



City of Auburn

2024 Sewer Rate Study

Draft Report

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May 28, 2024



May 28, 2024



Mr. Mengil Deane
Public Works Manager
City of Auburn
1225 Lincoln Way
Auburn CA 95603

Re: 2024 Sewer Rate Study

Dear Mr. Deane,

Hildebrand Consulting is pleased to present this 2024 Sewer Rate Study (Study) that we performed for the City of Auburn (City). We appreciate the fine assistance provided by you and all of the members of the City staff who participated in the Study.

If you or others at the City have any questions, please do not hesitate to contact me at:
mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service to the City and look forward to the possibility of doing so again in the near future.

Sincerely,





Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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LIST OF ACRONYMS

ACFR	Annual Comprehensive Financial Report
AWWA	American Water Works Association
CIP	capital improvement program
COSA	cost-of-service analysis
CDBG	Community Development Block Grant
DCR	debt service coverage ratio
EDU	equivalent dwelling unit; a standard unit measure of sewer utility service based on the volume of sewage flow from an average single-family residential account
FY	fiscal year (which ends on June 30 for the City)
O&M	operations and maintenance
OMI	Operations Management International
SSC	Sewer Service Charge
WEF	Water Environment Federation

WWTP wastewater treatment plant

Section 1. INTRODUCTION

Hildebrand Consulting, LLC has been retained by the City of Auburn (City) to conduct a Sewer Rate Study (Study). This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The City of Auburn owns its own wastewater treatment and collection system, which serves the municipal boundaries of the City. Operation and maintenance of the wastewater treatment and collection system is performed under contract by Operations Management International (OMI). The City wastewater treatment plant (WWTP) is located west of the City in the Ophir area. The plant is permitted to discharge its treated effluent into Auburn Ravine Creek to a maximum flow of 1.65 million gallons per day. The effluent is treated to what is commonly referred to as tertiary treatment, which is the highest level of treatment required by the State of California. The City maintains over 85 miles of wastewater collection lines and over 1,500 manholes. This network of pipes collects sewage from residences and businesses within the City and transports it to the WWTP. The City also maintains 11 sewer lift stations.

1.2 SCOPE & OBJECTIVES OF STUDY

The City's sewer rates were last adjusted in 2018. The scope of this Study is to prepare a multi-year financial plan, review the City's existing rate structure, and propose a 5-year rate program. The primary objectives of this Study are to:

- i. Develop a multi-year financial management plan that integrates the City's operational and capital project funding needs
- ii. Identify future rate adjustments to sewer rates to help ensure adequate revenues to meet the City's ongoing financial obligations

- iii. Determine the cost of providing sewer service to customer classes using industry-accepted methodologies that are aligned with industry standard practices for rate setting as promulgated by the American Water Works Association's (AWWA) M1 Manual¹ and by Water Environment Federation (WEF).

1.3 STUDY METHODOLOGY

This Study applied methodologies that are aligned with industry standard practices for rate setting as promulgated by the AWWA and all applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218.

The Study began with development of a multi-year financial management plan that determined the level of annual rate revenue required to cover projected annual operating expenses, debt service (including debt coverage targets), and capital cost requirements while maintaining adequate reserves. A financial planning model was developed to reflect the City's financial dynamics and latest available data for the City's operations, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

Revenue requirements calculated in the financial plan for FY 2024/25 were then used to perform a detailed cost-of-service analysis (COSA). The COSA and rate structure design were conducted based upon principles outlined by the AWWA, legal requirements (Proposition 218) and other generally accepted industry practices to develop rates that reflect the cost of providing service.

Recommendations for the financial plan and updated rate structure were presented to the City Council. This report reflects the feedback of those discussions and presents a

¹ Principles of Water Rates, Fees and Charges: Manual of Water Supply Practices M1, (6th edition), which documents many of the standards used by professionals in the utility rate-setting industry

description of the analysis, conclusions, and specific rate structure and rates by customer class.

Section 2. FINANCIAL PLAN

This section presents the financial plan, including a description of the source data, assumptions, and the City’s financial policies. The section concludes with a recommended 5-year plan for sewer rate adjustments. Schedules 1 through 3 (attached to this report) include detailed data supporting the financial plan discussed herein.

The 10-year financial plan was developed through several interactive work sessions with City staff. As a result of this process, the Study has produced a robust financial plan that will allow the City to meet its revenue requirements and financial performance objectives throughout the projection period while striving to minimize rate increases.

2.1 FINANCIAL DATA & ASSUMPTIONS

The City provided historical and budgeted financial information associated with operation of the sewer system, including historical and budgeted operating costs, a multi-year capital improvement program (CIP), and outstanding debt service obligations. City staff also assisted in providing other assumptions and policies, such as projected operating costs and target reserves (all of which are described in the following subsections).

2.1.1 BEGINNING FUND BALANCE

The Sewer Fund’s ending cash balance of \$13.2 million for FY 2021/22 was used to establish the FY 2022/23 beginning balance as stated in the City as Annual Comprehensive Financial Report (ACFR).

2.1.2 CUSTOMER GROWTH

Over the past two years the City has collected an average of approximately \$90,700 in impact fee revenue from new customers connecting to the system. This level of revenue corresponds with a growth rate of approximately 0.15 percent. This Study assumes that this rate of growth will continue over the next 10-year planning period. As it relates to the financial plan, the growth rate affects both the size of the customer base paying rates, as well as the amount of annual impact fee revenue received.

