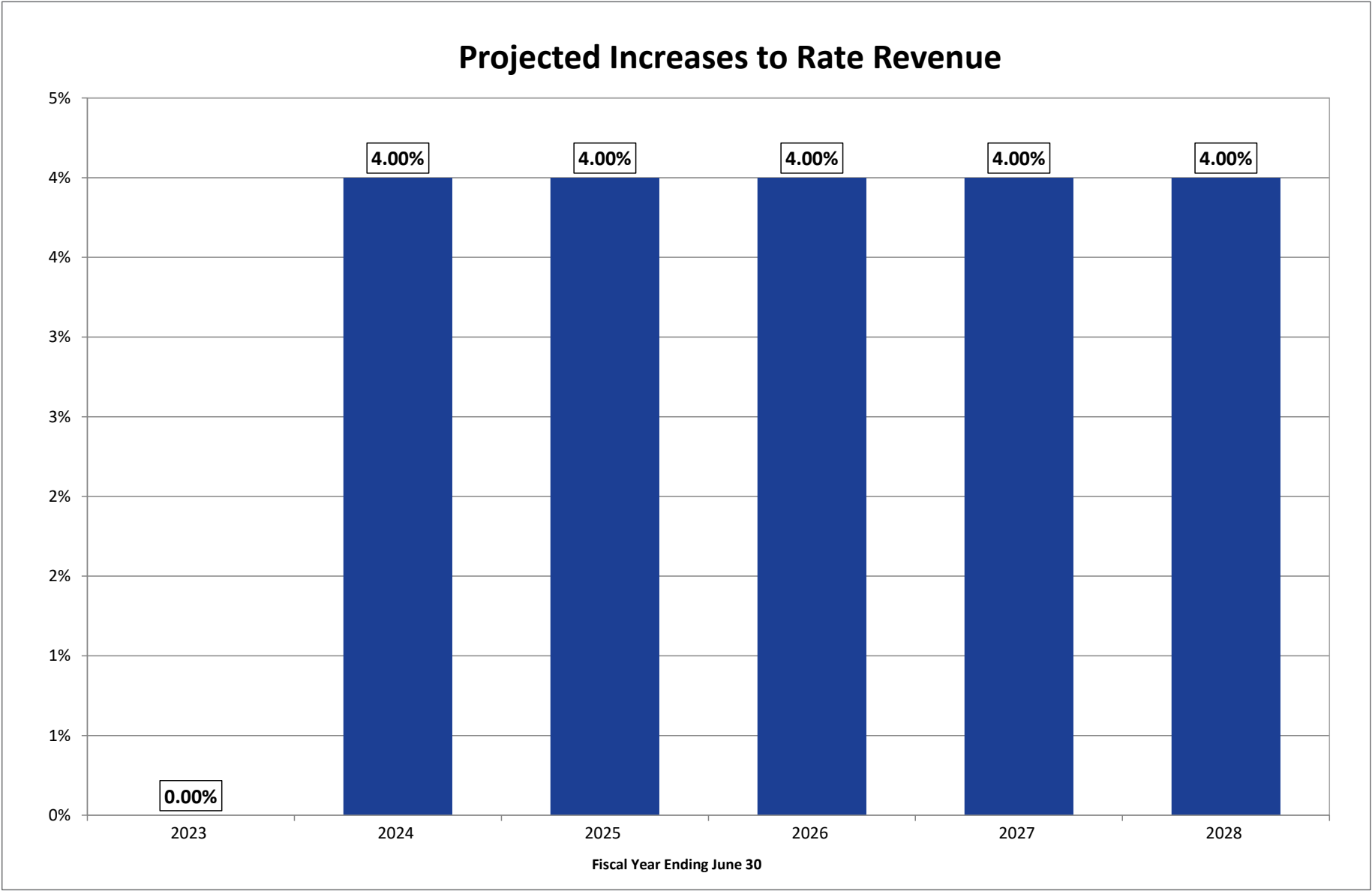


TABLE 4 : REVENUE FORECAST<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Rate Revenue										
700	7500	'00 -75-7500-000-45120	User Fees	1	\$ 13,247,000	\$ 13,512,000	\$ 13,782,000	\$ 13,988,730	\$ 14,198,561	\$ 14,411,539
Other Revenue										
700	7500	'00 -75-7500-000-45145	Overhead Revenue	1	14,505	14,940	15,388	15,619	15,853	16,091
700	7500	'00 -75-7500-000-46110	Bank Interest	See FP	327,561	334,931	341,629	-	-	-
700	7500	'00 -75-7500-000-46310	Other Interest	1	650,000	300,000	40,000	-	-	-
700	7500	'00 -75-7500-000-48110	Interfund Transfer In	6	1,533,500	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000
700	7500	'00 -75-7500-000-48420	Bond Proceeds	6	-	-	-	-	-	-
700	7510	'00 -75-7510-000-43110	Federal Grant	6	-	-	-	-	-	-
TOTAL: RATE AND OTHER REVENUE					\$ 15,772,566	\$ 16,405,871	\$ 16,423,017	\$ 16,248,349	\$ 16,458,414	\$ 16,671,630
Sewer Impact Fee Revenue										
430	5500	I30 -55-5500-000-45150	Developer's Impact Fee	1	1,000,000	1,803,192	5,620,243	3,315,184	1,093,093	1,357,983
430	5500	I30 -55-5500-000-46110	Bank Interest	See FP	219,443	224,381	228,868	-	-	-
430	5500	I30 -55-5500-000-46210	Interfund Interest Income	1	-	-	-	-	-	-
430	5500	I30 -55-5500-000-48110	Interfund Transfer In	6	386,083	437,408	410,049	-	-	-
TOTAL: IMPACT FEE REVENUE					\$ 1,605,526	\$ 2,464,981	\$ 6,259,160	\$ 3,315,184	\$ 1,093,093	\$ 1,357,983

TABLE 5 : OPERATING EXPENSE FORECAST<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 700 - Sewer Operations										
7500 - Sewer Administration										
700	7500	'00 -75-7500-000-50410	Pension Expense	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
700	7500	'00 -75-7500-000-51510	Professional Support	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-51620	Audit Services	2	8,700	-	-	-	-	-
700	7500	'00 -75-7500-000-51630	Contractual Services	2	6,185	5,288	5,552	5,722	5,898	6,079
700	7500	'00 -75-7500-000-53165	Contra Capital Outlay	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-54110	Interfund Transfer Out	2	11,863	-	-	-	-	-
700	7500	'00 -75-7500-000-54130	Fleet Service Charge	2	59,206	77,139	78,502	80,909	83,390	85,947
700	7500	'00 -75-7500-000-54140	Facility Service Charge	2	134,639	216,418	232,659	239,793	247,145	254,723
700	7500	'00 -75-7500-000-54145	Info Tech Service Charge	2	434,144	550,530	533,039	549,383	566,228	583,589
700	7500	'00 -75-7500-000-54150	Overhead Charges	2	723,376	847,532	883,288	910,371	938,284	967,053
700	7500	'00 -75-7500-000-54155	Liability Insurance Charges	2	401,933	430,902	452,735	466,617	480,924	495,669
700	7500	'00 -75-7500-000-55110	Loss On Disposal Of F/A	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-56110	Amortization Expense	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-56120	Depreciation	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-57110	Debt Redemption	2	2,440,000	725,000	755,000	778,149	802,009	826,599
700	7500	'00 -75-7500-000-57115	Debt Interest	2	904,708	1,519,000	1,489,400	1,535,067	1,582,134	1,630,645
700	7500	'00 -75-7500-000-58115	Share Joint Venture Loss	2	-	-	-	-	-	-
700	7500	'00 -75-7500-000-58130	Claims	2	15,000	15,750	16,550	17,057	17,580	18,119
700	7500	'00 -75-7500-000-55130	Cash Over Short	2	-	-	-	-	-	-
Subtotal - Sewer Administration					\$ 5,139,754	\$ 4,387,559	\$ 4,446,725	\$ 4,583,068	\$ 4,723,591	\$ 4,868,423

CITY OF GILROY  
SEWER RATE STUDY  
Operating Revenue and Expenses

Exhibit 1 - O&M

TABLE 6 : OPERATING EXPENSE FORECAST, cont.<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period					
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	
Fund 700 - Sewer Operations											
7510 - Finance Sewer Utility Billing											
700	7510	'00 -75-7510-000-50110	Salaries	3	\$ 488,975	\$ 617,543	\$ 662,408	\$ 685,592	\$ 709,588	\$ 734,424	
705	8010	700-75-7510-000-50110	Utility Billing Supervisor (Split: Water/Sewer)	3	-	-	-	-	-	-	
700	7510	'00 -75-7510-000-50120	Wages/Part Time	3	23,048	33,750	21,788	22,551	23,340	24,157	
700	7510	'00 -75-7510-000-50130	Overtime	3	14,000	10,000	10,000	10,350	10,712	11,087	
700	7510	'00 -75-7510-000-50150	Overtime Meals	3	41	-	-	-	-	-	
700	7510	'00 -75-7510-000-50203	Compensated Absences	3	-	-	-	-	-	-	
700	7510	'00 -75-7510-000-50205	Workers Comp	3	2,163	2,563	2,689	2,783	2,880	2,981	
700	7510	'00 -75-7510-000-50210	Retirement (Full Time)	3	52,305	73,492	76,644	79,326	82,103	84,976	
700	7510	'00 -75-7510-000-50212	Deferred Compensation	3	1,230	2,070	2,070	2,142	2,217	2,295	
700	7510	'00 -75-7510-000-50213	UAL Retirement	3	88,677	94,578	101,904	105,471	109,162	112,983	
700	7510	'00 -75-7510-000-50215	Retirement (Part Time)	3	18	759	490	507	525	544	
700	7510	'00 -75-7510-000-50220	Medicare	3	7,976	9,595	10,077	10,430	10,795	11,172	
700	7510	'00 -75-7510-000-50225	Health Insurance Benefits	3	106,784	115,262	115,505	119,547	123,732	128,062	
700	7510	'00 -75-7510-000-50230	Life Insurance Benefits	3	824	794	821	850	879	910	
700	7510	'00 -75-7510-000-50235	Employee Assistance Prog	3	964	1,116	1,139	1,179	1,220	1,263	
700	7510	'00 -75-7510-000-50240	Unemployment Insurance	3	864	971	1,024	1,060	1,097	1,135	
700	7510	'00 -75-7510-000-50255	Misc Disability Insurance	3	1,030	1,307	1,307	1,353	1,400	1,450	
700	7510	'00 -75-7510-000-50260	Retiree Medical	3	-	900	900	932	964	998	
700	7510	'00 -75-7510-000-51110	Employee Training	2	-	3,400	3,400	3,504	3,612	3,722	
700	7510	'00 -75-7510-000-51120	Employee Travel, Food, Lodge	2	669	1,250	1,250	1,288	1,328	1,369	
700	7510	'00 -75-7510-000-51420	Telecommunications	2	-	-	-	-	-	-	
700	7510	'00 -75-7510-000-51430	Postage	2	50	100	100	103	106	109	
700	7510	'00 -75-7510-000-51510	Professional Support	2	2,200	-	-	-	-	-	
700	7510	'00 -75-7510-000-51630	Contractual Services	2	119,000	66,025	67,825	69,905	72,048	74,257	
700	7510	'00 -75-7510-000-52110	Office/Computer Supplies	5	4,000	2,000	2,000	2,105	2,215	2,331	
700	7510	'00 -75-7510-000-52210	Repairs & Maintenance	2	-	-	-	-	-	-	
700	7510	'00 -75-7510-000-50114	Earned Leave Cashout	2	6,787	-	-	-	-	-	
700	7510	'00 -75-7510-000-51230	Tuition	2	-	-	-	-	-	-	
Subtotal - Finance Sewer Utility Billing					\$ 921,605	\$ 1,037,477	\$ 1,083,341	\$ 1,120,978	\$ 1,159,924	\$ 1,200,226	