2.1.3 RATE REVENUES

Rate revenue is the revenue generated from customers for sewer service. The City receives rate revenue from its Sewer Service Charge (SSC), which is assessed to sewer customers based on an assigned number of equivalent dwelling units (EDU). Rate revenue in the financial plan begins with FY 2022/23 actual rate revenues, which are adjusted annually to reflect assumed customer growth as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues are listed in Schedule 2.

2.1.4 NON-RATE REVENUES

In addition to rate revenue, the City receives connection fee revenue² and interest revenue on investments. Projections of all non-rate revenues were based on FY 2022/23 actual revenues with the exception of interest income which was calculated annually based upon projected average fund balances and assumed interest rate of 0.85 percent

² It should be noted that California law (Government Code 66013) requires that connection fee revenue be spent “solely for the purposes for which the charges were collected” (i.e. expansion-related projects).

on invested funds, which is consistent with the City's recent historical interest earnings. Budgeted revenues are depicted in Figure 2 below and listed in detail in **Schedule 2**.

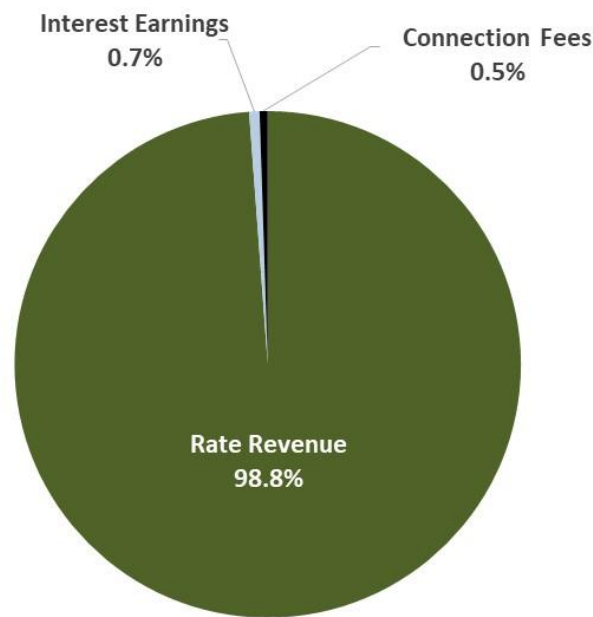


Figure 1: FY 2023/24 Budgeted Revenue Categories

2.1.5 OPERATING EXPENSES AND DEBT SERVICE

City operating expenses include all operating and maintenance expenses associated with the sewer collection system, the contract services for treatment operations and administrative costs. The treatment operations contract is currently about half of the Sewer fund's annual operating and debt expenses.

Future operating expenses were projected based upon the budgeted expenditures from FY 2023/24 and adjusted for inflation (see Section 2.1.6).

The City's current outstanding debt includes a 2023 CalPERS UAAL Pension Obligation Bond, an Oxidation Ditch Financing loan, and a Sewer Revenue Bond. The total debt

service in FY 2023/24 is approximately \$865,000 and will remain (approximately) at that level for the duration of the 10-year financial plan.

Budgeted expense categories for FY 2023/24 are depicted in **Figure 2**. Budgeted and projected operating and debt expenses are listed in detail in **Schedule 1** while capital expenses are discussed in Section 2.1.7 and detailed in **Schedule 2**.

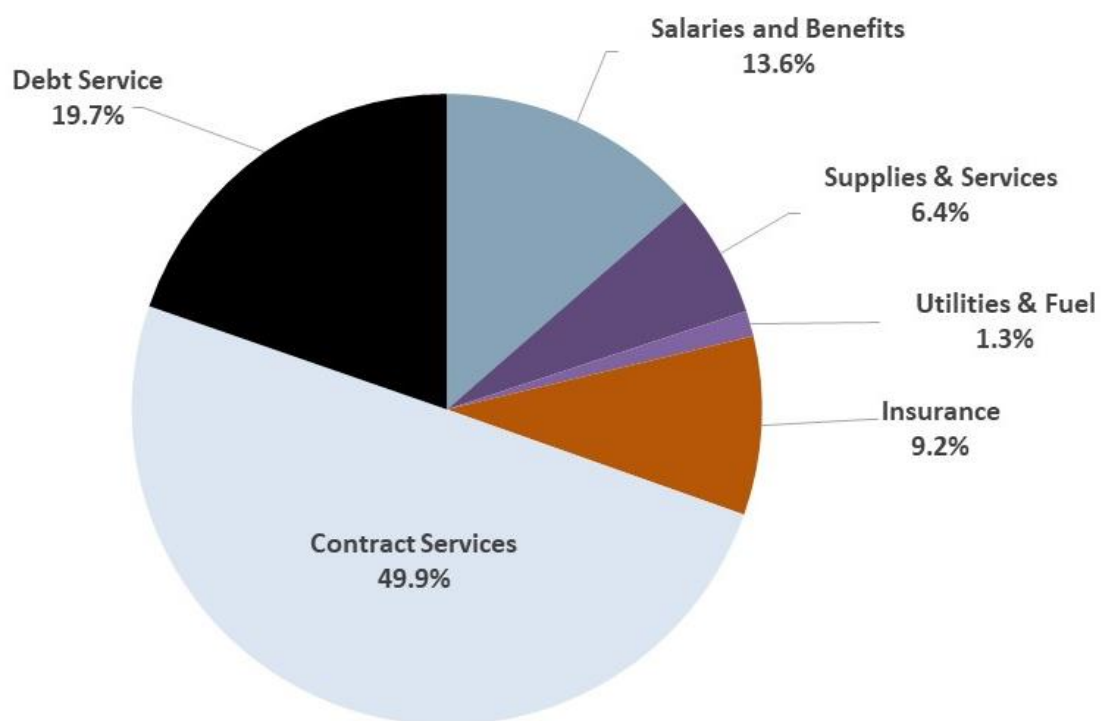


Figure 2: FY 2023/24 Budgeted Expense Categories

2.1.6 COST ESCALATION

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with City staff. During the projection period, most expenses are projected to increase at 3.0 percent per year, which is the long-term historic average

of the Consumer Price Index (CPI). Certain expenses are projected to increase at 5 percent per year, including benefits, insurance, utilities (electricity), and chemicals.

2.1.7 CAPITAL IMPROVEMENT PROGRAM

The City has developed a detailed 9-year capital spending plan (**see Schedule 2**) which projects an annual average of about \$4.2 million in order to continue rehabilitating the City's aging infrastructure. Figure 3 demonstrates that there are several larger capital projects that are projected to occur starting around 2030. This financial plan assumes that capital spending will be \$3.0 million in FY32/33 (in today's dollars).

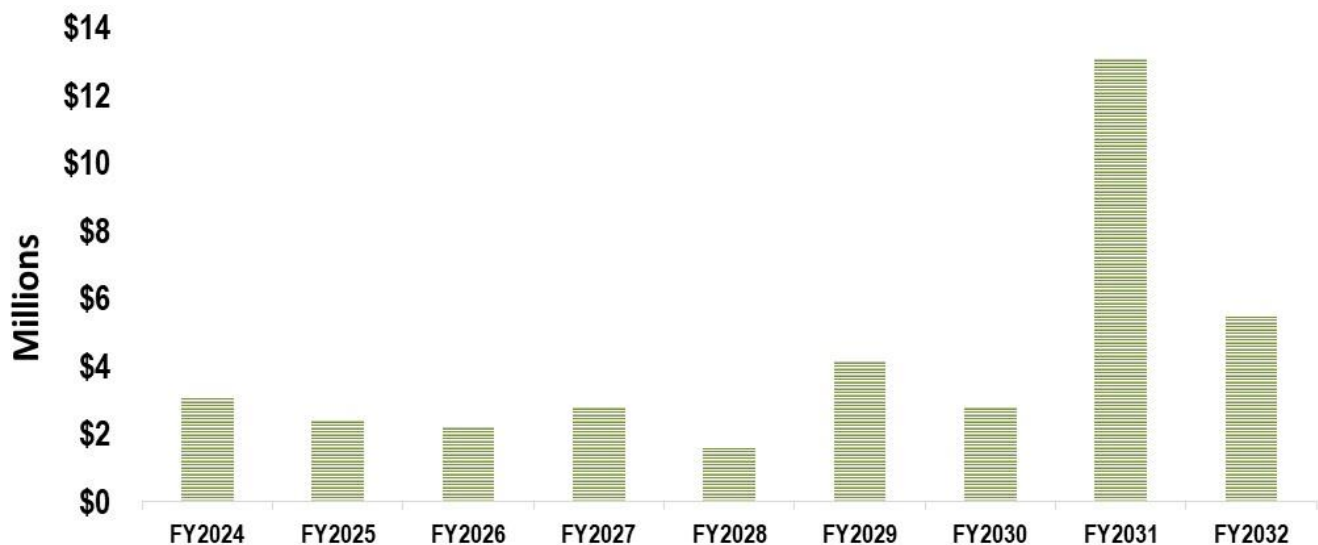


Figure 3: Projected Capital Spending

2.1.8 RESERVE TARGETS

Target cash reserves for utilities are balances retained for specific cash flow needs. The target for reserves is an important component when developing a multi-year financial plan. Utilities rely on reserves for financial stability; credit rating agencies evaluate

utilities in part on their adherence to formally adopted reserve targets; and lending agencies require utilities to maintain specific debt reserves for outstanding loans.

While the Sewer Fund does not have formal reserve target policies, the City's Financial Management Policies (adopted by resolution in 2023) state that *"it shall be the goal of the City to maintain a minimum fund balance in the general fund (or general fund reserve) of 30% of estimated expenditures for the following fiscal year."* Based on this language, this Study recommends the following reserve guidelines:

Operating Reserve – An operating reserve is maintained in order to meet the liquidity needs for the City's day-to-day operations. Such a reserve ensures continuity of service regardless of short-term changes in cash flow or sudden increases in operating costs. It is recommended that the Sewer Fund maintain a minimum cash reserves in an amount equal to 4 months of operating budget. Given the FY 2023/24 operation and maintenance (O&M) budget of \$3.5 million, the suggested minimum Operating Reserve target is about **\$1.5 million**.