**CITY OF GILROY**  
**SEWER RATE STUDY**  
**Operating Revenue and Expenses**

**Exhibit 1 - O&M**

**TABLE 7 : OPERATING EXPENSE FORECAST, cont.<sup>1</sup>**

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 700 - Sewer Operations										
7520 - Sewer Operations										
700	7520	'00 -75-7520-000-50110	Salaries	3	\$ 1,313,539	\$ 1,826,894	\$ 1,972,608	\$ 2,041,649	\$ 2,113,107	\$ 2,187,066
700	7520	700-75-7520-000-50110	FT Engineer I/II	3	-	-	-	-	-	-
700	7520	'00 -75-7520-000-50120	Wages/Part Time	3	11,337	60,000	65,000	67,275	69,630	72,067
700	7520	'00 -75-7520-000-50130	Overtime	3	50,154	50,000	50,000	51,750	53,561	55,436
700	7520	'00 -75-7520-000-50150	Overtime Meals	3	-	1,000	1,000	1,035	1,071	1,109
700	7520	'00 -75-7520-000-50203	Compensated Absences	3	-	-	-	-	-	-
700	7520	'00 -75-7520-000-50205	Workers Comp	3	58,511	66,947	70,795	73,273	75,838	78,492
700	7520	'00 -75-7520-000-50210	Retirement (Full Time)	3	136,961	218,375	229,291	237,317	245,623	254,219
700	7520	'00 -75-7520-000-50215	Retirement (Part Time)	3	156	1,350	1,463	1,514	1,567	1,621
700	7520	'00 -75-7520-000-50220	Medicare	3	21,506	28,106	30,290	31,350	32,447	33,583
700	7520	'00 -75-7520-000-50225	Health Insurance Benefits	2	240,740	375,906	377,348	388,918	400,842	413,133
700	7520	'00 -75-7520-000-50230	Life Insurance Benefits	2	2,149	2,241	2,321	2,393	2,466	2,542
700	7520	'00 -75-7520-000-50235	Employee Assistance Prog	2	2,446	3,097	3,159	3,256	3,355	3,458
700	7520	'00 -75-7520-000-50240	Unemployment Insurance	2	2,798	2,915	3,096	3,191	3,288	3,389
700	7520	'00 -75-7520-000-50255	Misc Disability Insurance	2	2,701	3,733	3,733	3,847	3,965	4,087
700	7520	7007520-50260	RETIREE MEDICAL		1,508	1,800	-	-	-	-
700	7520	'00 -75-7520-000-51110	Employee Training	2	-	40,000	40,000	41,226	42,491	43,793
700	7520	'00 -75-7520-000-51120	Employee Travel, Food, Lodge	2	-	15,000	15,000	15,460	15,934	16,423
700	7520	'00 -75-7520-000-51420	Telecommunications	2	1,939	2,500	2,500	2,577	2,656	2,737
700	7520	'00 -75-7520-000-51430	Postage	2	-	-	-	-	-	-
700	7520	'00 -75-7520-000-51510	Professional Support	2	11,298	15,000	15,000	15,460	15,934	16,423
700	7520	'00 -75-7520-000-51630	Contractual Services	2	227,332	806,000	550,000	566,864	584,245	602,158
700	7520	'00 -75-7520-000-52110	Office/Computer Supplies	2	73	1,500	1,500	1,546	1,593	1,642
700	7520	'00 -75-7520-000-52150	Department Supplies	2	8,582	10,000	10,000	10,307	10,623	10,948
700	7520	'00 -75-7520-000-52210	Repairs & Maintenance	2	26,213	100,000	100,000	103,066	106,226	109,483
700	7520	'00 -75-7520-000-52310	Equipment Rental	2	-	10,000	10,000	10,307	10,623	10,948
700	7520	'00 -75-7520-000-53120	Equipment/Furniture	2	25,000	-	-	-	-	-
700	7520	'00 -75-7520-000-54110	Interfund Transfer Out <sup>2</sup>	2	300,000	390,000	409,500	422,056	434,997	448,334
		SCWRA Operational Costs		2	5,715,995	6,512,515	6,957,238	7,170,000	7,390,000	7,620,000
700	7520	'00 -75-7520-000-50114	Earned Leave Cashout	2	11,460	-	-	-	-	-
700	7520	'00 -75-7520-000-50212	Deferred Compensation	3	3,608	5,742	5,742	5,943	6,151	6,366
700	7520	'00 -75-7520-000-50213	UAL Retirement	3	249,086	284,730	310,780	321,657	332,915	344,567
700	7520	'00 -75-7520-000-50310	Apparel, Boots, Ppe	2	6,735	9,000	9,000	9,276	9,560	9,854
700	7520	'00 -75-7520-000-51410	Utilities	2	2,765	6,000	6,000	6,184	6,374	6,569
700	7520	'00 -75-7520-000-52710	Permits	2	39,747	25,000	25,000	25,767	26,557	27,371
700	7520	'00 -75-7520-000-53135	Improvements	2	-	-	-	-	-	-
700	7520	'00 -75-7520-000-53142	Capital Improvement Plan	See Exh 2	-	-	-	-	-	-
Subtotal - Sewer Operations					\$ 8,474,336	\$ 10,875,351	\$ 11,277,363	\$ 11,634,460	\$ 12,003,637	\$ 12,387,818

TABLE 8 : OPERATING EXPENSE FORECAST, cont.<sup>1</sup>

FUND	DIVISION	ACCOUNT	DESCRIPTION	Basis	Projected Actuals	5-Year Projected Rate Period				
					FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 700 - Sewer Operations										
Additional Expenditures										
700	7520	700-75-7520-000-53120	one-time vehicle purchases	One-Time	-	404,450	404,450	-	-	-
Subtotal - Additional Expenditures					\$ -	\$ 404,450	\$ 404,450	\$ -	\$ -	\$ -
GRAND TOTAL: SEWER EXPENSES					\$ 14,535,695	\$ 16,704,836	\$ 17,211,879	\$ 17,338,506	\$ 17,887,153	\$ 18,456,467

TABLE 9 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2023	2024	2025	2026	2027	2028
Customer Growth <sup>4</sup>	1	--	1.50%	1.50%	1.50%	1.50%	1.50%
General Cost Inflation <sup>5</sup>	2	--	3.07%	3.07%	3.07%	3.07%	3.07%
Labor Cost Inflation <sup>6</sup>	3	--	3.50%	3.50%	3.50%	3.50%	3.50%
Energy <sup>7</sup>	4	--	7.44%	7.44%	7.44%	7.44%	7.44%
Fuel & Utilities <sup>8</sup>	5	--	5.24%	5.24%	5.24%	5.24%	5.24%
No Escalation	6	--	0.00%	0.00%	0.00%	0.00%	0.00%

- Revenue and expenses for FY 2022/23 through FY2024/25 provided by the City. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 9. Source file: *FY23 Budgets.xlsx*.
- These expenses are costs related to the ownership, operation, maintenance and use of the South County Regional Wastewater Authority (SCRWA) jointly owned by the City of Morgan Hill. Based on the JPA agreement, Gilroy is responsible for approx. 60% of these costs which are based on actual annual flow.
- Expenses are inflated each year by the following annual inflation factor categories.
- Customer growth is based on estimated service area population growth through FY 2044/45. Source file: *Gilroy 2020 UWMP.pdf*, page 3-9.
- General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Francisco-Oakland-Hayward, CA area.
- Labor cost inflation is based on the 5-year average annual change in the Quarterly Census of Employment and Wages for San Francisco County, CA.
- Energy cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Francisco-Oakland-Hayward, CA area.
- Fuel & Utilities cost inflation is based on the 5-year average annual change in the Consumer Price Index - Average Price Data for Fuels and related products and power. This factor is used for utility costs other than electricity.

CITY OF GILROY  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

Exhibit 2 - CIP

TABLE 10 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		5-Year Projected Rate Period				
Funding Sources:	Budget FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves (to Fund Impact Fee Projects)	-	75,401	335,906	211,300	755,038	2,840,381
Use of 2021 Revenue Bond Proceeds	1,130,904	4,000,000	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	94,914	2,909,287	3,719,540	1,623,527	1,500,000
Rate Revenue	-	75,401	335,906	211,300	755,038	1,334,115
<b>Total Sources of Capital Funds</b>	<b>\$ 1,130,904</b>	<b>\$ 4,245,716</b>	<b>\$ 3,581,099</b>	<b>\$ 4,142,140</b>	<b>\$ 3,133,603</b>	<b>\$ 5,674,496</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 1,130,904	\$ 4,245,716	\$ 3,581,099	\$ 4,142,140	\$ 3,133,603	\$ 5,674,496
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>2021 Revenue Bond Proceeds (Per Capital Improvement Program) <sup>1</sup></b>	<b>\$ 1,130,904</b>	<b>\$ 4,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Remaining 2021 Bond Proceeds	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>New Revenue Bond Proceeds (If needed)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

1. Source file: 11. Adopted-CIP-FY21-FY25.pdf , page 77.

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Insert policy choice in box to right, based on options listed above:		<b>2</b>					
Policy Choice (CIP & Master Planned Project ONLY)		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
1	Full Funding of CIP, at actual cost & timing	\$1,130,904	\$5,560,420	\$4,326,924	\$5,241,120	\$3,171,420	\$3,778,820
2	75% Funding of CIP, at actual cost & timing	\$1,130,904	4,170,315	3,245,193	3,930,840	2,378,565	2,834,115
3	50% Funding of CIP, at actual cost & timing	\$1,130,904	2,085,158	1,622,597	1,965,420	1,189,283	1,417,058
4	No CIP	-	-	-	-	-	-
		<b>Total Planned CIP through FY 2027/28</b>					
		<b>\$ 16,559,028</b>					
Capital Improvement Program Funding Choice		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Effective Annual Funding Amount		\$ 1,130,904	\$ 4,170,315	\$ 3,245,193	\$ 3,930,840	\$ 2,378,565	\$ 2,834,115

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year-Dollars) - 5% inflation added to these projects (per Harjot)

Project No.	Description	2023	2024	2025	2026 <sup>2</sup>	2027	2028
<i>Capital Improvement Program - Fiscal Year 2021 to Fiscal Year 2025 <sup>1</sup></i>							
800490	Annual Citywide Sewer Repair and Rehabilitation		\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
800510	Asbestos Cement Sewer Pipe Replacement Citywide		-	265,629	1,008,600	-	-
800530	Large Diameter Sewer Rehabilitation Citywide		-	273,105	1,081,100	-	-
EN2403	Corporation Yard EV and EV Charging		-	-	-	-	-
800550	Old Gilroy - Chestnut to Forest Sewer Upgrade		50,999	251,600	-	-	-
SW2402	Joint Morgan Hill-Gilroy Trunk Line Repairs	-	1,938,671	-	-	-	-
900720	Old Gilroy Street at Railroad Crossing Sewer Replacement		-	-	-	-	587,400
7520-53120	Vehicles/Equipment (operations budget transferred to CIP by NBS)	-	404,450	404,450	-	-	-
<b>Subtotal - Capital Improvement Program</b>		<b>\$ -</b>	<b>\$ 2,644,120</b>	<b>\$ 1,444,784</b>	<b>\$ 2,339,700</b>	<b>\$ 250,000</b>	<b>\$ 837,400</b>
<b>Subtotal - Master Plan Projects</b>		<b>\$ -</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>
<b>Total - CIP &amp; Master Plan Projects (Current Year Dollars)</b>		<b>\$0</b>	<b>\$5,155,540</b>	<b>\$3,956,204</b>	<b>\$4,851,120</b>	<b>\$2,761,420</b>	<b>\$3,348,820</b>

\* Morgan Hill Contribution for the SCRWA expansion is approximately is \$31.5M (FY 21-25).