Capital Reserve – A capital improvement and replacement fund balance policy is designed to meet the cash flow requirements of the annual capital budget, which can be inherently volatile (by way of example, refer to the past 7 years of capital spending shown in Figure 3). The purpose of the Capital Reserve is to create a "buffer" such that the reserve is drawn down during years of higher-than-average capital spending built up during years when capital spending is below average. Given the magnitude of the swings in capital spending over the past 7 years, this Study recommends that the Sewer Fund target a Capital Reserve of \$3.0 million. This level is approximately equal to the projected average annual capital spending over the financial planning period.

The target levels of the policies above are consistent with 1) Hildebrand Consulting's industry experience for similar systems and the findings of reserve studies conducted by the AWWA.

2.2 PROPOSED RATE REVENUE INCREASES

All of the above information was entered into a financial planning model to produce a 10-year projection of the sufficiency of revenues to meet current and projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period.

Based upon the financial data, assumptions, and policies, this Study proposes a 5-year schedule of rate adjustments as detailed in **Table 1**. There is no rate increase proposed for FY 24/25.

Table 1: Recommended Sewer Rate Revenue Increase

Rate Adjustment Date	Rate Revenue Increase
July 1, 2024	(NA)
July 1, 2025	5.0%
July 1, 2026	5.0%
July 1, 2027	5.0%
July 1, 2028	5.0%

Based on published guidance from Fitch Ratings, utility systems with *midrange* financial profiles should maintain a DCR greater than 1.50 times annual debt service. A DCR over 4.0 is expected to be maintained throughout the projection period. These strong financials will contribute towards favorable borrowing terms in the future. It should be noted that DCR is only useful as a measure of minimum values. A large DCR value does not indicate excessive revenue, nor does it imply a financial imbalance.

The numbers provided in **Schedule 3** (cash flow proforma) are summarized graphically in **Figure 4**, which shows that cash reserves and DCR targets are maintained over the course of the planning period. The cash flow over the next 10 years shows that, while

the Sewer Fund’s current reserves are healthy, the spike in capital spending that is projected to start around 2030 will quickly draw the reserves down to target levels.

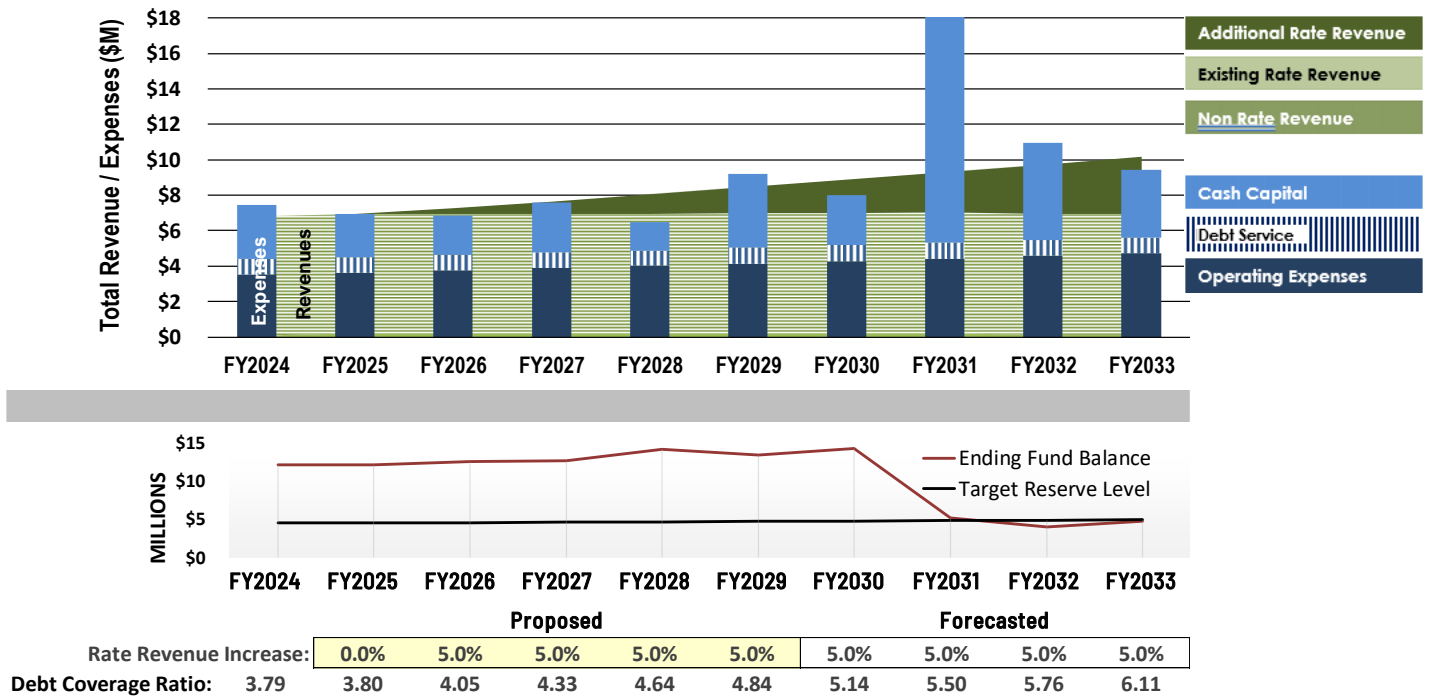


Figure 4: Financial Projection with Recommended Rate Revenue Increases

After the final year of recommended increases (FY 2028/29), it is projected that similar annual rate increases will continue in order to keep up with inflation and maintain sewer rates that can support the capital spending program.