**CITY OF GILROY**  
**SEWER RATE STUDY**  
**Capital Improvement Plan Expenditures**

**Exhibit 2 - CIP**

**TABLE 12 : CAPITAL IMPROVEMENT PROGRAM COSTS** (*in Future Year Dollars*) Inflation removed because 5% inflation already Included

Project No.	Description	2023	2024	2025	2026 <sup>2</sup>	2027	2028
<i>Capital Improvement Program - Fiscal Year 2021 to Fiscal Year 2025 <sup>1</sup></i>							
800490	Annual Citywide Sewer Repair and Rehabilitation	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
800510	Asbestos Cement Sewer Pipe Replacement Citywide	-	-	265,629	1,008,600	-	-
800530	Large Diameter Sewer Rehabilitation Citywide	-	-	273,105	1,081,100	-	-
EN2403	Corporation Yard EV and EV Charging	-	-	-	-	-	-
800550	Old Gilroy - Chestnut to Forest Sewer Upgrade	-	50,999	251,600	-	-	-
SW2402	Joint Morgan Hill-Gilroy Trunk Line Repairs	-	1,938,671	-	-	-	-
900720	Old Gilroy Street at Railroad Crossing Sewer Replacement	-	-	-	-	-	587,400
007520-5411	TRF OUT SCRWA CIP (Transferred from Operations to CIP by NBS)	1,130,904	404,880	370,720	390,000	410,000	430,000
7520-53120	New Vehicles (operations budget transferred to CIP by NBS)	-	404,450	404,450	-	-	-
<b>Subtotal - Capital Improvement Program (in Future Year Dollars)</b>		<b>\$ 1,130,904</b>	<b>\$ 3,049,000</b>	<b>\$ 1,815,504</b>	<b>\$ 2,729,700</b>	<b>\$ 660,000</b>	<b>\$ 1,267,400</b>
<i>Sewer System Master Plan Projects <sup>3</sup></i>							
<i>Gravity Main Improvements</i>							
<i>Santa Teresa - Long Meadow Subtrunk</i>							
SLP-1	Santa Teresa Boulevard	\$ -	\$ 223,980	\$ 223,980	\$ 223,980	\$ 223,980	\$ 223,980
<i>Welburn Subtrunk</i>							
WP-1	Welburn Avenue	-	188,040	188,040	188,040	188,040	188,040
WP-2	Welburn Avenue	-	82,980	82,980	82,980	82,980	82,980
<i>Forest-Swanston Subtrunk</i>							
FP-1	Loof Avenue	-	127,200	127,200	127,200	127,200	127,200
FP-2	Forest Street	-	225,220	225,220	225,220	225,220	225,220
<i>Old Gilroy Subtrunk</i>							
OP-1	Old Gilroy Street	-	11,120	11,120	11,120	11,120	11,120
OP-2	Old Gilroy Street	-	90,100	90,100	90,100	90,100	90,100
<i>Uvas Park Subtrunk</i>							
UP-1	Uvas Park Drive	-	262,680	262,680	262,680	262,680	262,680
UP-2	Hoxett Street / ROW	-	200,940	200,940	200,940	200,940	200,940
UP-3	Yorktown Drive	-	223,600	223,600	223,600	223,600	223,600
UP-4	Greenwich Drive	-	74,560	74,560	74,560	74,560	74,560
UP-5	Orchard Drive	-	25,960	25,960	25,960	25,960	25,960
UP-6	W. 10th Street	-	175,020	175,020	175,020	175,020	175,020
<i>Thomas Subtrunk</i>							
TP-1	London Place	-	387,200	387,200	387,200	387,200	387,200
TP-2	Monterey Road	-	212,820	212,820	212,820	212,820	212,820
<b>Subtotal - Master Plan Projects (in Future Year Dollars)</b>		<b>\$ -</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>	<b>\$ 2,511,420</b>
<b>Total - CIP &amp; Master Plan Projects (in Future Year Dollars)</b>		<b>\$ 1,130,904</b>	<b>\$ 5,560,420</b>	<b>\$ 4,326,924</b>	<b>\$ 5,241,120</b>	<b>\$ 3,171,420</b>	<b>\$ 3,778,820</b>
<b>Impact Fee Projects <sup>4</sup> (in Future Year Dollars)</b>							
800520	Carmel-Dowdy Alley - Sixth to Seventh Sewer Replacement	\$ -	\$ 75,401	\$ 273,200	\$ -	\$ -	\$ -
800540	Monterey and Princeville Sewer Network	-	-	-	-	755,038	2,840,381
800560	Seventh St - Carmel-Dowdy to Hanna-Rosanna Alleys Sewer Repl.	-	-	62,706	211,300	-	-
800570	Wastewater Treatment Plant Expansion (SCRWA)*	-	(Bond-Funded)	-	-	-	-
<b>Subtotal - Impact Fee Projects (in Future Year Dollars)</b>		<b>\$ -</b>	<b>\$ 75,401</b>	<b>\$ 335,906</b>	<b>\$ 211,300</b>	<b>\$ 755,038</b>	<b>\$ 2,840,381</b>
<b>Estimated Future Projects (Impact Fee Funded)</b>							
<b>Future Projects <sup>5</sup></b>		-	-	-	-	-	-
<b>Total: Impact Fee Funded CIP (Future-Year Dollars)</b>		<b>\$ -</b>	<b>\$ 75,401</b>	<b>\$ 335,906</b>	<b>\$ 211,300</b>	<b>\$ 755,038</b>	<b>\$ 2,840,381</b>
<b>Total - All (Impact Fee, CIP &amp; Master Plan Projects) (Future Year Dollars)</b>		<b>\$1,130,904</b>	<b>\$5,635,821</b>	<b>\$4,662,830</b>	<b>\$5,452,420</b>	<b>\$3,926,458</b>	<b>\$6,619,201</b>
<b>* City contribution - SCRWA TP Construction (bond funded)</b>		<b>\$17,840,994</b>	<b>\$15,719,810</b>	<b>\$1,867,896</b>			



TABLE 13 : FORECASTING ASSUMPTIONS

Economic Variables	2023	2024	2025	2026	2027	2028
Annual Construction Cost Inflation, Per Engineering News Record <sup>7</sup>	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Cumulative Construction Cost Multiplier from 2023	1.00	1.04	1.08	1.12	1.17	1.22

1. Capital project costs provided by City Staff. Source file: *11. Adopted-CIP-FY21-FY25.pdf*, pages 43, 60-77.
2. Capital projects beginning in FY 2025/26 are unfunded and identified in the City's Capital Improvement Program. These costs have been allocated over a 5-year period from FY 2025/26 through FY 2029/30. Source: *11. Adopted-CIP-FY21-FY25.pdf*, pages 239-242.
3. Capital project costs are from the City's Draft Sewer System Master Plan (May 2022). Source file: *Draft Water Master Plan.pdf*, Table 8.2, pages 100-101.
4. Capital projects funded by impact fees. Source file: *City of Gilroy Water\_Sewer Operations and Impact FundsFY24\_25.xlsx*, CIP Worksheet. April 2023.
5. Future project costs beyond FY 2029/30 were calculated based on the City's 5-year average (FY24-28).
6. The project costs in future-year dollars have been inflated by 4% annually.
7. For reference purposes, the annual Construction Cost Inflation percentage is the 5-year average change in the Construction Cost Index for September 2017-2022 (4.0%). Source: Engineering News Record website (<http://enr.construction.com>).

TABLE 14 : SEWER UTILITY EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget	5-Year Projected Rate Period				
Annual Repayment Schedules:	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Wastewater Revenue Bonds, Series 2021A - Loan Amount \$47,080,000						
Principal Payment	\$ -	\$ 725,000	\$ 755,000	\$ 785,000	\$ 815,000	\$ 850,000
Interest Payment	1,533,500	1,519,000	1,489,400	1,458,600	1,426,600	1,393,300
<b>Subtotal: Annual Debt Service</b>	<b>\$ 1,533,500</b>	<b>\$ 2,244,000</b>	<b>\$ 2,244,400</b>	<b>\$ 2,243,600</b>	<b>\$ 2,241,600</b>	<b>\$ 2,243,300</b>
Coverage Requirement (\$-Amnt above annual payment) <sup>2</sup>	\$ 1,840,200	\$ 2,692,800	\$ 2,693,280	\$ 2,692,320	\$ 2,689,920	\$ 2,691,960
Reserve Requirement (total fund balance) <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	<b>\$ 1,533,500</b>	<b>\$ 2,244,000</b>	<b>\$ 2,244,400</b>	<b>\$ 2,243,600</b>	<b>\$ 2,241,600</b>	<b>\$ 2,243,300</b>
<b>Grand Total: Existing Annual Coverage Requirement</b>	<b>\$ 1,840,200</b>	<b>\$ 2,692,800</b>	<b>\$ 2,693,280</b>	<b>\$ 2,692,320</b>	<b>\$ 2,689,920</b>	<b>\$ 2,691,960</b>
<b>Grand Total: Existing Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

1. Revenue bonds issued to finance the City's obligations for the capital improvements of the SCRWA Treatment Facility. Source file: 08. Official Statement.pdf .
2. The City must have net revenues that are at least equal to 1.2 times the annual debt service payment. Source file: 08. Official Statement.pdf.
3. The City must have net revenues that are at least equal to 1.2 times the annual debt service payment. Source file: 08. Official Statement.pdf.
4. Per the Official Statement, the City is not required to fund a debt service reserve.

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	2023	2024	2025	2026	2027	2028
Existing Annual Debt Service	\$ 1,533,500	\$ 2,244,000	\$ 2,244,400	\$ 2,243,600	\$ 2,241,600	\$ 2,243,300
Existing Annual Coverage Requirement	\$ 1,840,200	\$ 2,692,800	\$ 2,693,280	\$ 2,692,320	\$ 2,689,920	\$ 2,691,960
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GILROY  
SEWER RATE STUDY  
Projected Sewer Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 16 : CURRENT WASTEWATER RATE SCHEDULE

Wastewater Rate Schedule <sup>1</sup>	Rates from 2015 Rate Study	Current Rates (Adopted 7/1/2019)	Proposed Rates	% Increase from Current to Proposed	% Change from 2015 to Proposed
<b>Residential - Monthly Fixed Rate</b>					
Single Family Residence	\$39.66	\$46.64	<b>\$51.07</b>	9%	29%
Multi-Family Residence	\$28.17	\$33.13	<b>\$34.39</b>	4%	22%
<b>Non-Residential - Volumetric Monthly Charge (\$/1,000 Gallons)</b>					
Low Strength	\$6.30	\$7.41	<b>\$8.36</b>	13%	33%
Domestic Strength	\$7.83	\$9.21	<b>\$9.51</b>	3%	21%
Medium Strength	\$10.27	\$12.08	<b>\$13.15</b>	9%	28%
High Strength	\$15.84	\$18.63	<b>\$21.56</b>	16%	36%
<b>Non-Residential - Monitoring &amp; Pretreatment Program Base Rate Monthly Charges</b>					
Significant/Categorical	\$210.00	\$240.95	<b>\$287.19</b>	19%	37%
Non-Significant/Categorical	\$83.00	\$95.22	<b>\$114.64</b>	20%	38%
Other Non-Residential	\$10.00	\$11.47	<b>\$15.47</b>	35%	55%

1. City Website: <https://www.cityofgilroy.org/DocumentCenter/View/8664/Water---Wasterwater-Rates-7-1-19pdf>.

CITY OF GILROY  
SEWER RATE STUDY  
Cost-of-Service Analysis

TABLE 17 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses											
Budget Categories	Total Revenue Requirements	Flow	Strength		Direct Alloc. (Monitoring, Pretreat., etc.)	Customer	Basis of Classification				
	FY 2023/24	(VOL)	(BOD)	(TSS)	(DA)	(CA)	(VOL)	(BOD)	(TSS)	(DA)	(CA)
<b>Fund 700 - Sewer Operations</b>											
<b>7500 - Sewer Administration</b>											
Pension Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	40.0%	25.0%	25.0%	0.0%	10.0%
Professional Support	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Audit Services	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Contractual Services	5,288	2,115	1,322	1,322	-	529	40.0%	25.0%	25.0%	0.0%	10.0%
Contra Capital Outlay	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Interfund Transfer Out	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Fleet Service Charge	77,139	30,856	19,285	19,285	-	7,714	40.0%	25.0%	25.0%	0.0%	10.0%
Facility Service Charge	216,418	86,567	54,105	54,105	-	21,642	40.0%	25.0%	25.0%	0.0%	10.0%
Info Tech Service Charge	550,530	495,477	-	-	-	55,053	90.0%	0.0%	0.0%	0.0%	10.0%
Overhead Charges	847,532	339,013	211,883	211,883	-	84,753	40.0%	25.0%	25.0%	0.0%	10.0%
Liability Insurance Charges	430,902	172,361	107,726	107,726	-	43,090	40.0%	25.0%	25.0%	0.0%	10.0%
Loss On Disposal Of F/A	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Amortization Expense	-	-	-	-	-	-	30.0%	35.0%	35.0%	0.0%	0.0%
Depreciation	-	-	-	-	-	-	50.0%	25.0%	25.0%	0.0%	0.0%
Debt Redemption	725,000	362,500	181,250	181,250	-	-	50.0%	25.0%	25.0%	0.0%	0.0%
Debt Interest	1,519,000	759,500	379,750	379,750	-	-	50.0%	25.0%	25.0%	0.0%	0.0%
Share Joint Venture Loss	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
Claims	15,750	6,300	3,938	3,938	-	1,575	40.0%	25.0%	25.0%	0.0%	10.0%
Cash Over Short	-	-	-	-	-	-	40.0%	25.0%	25.0%	0.0%	10.0%
<b>Subtotal - Sewer Administration</b>	<b>\$ 4,387,559</b>	<b>\$ 2,254,689</b>	<b>\$ 959,257</b>	<b>\$ 959,257</b>	<b>\$ -</b>	<b>\$ 214,356</b>	<b>51.4%</b>	<b>21.9%</b>	<b>21.9%</b>	<b>0.0%</b>	<b>4.9%</b>

CITY OF GILROY  
SEWER RATE STUDY  
Cost-of-Service Analysis

TABLE 18 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses											
Budget Categories	Total Revenue Requirements	Flow	Strength		Direct Alloc. (Monitoring, Pretreat., etc.)	Customer	Basis of Classification				
	FY 2023/24	(VOL)	(BOD)	(TSS)	(DA)	(CA)	(VOL)	(BOD)	(TSS)	(DA)	(CA)
<b>Fund 700 - Sewer Operations</b>											
<b>7510 - Finance Sewer Utility Billing</b>											
Salaries	\$ 617,543	\$ 185,263	\$ 123,509	\$ 123,509	\$ -	\$ 185,263	30.0%	20%	20%	0%	30%
Utility Billing Supervisor (Split: Water/Sewer)	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Wages/Part Time	33,750	10,125	6,750	6,750	-	10,125	30.0%	20%	20%	0%	30%
Overtime	10,000	3,000	2,000	2,000	-	3,000	30.0%	20%	20%	0%	30%
Overtime Meals	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Compensated Absences	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Workers Comp	2,563	769	513	513	-	769	30.0%	20%	20%	0%	30%
Retirement (Full Time)	73,492	22,048	14,698	14,698	-	22,048	30.0%	20%	20%	0%	30%
Deferred Compensation	2,070	621	414	414	-	621	30.0%	20%	20%	0%	30%
UAL Retirement	94,578	28,373	18,916	18,916	-	28,373	30.0%	20%	20%	0%	30%
Retirement (Part Time)	759	228	152	152	-	228	30.0%	20%	20%	0%	30%
Medicare	9,595	2,879	1,919	1,919	-	2,879	30.0%	20%	20%	0%	30%
Health Insurance Benefits	115,262	34,579	23,052	23,052	-	34,579	30.0%	20%	20%	0%	30%
Life Insurance Benefits	794	238	159	159	-	238	30.0%	20%	20%	0%	30%
Employee Assistance Prog	1,116	335	223	223	-	335	30.0%	20%	20%	0%	30%
Unemployment Insurance	971	291	194	194	-	291	30.0%	20%	20%	0%	30%
Misc Disability Insurance	1,307	392	261	261	-	392	30.0%	20%	20%	0%	30%
Employee Training	3,400	1,020	680	680	-	1,020	30.0%	20%	20%	0%	30%
Employee Travel, Food, Lodge	1,250	375	250	250	-	375	30.0%	20%	20%	0%	30%
Telecommunications	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Postage	100	30	20	20	-	30	30.0%	20%	20%	0%	30%
Professional Support	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Contractual Services	66,025	19,808	13,205	13,205	-	19,808	30.0%	20%	20%	0%	30%
Office/Computer Supplies	2,000	600	400	400	-	600	30.0%	20%	20%	0%	30%
Repairs & Maintenance	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Earned Leave Cashout	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
Tuition	-	-	-	-	-	-	30.0%	20%	20%	0%	30%
<b>Subtotal - Finance Sewer Utility Billing</b>	<b>\$ 1,036,577</b>	<b>\$ 310,973</b>	<b>\$ 207,315</b>	<b>\$ 207,315</b>	<b>\$ -</b>	<b>\$ 310,973</b>	<b>30%</b>	<b>20%</b>	<b>20%</b>	<b>0%</b>	<b>30%</b>

CITY OF GILROY  
SEWER RATE STUDY  
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TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses											
Budget Categories	Total Revenue Requirements	Flow	Strength		Direct Alloc. (Monitoring, Pretreat., etc.)	Customer	Basis of Classification				
	FY 2023/24	(VOL)	(BOD)	(TSS)	(DA)	(CA)	(VOL)	(BOD)	(TSS)	(DA)	(CA)
<b>Fund 700 - Sewer Operations</b>											
<b>7520 - Sewer Operations</b>											
Salaries	\$ 1,826,894	\$ 858,640	\$ 456,724	\$ 456,724	\$ 54,807	\$ -	47%	25%	25%	3%	0%
FT Engineer I/II	-	-	-	-	-	-	47%	25%	25%	3%	0%
Wages/Part Time	60,000	28,200	15,000	15,000	1,800	-	47%	25%	25%	3%	0%
Overtime	50,000	23,500	12,500	12,500	1,500	-	47%	25%	25%	3%	0%
Overtime Meals	1,000	470	250	250	30	-	47%	25%	25%	3%	0%
Compensated Absences	-	-	-	-	-	-	47%	25%	25%	3%	0%
Workers Comp	66,947	31,465	16,737	16,737	2,008	-	47%	25%	25%	3%	0%
Retirement (Full Time)	218,375	102,636	54,594	54,594	6,551	-	47%	25%	25%	3%	0%
Retirement (Part Time)	1,350	635	338	338	41	-	47%	25%	25%	3%	0%
Medicare	28,106	13,210	7,027	7,027	843	-	47%	25%	25%	3%	0%
Health Insurance Benefits	375,906	176,676	93,976	93,976	11,277	-	47%	25%	25%	3%	0%
Life Insurance Benefits	2,241	1,053	560	560	67	-	47%	25%	25%	3%	0%
Employee Assistance Prog	3,097	1,456	774	774	93	-	47%	25%	25%	3%	0%
Unemployment Insurance	2,915	1,370	729	729	87	-	47%	25%	25%	3%	0%
Misc Disability Insurance	3,733	1,754	933	933	112	-	47%	25%	25%	3%	0%
RETIREE MEDICAL	1,800	846	450	450	54	-	47%	25%	25%	3%	0%
Employee Training	40,000	18,800	10,000	10,000	1,200	-	47%	25%	25%	3%	0%
Employee Travel, Food, Lodge	15,000	7,050	3,750	3,750	450	-	47%	25%	25%	3%	0%
Telecommunications	2,500	1,175	625	625	75	-	47%	25%	25%	3%	0%
Postage	-	-	-	-	-	-	47%	25%	25%	3%	0%
Professional Support	15,000	7,050	3,750	3,750	450	-	47%	25%	25%	3%	0%
Contractual Services	806,000	378,820	201,500	201,500	24,180	-	47%	25%	25%	3%	0%
Office/Computer Supplies	1,500	705	375	375	45	-	47%	25%	25%	3%	0%
Department Supplies	10,000	4,700	2,500	2,500	300	-	47%	25%	25%	3%	0%
Repairs & Maintenance	100,000	47,000	25,000	25,000	3,000	-	47%	25%	25%	3%	0%
Equipment Rental	10,000	4,700	2,500	2,500	300	-	47%	25%	25%	3%	0%
Equipment/Furniture	-	-	-	-	-	-	47%	25%	25%	3%	0%
Interfund Transfer Out2	390,000	234,000	78,000	78,000	-	-	60%	20%	20%	0%	0%
SCWRA Oper. Costs (less Monit., Sampl., Pre-Tr.Costs)	6,146,815	2,889,003	1,536,704	1,536,704	184,404	-	47%	25%	25%	3%	0%
Monitoring, Sampling, Pretreatment (Non-Resid. Costs)	365,700	-	-	-	365,700	-	0%	0%	0%	100%	0%
Earned Leave Cashout	-	-	-	-	-	-	47%	25%	25%	3%	0%
Deferred Compensation	5,742	2,699	1,436	1,436	172	-	47%	25%	25%	3%	0%
UAL Retirement	284,730	133,823	71,182	71,182	8,542	-	47%	25%	25%	3%	0%
Apparel, Boots, Ppe	9,000	4,230	2,250	2,250	270	-	47%	25%	25%	3%	0%
Utilities	6,000	2,820	1,500	1,500	180	-	47%	25%	25%	3%	0%
Permits	25,000	11,750	6,250	6,250	750	-	47%	25%	25%	3%	0%
Improvements	-	-	-	-	-	-	47%	25%	25%	3%	0%
<b>Subtotal - Wastewater Environmental Compliance</b>	<b>\$ 10,875,351</b>	<b>\$ 4,990,236</b>	<b>\$ 2,607,913</b>	<b>\$ 2,607,913</b>	<b>\$ 669,290</b>	<b>\$ -</b>	<b>46%</b>	<b>24%</b>	<b>24%</b>	<b>6%</b>	<b>0%</b>

CITY OF GILROY  
SEWER RATE STUDY  
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TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont.											
Budget Categories	Total Revenue Requirements	Flow	Strength		Direct Alloc. (Monitoring, Pretreat., etc.)	Customer	Basis of Classification				
	FY 2023/24	(VOL)	(BOD)	(TSS)	(DA)	(CA)	(VOL)	(BOD)	(TSS)	(DA)	(CA)
<b>Debt Service Payments</b>											
Outstanding Debt	2,244,000	1,029,676	538,112	538,112	138,100	-	46%	24%	24%	6%	0%
New Debt Issue - SRF Loan	-	-	-	-	-	-	50%	25%	25%	0%	0%
New Debt Issue - Revenue Bond	-	-	-	-	-	-	50%	25%	25%	0%	0%
<b>Total Debt Service Payments</b>	<b>\$ 2,244,000</b>	<b>\$ 1,029,676</b>	<b>\$ 538,112</b>	<b>\$ 538,112</b>	<b>\$ 138,100</b>	<b>\$ -</b>	<b>46%</b>	<b>24%</b>	<b>24%</b>	<b>0%</b>	<b>0%</b>
<b>Capital Expenditures</b>											
Rate Funded Capital Expenses	\$ 75,401	\$ 34,598	\$ 18,081	\$ 18,081	\$ 18,081	\$ -	46%	24%	24%	0%	0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 18,618,887</b>	<b>\$ 8,620,172</b>	<b>\$ 4,330,678</b>	<b>\$ 4,330,678</b>	<b>\$ 825,471</b>	<b>\$ 525,329</b>	<b>46%</b>	<b>23%</b>	<b>23%</b>	<b>4%</b>	<b>3%</b>
<b>Less: Non-Rate Revenues</b>											
<b>Other Revenue:</b>											
Misc. Revenue & Interest Earnings <sup>2</sup>	\$ (649,871)	\$ (298,198)	\$ (155,839)	\$ (155,839)	\$ (39,994)	\$ -	46%	24%	24%	6%	0%
Interfund Transfer In	(2,244,000)	(1,346,400)	(448,800)	(448,800)	-	-	60%	20%	20%	0%	0%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 15,725,016</b>	<b>\$ 6,975,574</b>	<b>\$ 3,726,039</b>	<b>\$ 3,726,039</b>	<b>\$ 785,476</b>	<b>\$ 525,329</b>					
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>44.4%</b>	<b>23.7%</b>	<b>23.7%</b>	<b>5.0%</b>	<b>3.3%</b>					
<b>Allocations of COSA (Rounded)</b>	<b>100.0%</b>	<b>44.0%</b>	<b>24.0%</b>	<b>24.0%</b>	<b>5.0%</b>	<b>3.0%</b>					