Section 3. RATE CALCULATION

A COSA evaluates the cost of providing sewer service and allocates those costs to customer classes and rate structure components to ensure the proposed rate structure is aligned with the costs of providing sewer service. This analysis is done in order to be equitable among the City’s ratepayers and to comply with Proposition 218. To do this, this Study employed well-established industry practices as recognized by the WEF, AWWA, and other accepted industry standards. The COSA and rate structure proposed by this Report is designed to:

- ▶ Fairly and equitably recover costs through rates
- ▶ Conform to accepted industry practice and legal requirements
- ▶ Provide fiscal stability and recovery of system fixed costs

The following section presents a detailed description of the COSA and rate structure methodology and the corresponding results.

3.1 SEWER SERVICE CHARGE CALCULATION AND RATE SCHEDULE

City’s customers are currently charged based on equivalent dwelling units (EDU). An EDU is the basic unit of wastewater utility service and reflects the average volume and strength of flows from single family residences, which make up most of the City’s customer base. A single-family residential account pays a rate of 1 EDU, while multi-family customers with fewer than 4 dwelling units pay 77 percent of 1 EDU for each dwelling unit and multi-family customers with 4 dwelling units or more pay 71 percent of 1 EDU for each dwelling unit. Non-Residential customers are assigned an EDU value based on a variety of metrics for different types of commercial activities. These EDU

assignments were developed by the 2007 Sewer Rate Study³ and make assumptions about the estimated average amount and strength of sewage produced by Non-Residential accounts based on various metrics such as floor size, number of chairs, number beds, among others. A complete schedule of EDU assignments by customer type is provided in **Schedule 4**.

The City's existing EDU factors are not being updated by this Study since better data regarding estimated sewer flows by customer types is not available. This is, in part, due to the fact that the City does not provide potable water service and therefore does not have access to water usage information for its sewer customers. As such, this Study provides recommendations for updating the SSC rates but does not include changes/updates to the rate structure.

The first step in calculating the SSC rate is to tally the number of EDUs that are currently being served by the Sewer utility. Table 2 provides a summary of the number of accounts and EDUs by customer type based on FY 2023/24 billing data.

Table 2: Count of Accounts and EDUs by Customer Class

Customer Class	No. of Accounts	No. of EDUs ¹	Estimated Annual Wastewater Flow ²	Estimated Annual Wastewater Flow
			CCF	MG
Single Family	2,720	2,741	250,116	187.09
Duplex, Triplex, Condo, and To	642	651	59,404	44.43
Apartment	154	1,066	97,273	72.76
Non-Residential	2,040	2,413	220,186	164.70
Totals	5,556	6,871	626,979	468.98

Notes:

¹ Source: Assessment listing for FY 2023-2024

² Estimated wastewater flows assumes that one EDU produces 187 gallons per day (based on 2007 Sewer Rate Study)

³ City of Auburn Final Sewer Rate and Fee Analysis, Eco:logic, April 23, 2007

The next step is to identify the SSC revenue requirement for the “Test Year” (in this case FY 2024/25). Table 3 calculates the revenue requirement based on all of the cost categories as well as some “credits” to the revenue requirement, such as non-rate revenue and the additional revenue that will be collected through the Lift Station Surcharge (see Section 3.2). The last entry in Table 3 (Addition to Reserves) is an accounting entry that accounts for the change in fund balance.

Table 3: SSC Revenue Requirement for Test Year (FY 2024/25)

	Cost Category	Test Year Value
1	Salaries	\$539,000
2	Benefits	\$77,000
3	Supplies & Services	\$289,000
4	Utilities & Fuel	\$60,000
5	Insurance	\$422,000
6	Contract Services	\$2,258,000
7	Cash-Funded Capital	\$2,450,000
8	Debt Service	\$864,000
9	Other Revenue	-\$91,000
10	Lift Station Surcharge	-\$370,500
11	Addition To/(Use of) Reserves	-\$15,000
12	SSC Revenue Requirement:	\$6,482,500

The final step to calculating the SSC is to divide the revenue requirement by the number of current EDUs (6,871 per Table 2). This yields \$943.46 per year or \$78.62 per month (equal to the current rates since no rate increase is proposed for FY 2024/25). The proposed SSCs by year are summarized in Table 4.

Table 4: Proposed Sewer Service Charge Schedule

	Current	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
SSC per EDU	\$78.62	\$78.62	\$82.55	\$86.68	\$91.01	\$95.56

The City currently charges a “CDBG” rate (Community Development Block Grant) to certain customers based on a practice that pre-dates the 2007 Sewer Rate Study. These rates were developed to subsidize low-income customers and were supported by CDGB grant revenue. The City no longer receives CDBG revenue therefore this Study recommends that those special rates be discontinued.

3.2 LIFT STATION SURCHARGE

The City charges a Lift Station Surcharge for accounts that are located in areas that require additional pumping in order to deliver the wastewater to the WWTP. These accounts require either one, two or three additional lift stations to convey the wastewater. This Study updates the existing Lift Station Surcharge based on current costs.

As a first step, the annual revenue requirement was calculated for lift station operation and maintenance (see Table 5).