TABLE 21 : NET REVENUE REQUIREMENTS INCLUDING RATE INCREASE

Adjustment to Current Rate Level:	Total	(VOL)	(BOD)	(TSS)	(DA)	(CA)
Projected Rate Revenue at Current Rates	\$ 13,512,000					
FY 2023/24 Projected Rate Increase	4%					
Additional Rate Revenue from Rate Increase	\$ 540,480					
<b>Adjusted Net Revenue Req'ts</b>	<b>\$ 14,052,480</b>	<b>\$ 6,183,091</b>	<b>\$ 3,372,595</b>	<b>\$ 3,372,595</b>	<b>\$ 702,624</b>	<b>\$ 421,574</b>
<b>FY 2023/24 Target Rate Rev. After Rate Incr. (From Fin. Plan)</b>	<b>\$ 14,052,480</b>					
<b>Percent of Revenue</b>		<b>44.0%</b>	<b>24.0%</b>	<b>24.0%</b>	<b>5.0%</b>	<b>3.0%</b>

**CITY OF GILROY**  
**SEWER RATE STUDY**  
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**TABLE 22 : DEVELOPMENT OF THE FLOW ALLOCATION FACTOR**

Customer Class	Consumption (TG/year) <sup>1</sup>	Number of Dwelling Units / Accounts <sup>2</sup>	Winter Consumption (Dec-Feb '21) <sup>3</sup>	Annualized Winter Consumption	Adjusted Annual Volume (gallons) <sup>3</sup>	Percentage of Adjusted Volume
<b>Residential Customers</b>						
Single-Family Residence	1,135,486	12,330	201,429	805,715	805,715,371	61.6%
Multi-Family Residence <sup>4</sup>	218,620	4,585	49,505	198,022	198,021,843	15.1%
<b>Non-Residential Customers</b>						
Low Strength	77,640	427			77,640,000	5.9%
Domestic Strength	98,610	253			98,610,000	7.5%
Medium Strength	53,149	55			53,149,000	4.1%
High Strength	74,067	128			74,067,000	5.7%
<b>Total:</b>	<b>1,657,571</b>	<b>17,778</b>	<b>250,934</b>	<b>1,003,737</b>	<b>1,307,203,214</b>	<b>100.0%</b>

1. Consumption data for residential customers is not available. Calculation of estimated consumption available in source file:

FY 2021-22 Billing Journal Totals by Service v7.xlsx.

2. SFR and MFR customers are based on the number of dwelling units and all other customers are based on the number of accounts.

3. Annual consumption for all customer classes based on 12 months of water consumption.

4. MFR dwelling units provided by the City. Source file: *MFR Units.xlsx*.

**TABLE 23 : DEVELOPMENT OF THE STRENGTH ALLOCATION FACTOR**

Customer Class	Annual Flow (gallons)	Biochemical Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Average Strength Factor (mg/l) <sup>1</sup>	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (mg/l) <sup>1</sup>	Calculated TSS (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total
Residential Customers									
Single-Family Residence	805,715,371	205	1,377,532	2,755,063	51.4%	205	1,377,532	1,744,176	51.4%
Multi-Family Residence	198,021,843	205	338,558	677,116	12.6%	205	338,558	428,669	12.6%
Non-Residential Customers									
Low Strength	77,640,000	167	108,135	216,271	4.0%	167	108,135	136,917	4.0%
Domestic Strength	98,610,000	225	185,042	370,083	6.9%	225	185,042	234,293	6.9%
Medium Strength	53,149,000	400	177,305	354,610	6.6%	400	177,305	224,497	6.6%
High Strength	74,067,000	800	494,175	988,350	18.4%	800	494,175	625,705	18.4%
Total:	1,307,203,214		2,680,747	5,361,493	100.0%		2,680,747	3,394,256	100.0%
Total Annual from WWTP Data				5,361,493	BOD (lbs./yr.)	3,394,256 TSS (lbs./yr.)			
				2.00	BOD Adj. Factor	1.27 TSS Adj. Factor			

1. Avg. strength factors for BOD and TSS are from the CA State Water Resources Control Board, *Revenue Program Guidelines* (Appendix G), March 1998 Edition.



CITY OF GILROY  
SEWER RATE STUDY  
Cost-of-Service Analysis

TABLE 24 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTOR

Customer Class	Number of Dwelling Units / Accounts	Percent of Total
<b><i>Residential Customers</i></b>		
Single-Family Residence	12,330	66.2%
Multi-Family Residence	4,585	24.6%
<b><i>Non-Residential Customers - Strength Classes</i></b>		
Low Strength	427	2.29%
Domestic Strength	253	1.36%
Medium Strength	55	0.30%
High Strength	128	0.69%
<b><i>Non-Residential Customers - Categorical Classes</i></b>		
Significant/Categorical	6	0.03%
Non-Significant/Categorical	458	2.46%
Other Non-Residential	387	2.08%
<b>Total:</b>	<b>18,628</b>	<b>100.0%</b>

CITY OF GILROY  
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TABLE 25 : ALLOCATION OF SEWER REVENUE REQUIREMENTS

Classification Components	COSA Results - Net Rev. Reqts. (49% Fixed / 51% Vol.)	
Commodity-Related Costs	\$ 6,183,091	44.0%
Capacity-Related Costs	6,745,190	48.0%
Monit., Sampl., Pretreat. (Non-Resid. Costs)	702,624	5.0%
Customer-Related Costs	421,574	3.0%
<b>Net Revenue Requirement</b>	<b>\$ 14,052,480</b>	<b>100.0%</b>

1. Reflects COSA calculation of the fixed and volumetric charges. See *Funct. & Classification* tab.

TABLE 26 : ALLOCATION OF NET REVENUE REQUIREMENTS TO CUSTOMER CLASSES

TABLE 26 : ALLOCATION OF NET REVENUE REQUIREMENTS TO CUSTOMER CLASSES					COSA Results - Net Revenue Requirement (Including Rate Increases)			
Customer Class	Cost Classification Components					Cost of Service Net Rev. Req'ts.	% of COS Net Revenue Req'ts.	
	Commodity	Capacity		Direct Allocation (Monitoring, Pretreat., etc.)				Customer
		BOD	TSS	\$	Alloca. %			
Residential Customers								
Single-Family Residence	\$ 3,811,046	\$ 1,733,046	\$ 1,733,046			\$ 279,038	\$ 7,556,175	53.8%
Multi-Family Residence	936,646	425,933	425,933			103,762	1,892,275	13.5%
Non-Residential Customers								
Low Strength	\$ 367,238	\$ 136,043	\$ 136,043			\$ 9,663	\$ 648,988	4.6%
Domestic Strength	466,427	232,797	232,797			5,726	937,747	6.7%
Medium Strength	251,396	223,064	223,064			1,245	698,768	5.0%
High Strength	350,338	621,712	621,712			2,897	1,596,659	11.4%
Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs Only)						Fixed Charge Rev. Reqts.		
Significant/Categorical				\$20,542	2.9%	136	\$20,678	0.1%
Non-Significant/Categorical				\$619,036	88.1%	10,354	\$629,390	4.5%
Other Non-Residential				\$63,046	9.0%	8,754	\$71,800	0.5%
Total	\$ 6,183,091	\$3,372,595	\$3,372,595	\$ 702,624		\$ 421,574	\$ 14,052,480	100.0%

1. Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs are allocated on the basis of current/historical share of this program.

CITY OF GILROY  
SEWER RATE STUDY  
Cost-of-Service Analysis

TABLE 27 : CALCULATION OF PROPOSED SEWER RATES

TABLE 27 : COMPARISON OF PROPOSED SEWER RATES				Rate Alt. 1 (COSA Fixed Rev. = 26%)			
Customer Class	No. of Dwelling Units / Accounts <sup>1</sup>	Annualized Consumption (Gallons) <sup>2</sup>	Annual Revenue Requirement			Mo. Fixed Charge Per EDU (Resid.) or Account (Non-Resid)	Volumetric Charge (\$/1,000 Gal.)
			Total	Fixed	Volumetric		
Residential - Monthly Fixed Rate							
Single-Family Residence	12,330	805,715,371	\$ 7,556,175	\$ 7,556,175		\$51.07	
Multi-Family Residence	4,585	198,021,843	1,892,275	1,892,275		\$34.39	
Non-Residential Customers							
Low Strength	427	77,640,000	\$ 648,988		\$ 648,988		\$8.36
Domestic Strength	253	98,610,000	937,747		937,747		\$9.51
Medium Strength	55	53,149,000	698,768		698,768		\$13.15
High Strength	128	74,067,000	1,596,659		1,596,659		\$21.56
Total	17,778	#####	\$ 13,330,612	\$ 9,448,450	\$ 3,882,162		
Non-Residential Customers (Monitoring, Sampling, Pretreatment Costs Only)							
Significant/Categorical <sup>3</sup>	6		\$20,678	\$ 20,678		\$287.19	
Non-Significant/Categorical <sup>3</sup>	458		629,390	629,390		\$114.64	
Other Non-Residential <sup>3</sup>	387		71,800	71,800		\$15.47	
Percent of Non-Resid . Rev. from Fixed vs. Vol. Charges			100.0%	0.0%	100.0%		

1. SFR and MFR customers are based on the number of dwelling units and all other customers are based on the number of accounts.
2. Residential customer consumption is the annualized average winter water consumption. Non-residential customers is total annual consumption.
3. Number of accounts estimated by dividing the annual fixed charge revenues by the current fixed charges (\$/account/month). Also, the Significant, Non-Significant and Other Non-Residential accounts are included in the non-residential strength classes. They are shown here only for the calculation of the Monitoring, Sampling, and Pre-Treatment fixed charges.