Table 5: Elevation Zone Charge Calculation

Miscellaneous Repairs	\$20,000
Major Equipment Replacement (depreciation)	\$60,000
Odor Control Chemicals	\$5,000
Phone systems	\$20,000
Labor (25 hrs per week x \$135/ hr x 52 weeks)	\$175,500
Power (\$7,500 / per month x 12 mos)	\$90,000
Total Annual Cost:	\$370,500

Next, the number of customers served by either one, two or three lift stations was tabulated. The count value was then weighted for each customer type (count multiplied by two for “2 Lift Station” customers and by three for “3 Lift Station” customers (see Table 6).

Table 6: Count of Lift Station Customers

Type	Count of Customers	Weighted Count of Customers
1 Lift Station	652	652
2 Lift Stations	486	972
3 Lift Stations	3	9
Total:	1,141	1,633

Finally, the annual revenue requirement was divided by the total weighted count of customers to derive a cost per customer of \$18.91 per customer per month (\$370,500 divided by 1,633 customers divided by 12 months). In terms of EDUs (the basis for all sewer charges), this translates to the following Lift Station Surcharges:

- One Lift Station: 0.24 EDU
- Two Lift Stations: 0.48 EDU
- Three Lift Stations: 0.72 EDU

Section 4. CONCLUSION

This 2024 Sewer Rate Study proposes updated Sewer Service Charges for the City of Auburn. The need for rate increases is driven primarily by inflation and an increase in capital spending. The City's Sewer utility continues to deliver a capital improvement program that is designed to pro-actively repair and replace critical and aging infrastructure in order to ensure that the City can continue to provide safe and reliable sewer services.

The sewer rates will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed SSCs to be mailed to each affected property owner or customer at least 45 days prior to conducting a Public Hearing to adopt the rates.

This Report used methodologies that are aligned with industry standard practices for rate setting as promulgated by the AWWA, WEF, and all applicable laws, including California's Proposition 218.

SCHEDULES

Schedule 1 - Budgeted and Projected Cash Outflows

Schedule 2 - Capital Spending Plan

Schedule 3 - Cash Flow Pro Forma

Schedule 4 - EDU Assignments by Customer Type

Budgeted and Projected Cash Outflows

Schedule 1

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33
1 Regular Salaries	\$513,500	\$528,900	\$544,800	\$561,100	\$577,900	\$595,300	\$613,100	\$631,500	\$650,500	\$670,000
2 Overtime Salaries	\$6,000	\$6,200	\$6,400	\$6,600	\$6,800	\$7,000	\$7,200	\$7,400	\$7,600	\$7,800
3 Leave Balance Payoff	\$4,100	\$4,200	\$4,300	\$4,400	\$4,600	\$4,700	\$4,800	\$5,000	\$5,100	\$5,300
4 Retirement Contributions (PERS)	\$23,200	\$24,400	\$25,600	\$26,900	\$28,200	\$29,700	\$31,100	\$32,700	\$34,300	\$36,000
5 UAAL Pension Expense	\$23,000	\$24,200	\$25,400	\$26,600	\$28,000	\$29,400	\$30,800	\$32,400	\$34,000	\$35,700
6 Employee Insurance Programs	\$24,200	\$24,900	\$25,700	\$26,500	\$27,200	\$28,100	\$28,900	\$29,800	\$30,700	\$31,600
7 FICA	\$3,300	\$3,400	\$3,500	\$3,600	\$3,700	\$3,800	\$3,900	\$4,000	\$4,100	\$4,300
8 Postage	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
9 Travel & Transportation	\$1,500	\$1,500	\$1,600	\$1,600	\$1,700	\$1,700	\$1,800	\$1,800	\$1,900	\$2,000
10 Legal Advertising	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
11 Dues & Subscriptions	\$23,000	\$23,700	\$24,400	\$25,100	\$25,900	\$26,700	\$27,500	\$28,300	\$29,100	\$30,000
12 Workers Compensation Insurance	\$45,000	\$47,300	\$49,600	\$52,100	\$54,700	\$57,400	\$60,300	\$63,300	\$66,500	\$69,800
13 General Liability Insurance	\$331,600	\$348,200	\$365,600	\$383,900	\$403,000	\$423,200	\$444,400	\$466,600	\$489,900	\$514,400
14 Pollution Liability Insurance	\$25,000	\$26,300	\$27,600	\$28,900	\$30,400	\$31,900	\$33,500	\$35,200	\$36,900	\$38,800
15 Materials & Supplies	\$1,500	\$1,500	\$1,600	\$1,600	\$1,700	\$1,700	\$1,800	\$1,800	\$1,900	\$2,000
16 Fuel for Vehicles	\$22,000	\$23,100	\$24,300	\$25,500	\$26,700	\$28,100	\$29,500	\$31,000	\$32,500	\$34,100
17 Professional Services	\$100,000	\$103,000	\$106,100	\$109,300	\$112,600	\$115,900	\$119,400	\$123,000	\$126,700	\$130,500
18 SWRCB Fees	\$15,000	\$15,500	\$15,900	\$16,400	\$16,900	\$17,400	\$17,900	\$18,400	\$19,000	\$19,600
19 Training & Education	\$5,000	\$5,200	\$5,300	\$5,500	\$5,600	\$5,800	\$6,000	\$6,100	\$6,300	\$6,500
20 Rents & Leases	\$4,000	\$4,100	\$4,200	\$4,400	\$4,500	\$4,600	\$4,800	\$4,900	\$5,100	\$5,200
21 Maintenance of Vehicles	\$22,500	\$23,200	\$23,900	\$24,600	\$25,300	\$26,100	\$26,900	\$27,700	\$28,500	\$29,400
22 Maintenance of Equipment	\$18,800	\$19,300	\$19,900	\$20,500	\$21,100	\$21,700	\$22,400	\$23,100	\$23,800	\$24,500
23 Contractual Services	\$50,000	\$51,500	\$53,000	\$54,600	\$56,300	\$58,000	\$59,700	\$61,500	\$63,300	\$65,200
24 WWTP Operations Contract Svcs	\$2,142,000	\$2,206,300	\$2,272,400	\$2,340,600	\$2,410,800	\$2,483,200	\$2,557,700	\$2,634,400	\$2,713,400	\$2,794,800
25 Collection Expense	\$63,500	\$65,400	\$67,400	\$69,400	\$71,500	\$73,600	\$75,800	\$78,100	\$80,400	\$82,900
26 Bank Fees	\$15,000	\$15,500	\$15,900	\$16,400	\$16,900	\$17,400	\$17,900	\$18,400	\$19,000	\$19,600
27 Communications	\$10,000	\$10,300	\$10,600	\$10,900	\$11,300	\$11,600	\$11,900	\$12,300	\$12,700	\$13,000
28 Utilities	\$35,000	\$36,800	\$38,600	\$40,500	\$42,500	\$44,700	\$46,900	\$49,200	\$51,700	\$54,300
29 Debt Service	\$865,000	\$864,000	\$868,000	\$867,000	\$865,000	\$887,000	\$891,000	\$889,000	\$891,000	\$894,000
30 Total Operating Expenses	\$4,393,100	\$4,508,300	\$4,632,000	\$4,754,900	\$4,881,200	\$5,036,100	\$5,177,300	\$5,317,300	\$5,466,300	\$5,621,700