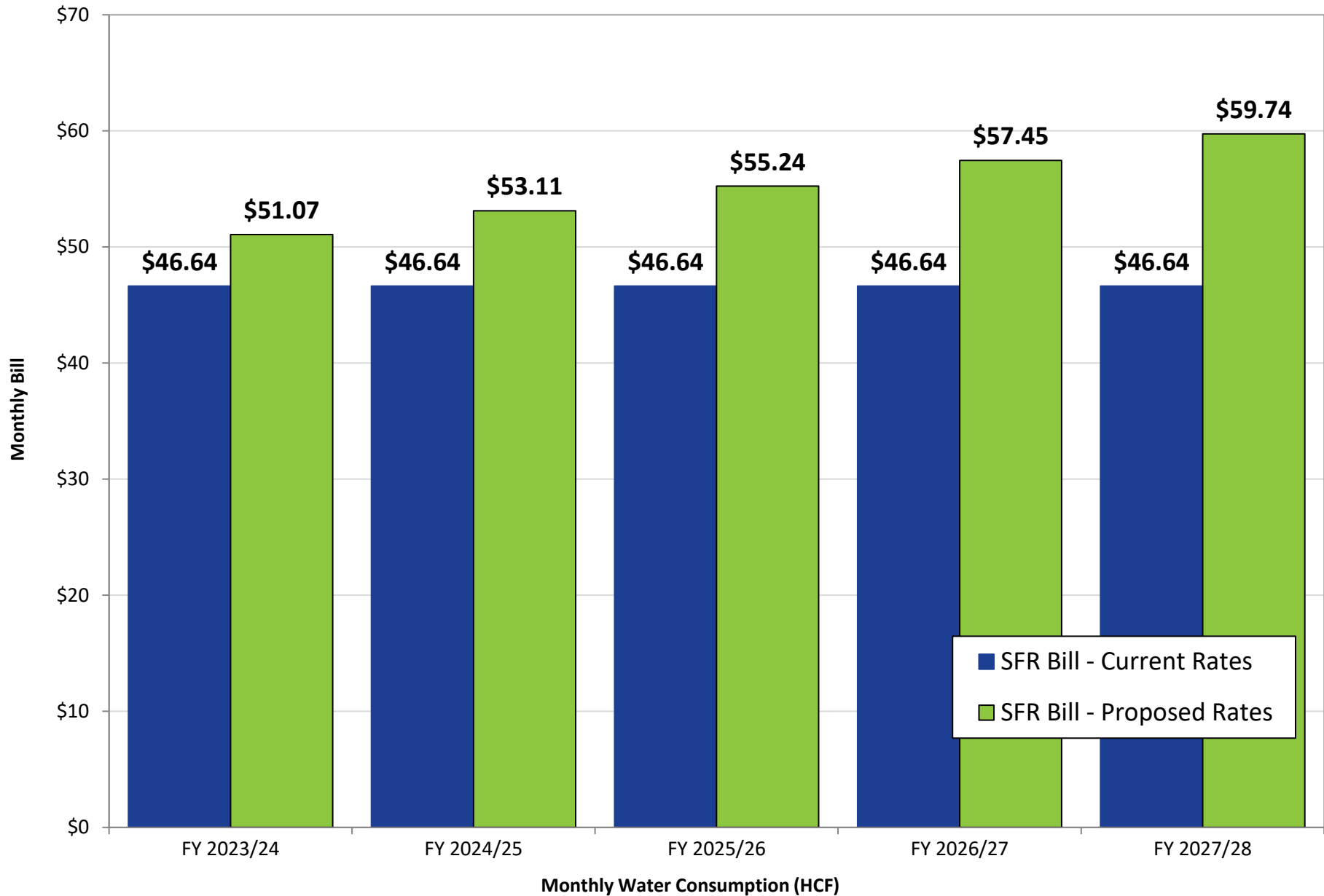
**CITY OF GILROY**  
**SEWER RATE STUDY**  
**Cost-of-Service Analysis & Rate Design**

**TABLE 28 : CURRENT VS. PROPOSED SEWER RATES**

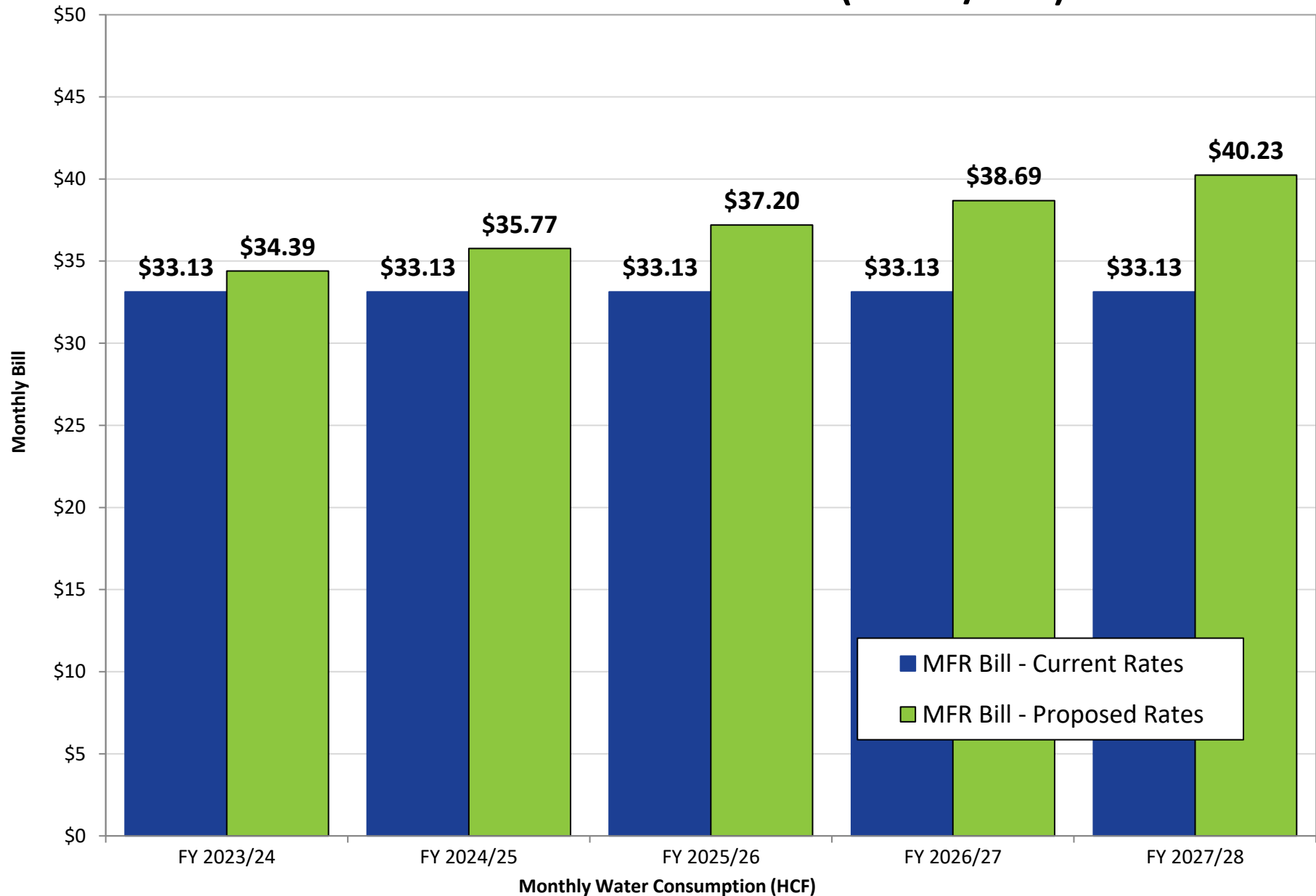
Rate Alt. 1 (COSA Fixed Rev. = 26%)						
Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Monthly Fixed Charge						
Residential (100% Fixed)						
Single-Family Residence	\$46.64	\$51.07	\$53.11	\$55.24	\$57.45	\$59.74
Multi-Family Residence	\$33.13	\$34.39	\$35.77	\$37.20	\$38.69	\$40.23
Non-Residential Volumetric Rates						
Low Strength	\$7.41	\$8.36	\$8.69	\$9.04	\$9.40	\$9.78
Domestic Strength	\$9.21	\$9.51	\$9.89	\$10.29	\$10.70	\$11.12
Medium Strength	\$12.08	\$13.15	\$13.67	\$14.22	\$14.79	\$15.38
High Strength	\$18.63	\$21.56	\$22.42	\$23.32	\$24.25	\$25.22
Non-Residential - Monitoring & Pretreatment Program Base Rate Monthly Charges						
Significant/Categorical	\$240.95	\$287.19	\$298.68	\$310.63	\$323.05	\$335.98
Non-Significant/Categorical	\$95.22	\$114.64	\$119.22	\$123.99	\$128.95	\$134.11
Other Non-Residential	\$11.47	\$15.47	\$16.09	\$16.73	\$17.40	\$18.09

*Note: The City recently transitioned from July1-June 30 fiscal years to calendar years (January to December).*

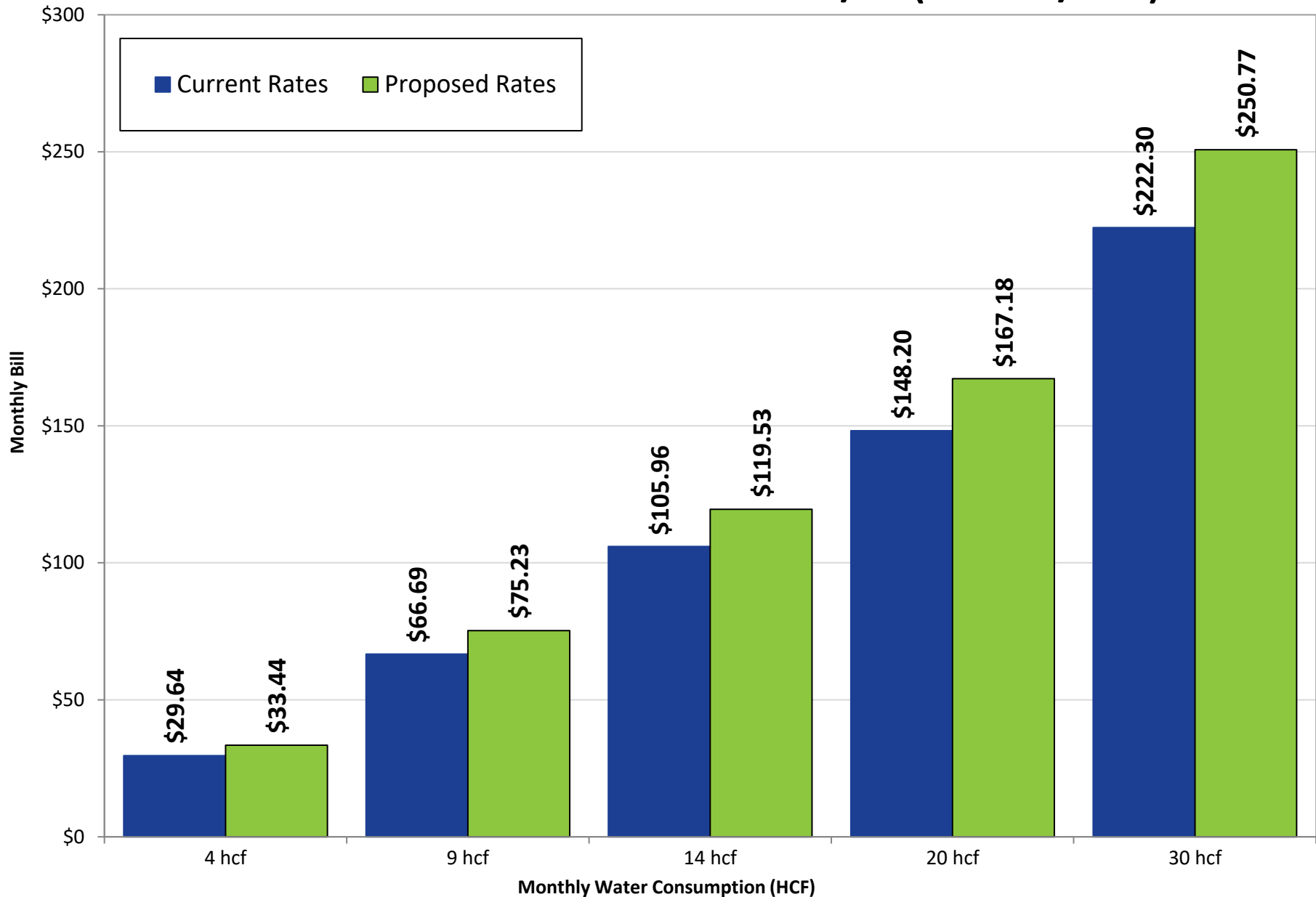
## SFR - Sewer Bill Comparison Current vs. Proposed Rates