9-Year Capital Spending Plan

Schedule 2

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32
1 Sewer Rate Study	\$42,000					\$49,000			
2 Lift Station Emergency Repairs	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000			
3 Lift Station Emergency upgrades						\$1,200,000			
4 Sewer Collection System Emergency Repairs	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000			
5 Wastewater Treatment Plant Repairs/Upgrades	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000			
6 Auburn Pump Stations SCADA Upgrades	\$810,000								
7 Borland Sewer Realignment		\$250,000							
8 Fawn Creek Lift Station Gen Set Upgrades	\$1,100,000			\$1,200,000					
9 Sewer Collection System Rehabilitation		\$1,200,000							
10 Southridge Lift Station Upgrades			\$1,200,000						
11 Vehicle Replacement	\$140,000								
12 CCTV Equipment Upgrades		\$50,000							
13 Sludge Dryer/ Oxidizer/Pasteurizer Process							\$500,000	\$4,500,000	
14 New UV, modern UV equipment retrofit					\$500,000	\$1,500,000			
15 Replace Sand Filters with Membranes							\$1,000,000	\$5,000,000	
16 Extend Potable Water and Gas Lines into WWTP from Ophir Road								\$500,000	\$3,500,000
17 Replace Clarifier No.2 Mechanism to be similar to No. 3				\$500,000					
Total Capital Spending (FY2022 dollars)	\$3,042,000	\$2,450,000	\$2,150,000	\$2,650,000	\$1,450,000	\$3,699,000	\$3,849,000	\$3,849,000	\$3,849,000