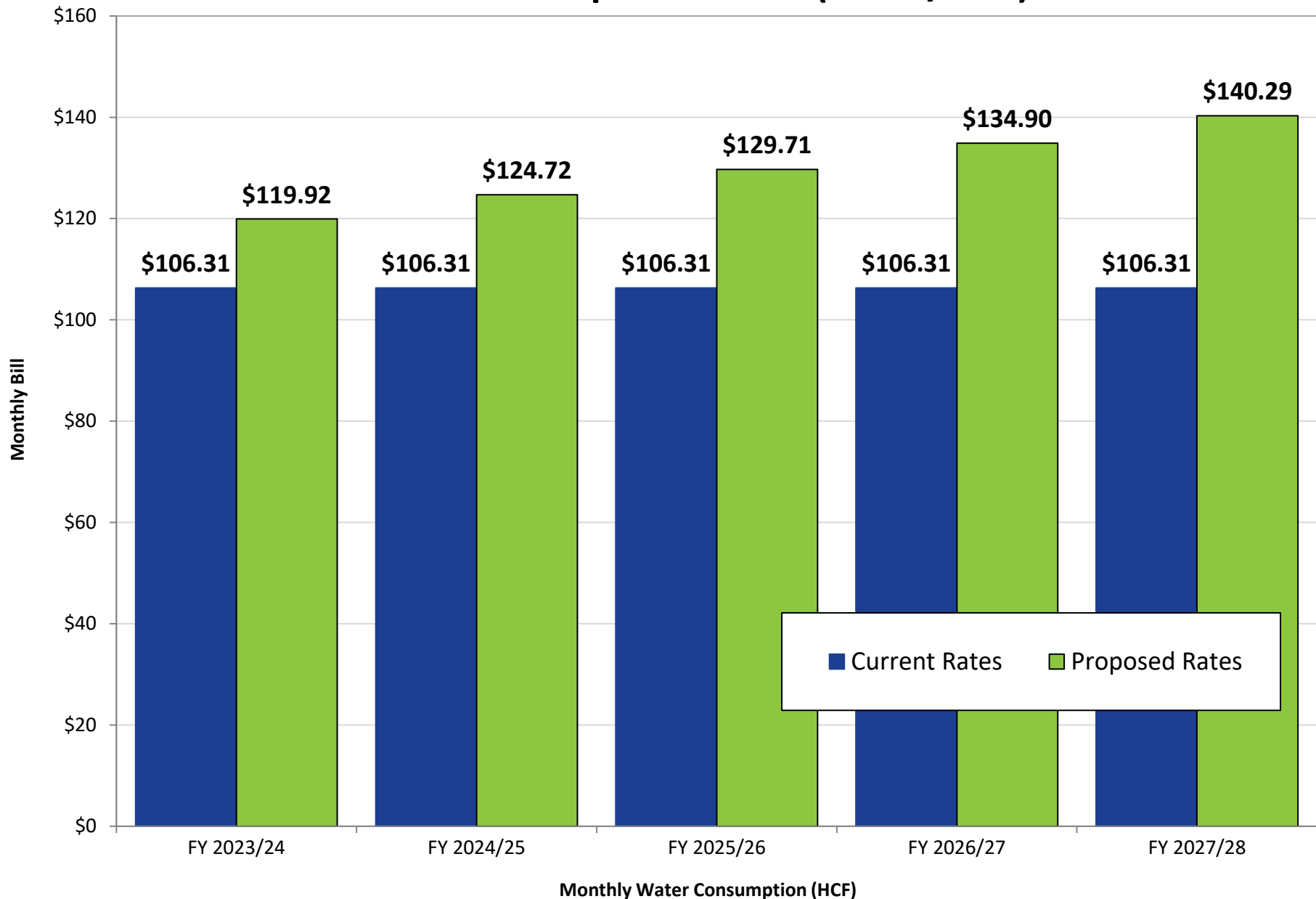
## Multi-Family Residential Sewer Bill Comparison Current vs. Alternative Rates (3.6 TG/Mo.)



## Low-Strength Commercial Sewer Bill Comparison Current vs. Alternative Rates FY'23/24 (14.3 TG/Mo.)

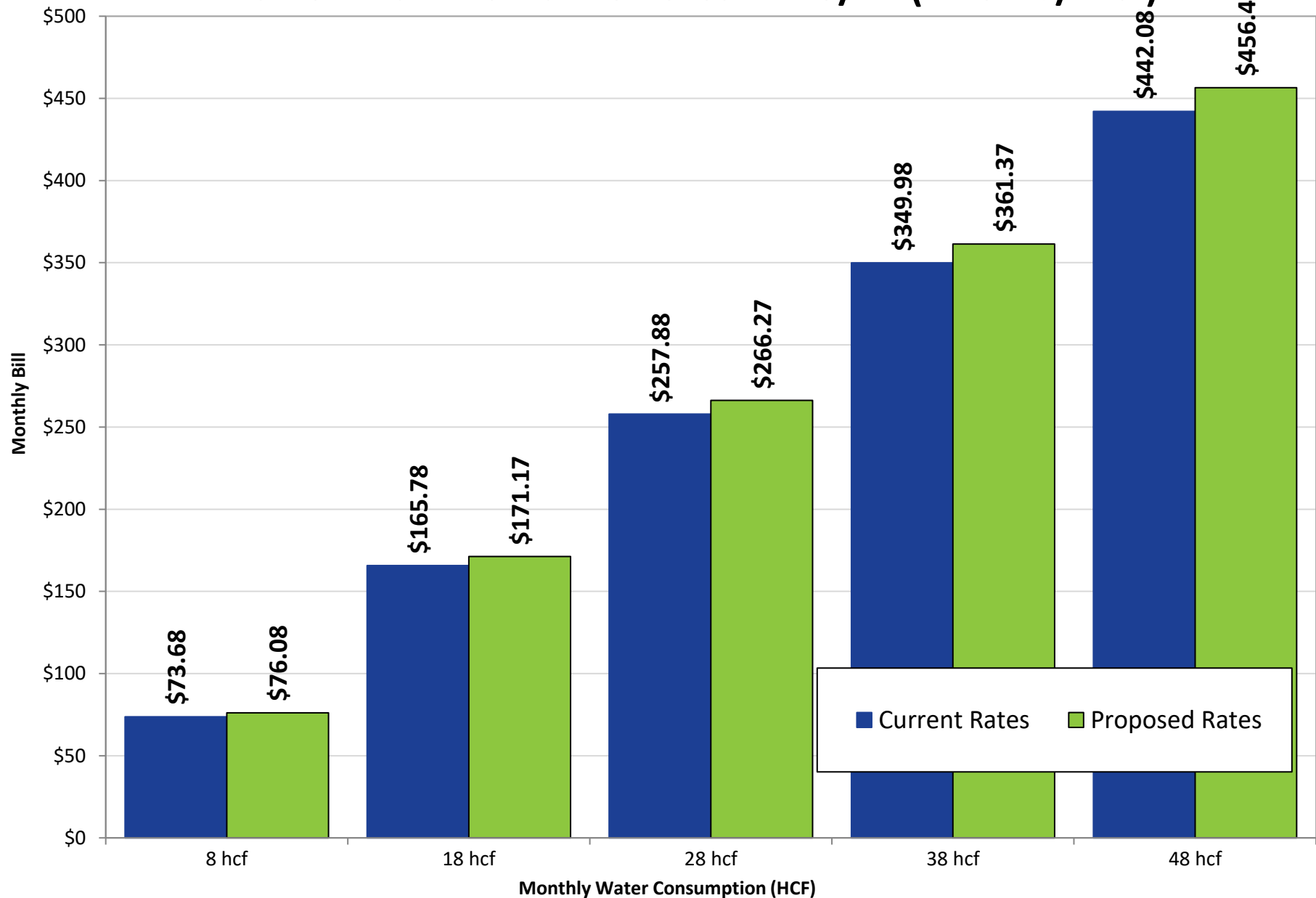


## Low-Strength Commercial Sewer Bill Comparison Current vs. Proposed Rates (28 TG/Mo.)

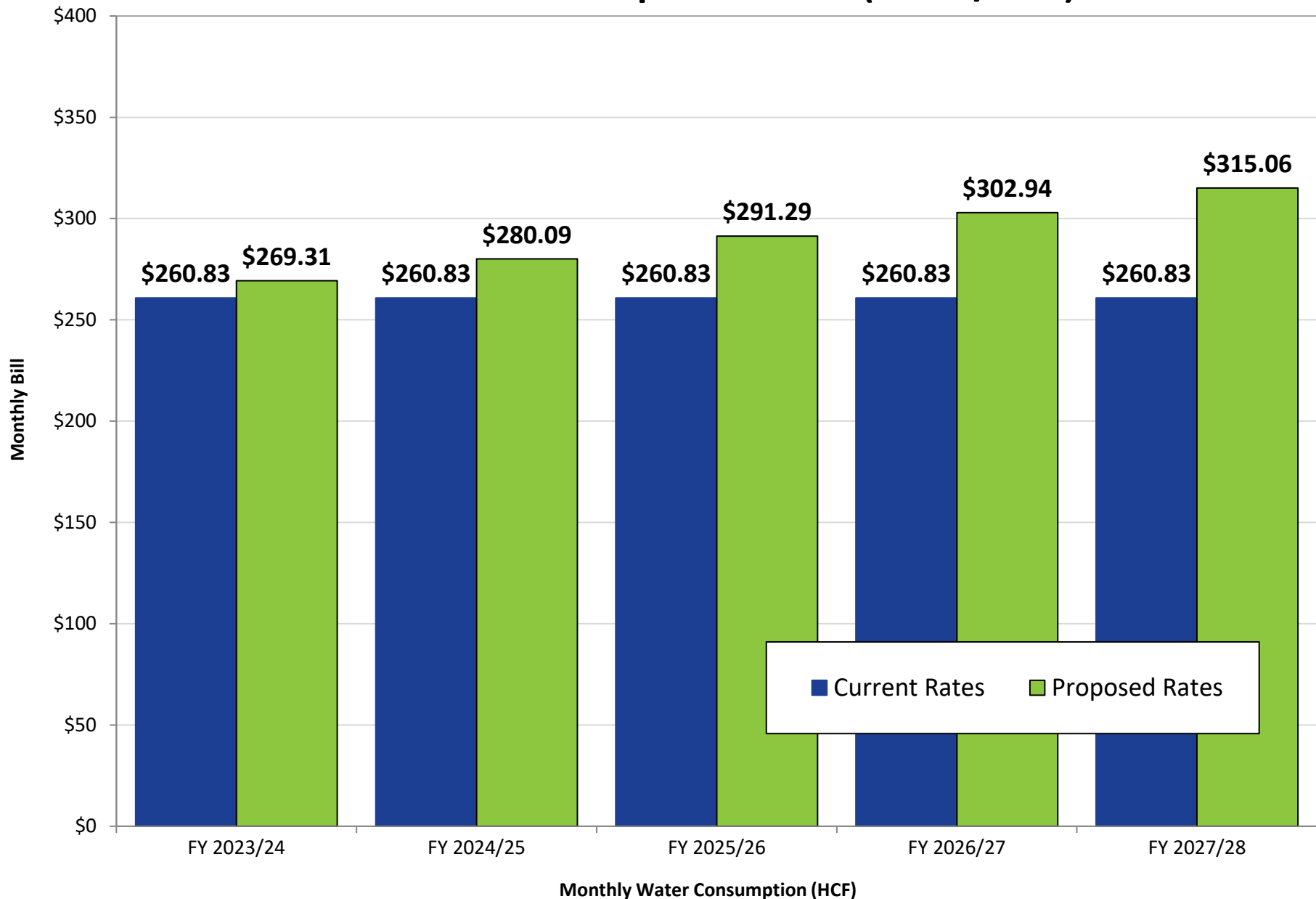




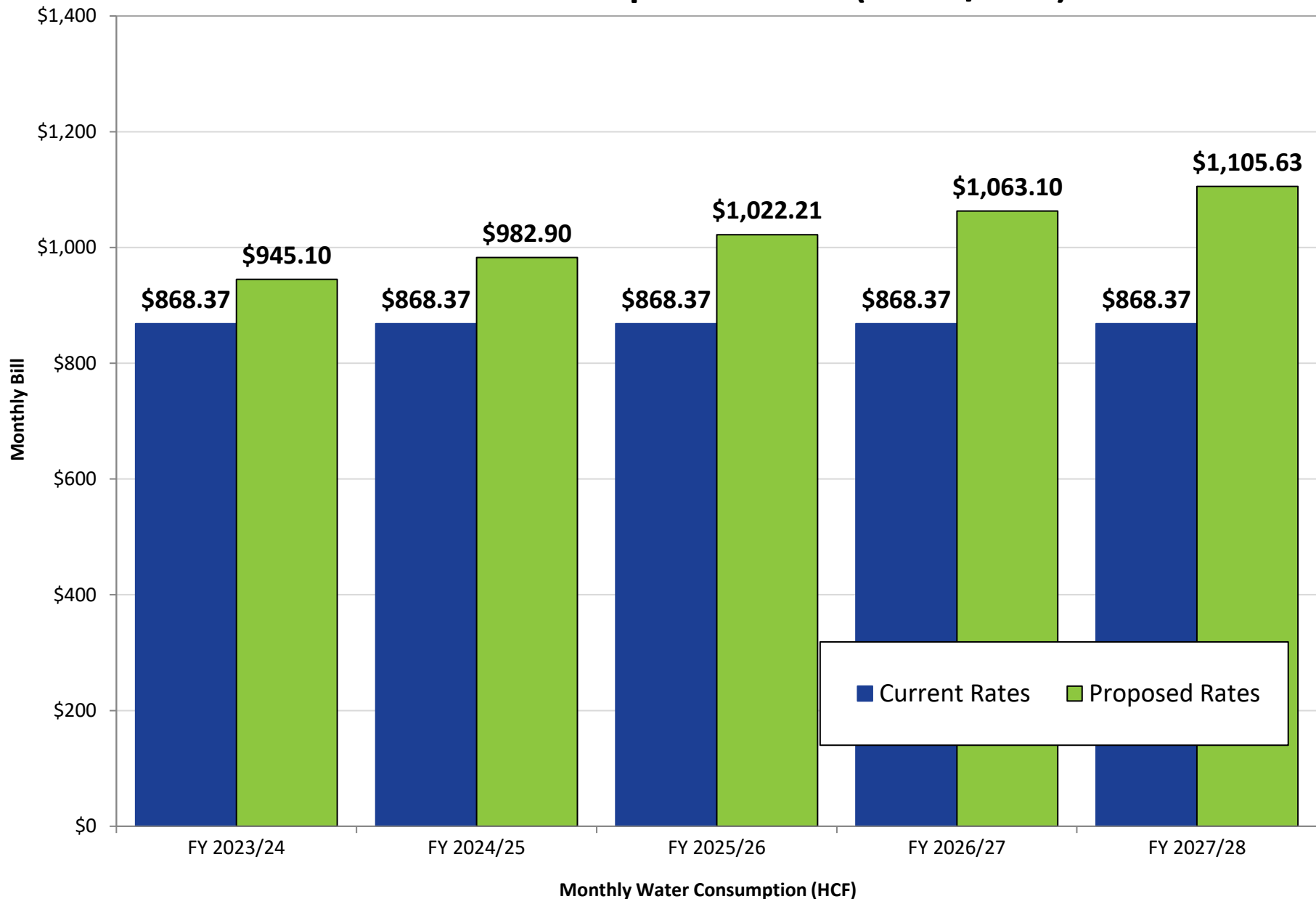
## Domestic-Strength Commercial Sewer Bill Comparison Current vs. Alternative Rates FY'23/24 (14.3 TG/Mo.)



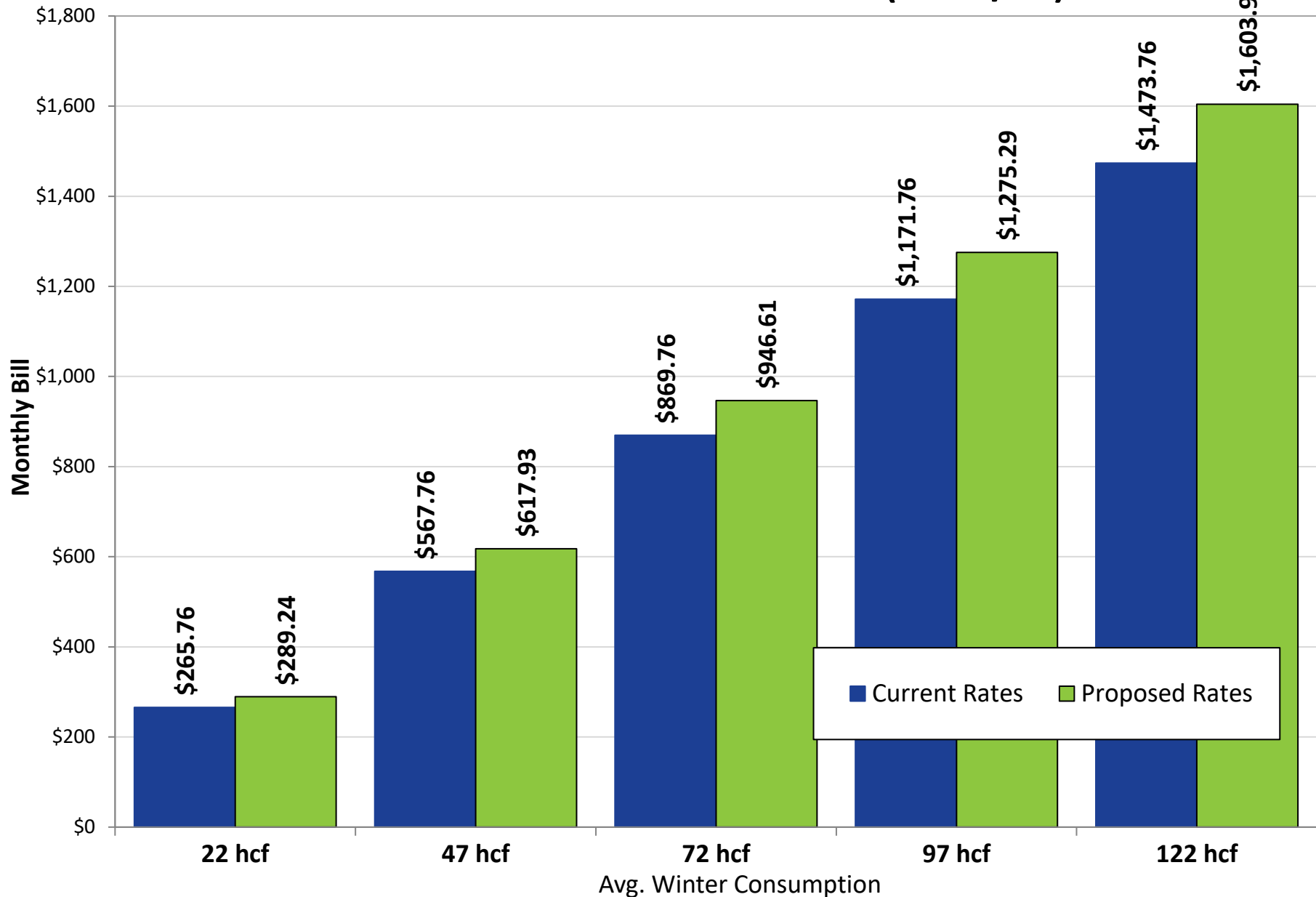
## Domestic-Strength Commercial Sewer Bill Comparison Current vs. Proposed Rates (28 TG/Mo.)



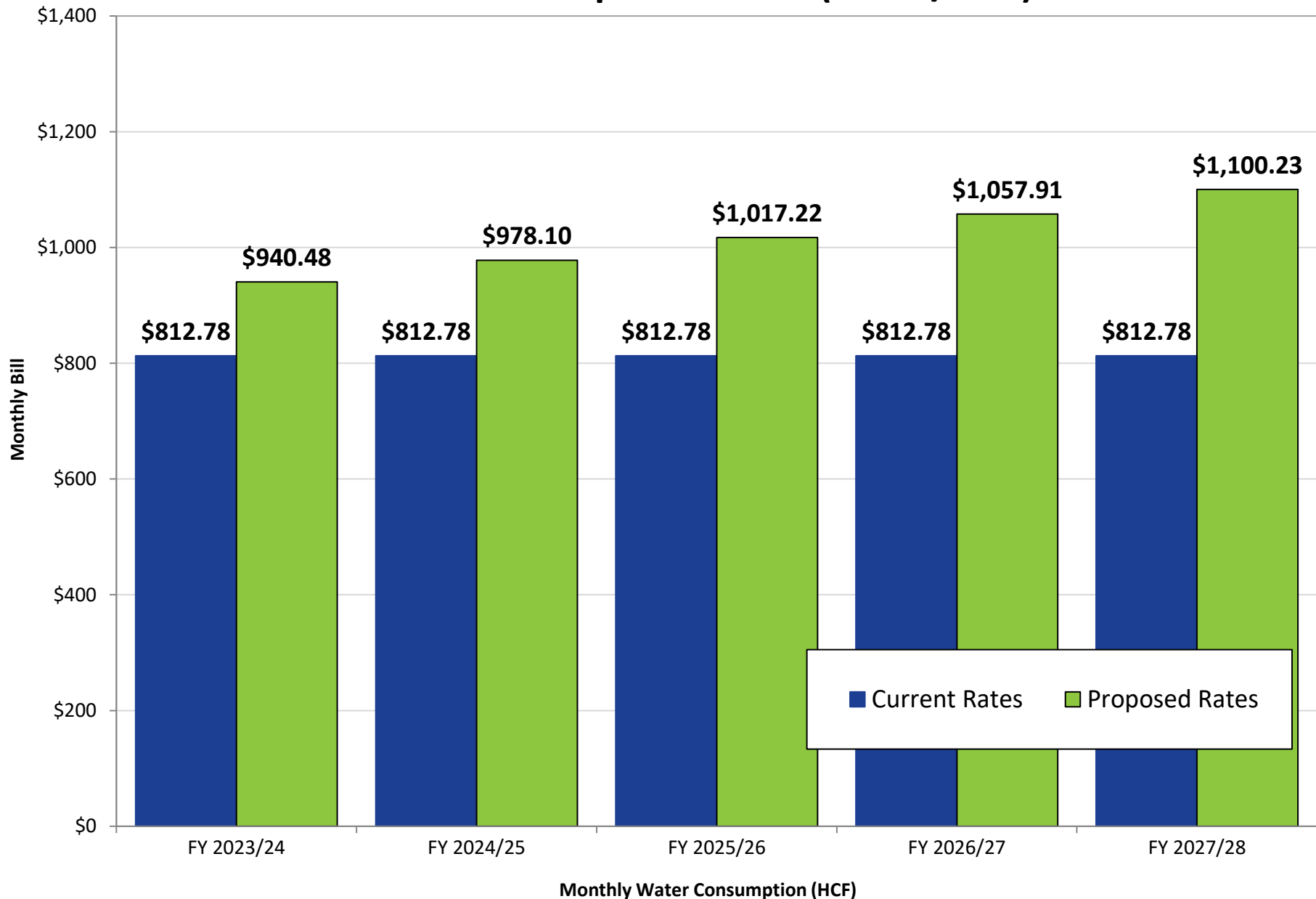
## Medium-Strength Commercial Sewer Bill Comparison Current vs. Proposed Rates (72 TG/Mo.)



## Medium-Strength Commercial Sewer Bill Comparison Current vs. Rate Alternatives (FY'23/24)



## High-Strength Commercial Sewer Bill Comparison Current vs. Proposed Rates (43 TG/Mo.)



# High-Strength Commercial Sewer Bill Comparison

## Current vs. Rate Alternatives (FY'23/24)