* Expressed in 2024 dollars, which are escalated by 3 percent per year

Cash Flow Proforma

Schedule 3

	Budget FY2024	Forecast FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033
1 Rate Revenue Increase:		0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rate Revenue										
2 Service Charge Revenue	\$6,721,000	\$6,724,000	\$6,734,000	\$7,081,000	\$7,446,000	\$7,829,000	\$8,232,000	\$8,657,000	\$9,103,000	\$9,572,000
3 Change due to growth & use	\$3,000	\$10,000	\$10,000	\$11,000	\$11,000	\$12,000	\$13,000	\$13,000	\$14,000	\$15,000
4 Increase due to rate adjustments		\$0	\$337,000	\$354,000	\$372,000	\$391,000	\$412,000	\$433,000	\$455,000	\$479,000
Non-Rate Revenues										
5 Interest Earnings	\$45,000	\$103,000	\$103,000	\$106,000	\$107,000	\$120,000	\$114,000	\$121,000	\$44,000	\$33,000
6 Connection Fees	\$35,000	\$91,000	\$91,000	\$91,000	\$91,000	\$91,000	\$91,000	\$91,000	\$91,000	\$91,000
7 Total Revenue	\$6,804,000	\$6,928,000	\$7,275,000	\$7,643,000	\$8,027,000	\$8,443,000	\$8,862,000	\$9,315,000	\$9,707,000	\$10,190,000
O&M Costs										
8 Salaries	\$524,000	\$539,000	\$555,000	\$572,000	\$589,000	\$607,000	\$625,000	\$644,000	\$663,000	\$683,000
9 Benefits	\$74,000	\$77,000	\$80,000	\$84,000	\$87,000	\$91,000	\$95,000	\$99,000	\$103,000	\$108,000
10 Supplies & Services	\$280,000	\$289,000	\$297,000	\$306,000	\$315,000	\$325,000	\$334,000	\$344,000	\$355,000	\$365,000
11 Utilities & Fuel	\$57,000	\$60,000	\$63,000	\$66,000	\$69,000	\$73,000	\$76,000	\$80,000	\$84,000	\$88,000
12 Insurance	\$402,000	\$422,000	\$443,000	\$465,000	\$488,000	\$513,000	\$538,000	\$565,000	\$593,000	\$623,000
13 Contract Services	\$2,192,000	\$2,258,000	\$2,325,000	\$2,395,000	\$2,467,000	\$2,541,000	\$2,617,000	\$2,696,000	\$2,777,000	\$2,860,000
14 Total Operating Expenses	\$3,529,000	\$3,645,000	\$3,763,000	\$3,888,000	\$4,015,000	\$4,150,000	\$4,285,000	\$4,428,000	\$4,575,000	\$4,727,000
Capital and Debt										
15 Total Capital Spending	\$3,042,000	\$2,450,000	\$2,214,500	\$2,811,385	\$1,584,454	\$4,163,257	\$2,840,221	\$13,074,873	\$5,472,939	\$3,800,310
16 Cash Funded Capital Spending	\$3,042,000	\$2,450,000	\$2,214,500	\$2,811,385	\$1,584,454	\$4,163,257	\$2,840,221	\$13,074,873	\$5,472,939	\$3,800,310
17 Existing Debt Service	\$865,000	\$864,000	\$868,000	\$867,000	\$865,000	\$887,000	\$891,000	\$889,000	\$891,000	\$894,000
18 Total Capital Spending	\$3,907,000	\$3,314,000	\$3,082,500	\$3,678,385	\$2,449,454	\$5,050,257	\$3,731,221	\$13,963,873	\$6,363,939	\$4,694,310
19 Total Revenue Requirement	\$7,436,000	\$6,959,000	\$6,845,500	\$7,566,385	\$6,464,454	\$9,200,257	\$8,016,221	\$18,391,873	\$10,938,939	\$9,421,310
20 Beginning Year Balance	\$12,734,000	\$12,102,000	\$12,071,000	\$12,500,500	\$12,577,115	\$14,139,661	\$13,382,404	\$14,228,182	\$5,151,310	\$3,919,371
21 Surplus/(Shortfall)	(\$632,000)	(\$31,000)	\$429,500	\$76,615	\$1,562,546	(\$757,257)	\$845,779	(\$9,076,873)	(\$1,231,939)	\$768,690
22 End of Year Balance	\$12,102,000	\$12,071,000	\$12,500,500	\$12,577,115	\$14,139,661	\$13,382,404	\$14,228,182	\$5,151,310	\$3,919,371	\$4,688,061
23 Reserve Target	\$4,465,000	\$4,503,000	\$4,544,000	\$4,585,000	\$4,627,000	\$4,679,000	\$4,725,000	\$4,772,000	\$4,822,000	\$4,874,000
Debt Coverage Calculations										
24 Revenue Available for Debt Service	\$3,240,000	\$3,192,000	\$3,421,000	\$3,664,000	\$3,921,000	\$4,202,000	\$4,486,000	\$4,796,000	\$5,041,000	\$5,372,000
25 Total Yearly Parity Debt Payment	\$865,000	\$864,000	\$868,000	\$867,000	\$865,000	\$887,000	\$891,000	\$889,000	\$891,000	\$894,000
26 Debt Coverage Ratio	3.75	3.69	3.94	4.23	4.53	4.74	5.03	5.39	5.66	6.01

EDU Assignments by Customer Type Schedule 4

ACCOUNT TYPE	EDU FACTOR	METRIC
RESIDENTIAL		
Single Family Residential	1	per dwelling unit
Duplex, Triplex, Condo, and Townhor	0.77	per dwelling unit
Apartment	0.71	per dwelling unit
NON-RESIDENTIAL		
Auto Dealership	0.2	per 1,000 sq. ft.
Bakeries	1.7	per 1,000 sq. ft.
Bank or Financial Institution	0.3	per 1,000 sq. ft.
Bar	0.7	per 1,000 sq. ft.
Barber/Beauty Shop	0.2	per chair
Bowling Alley	0.4	per lane
Brewery	4.8	per 1,000 sq. ft.
Business Office	0.2	per 1,000 sq. ft.
Car Wash	0.7	per stall
Dry Cleaner	1.7	per 1,000 sq. ft.
Garage	0.1	per bay
Hall or Lodge	0.3	per 1,000 sq. ft.
Health Studio/Gym	0.3	per 1,000 sq. ft.
Hotel/Motel	0.3	per sleeping room
Market no Disposal	0.2	per 1,000 sq. ft.
Market/w/Disp.Light Ind.	1	per 1,000 sq. ft.
Medical/Dental Office	0.4	per 1,000 sq. ft.
Mortuary	1.3	per slumber room
Place of Worship	0.2	per 1,000 sq. ft.
Public Agency	0.6	per 1,000 sq. ft.
Rest/Nursing Home	0.3	per bed
Restaurant	2.0	per 1,000 sq. ft.
Restaurant Take Only	1.7	per 1,000 sq. ft.
Retail	0.2	per 1,000 sq. ft.
School	1.0	per 100 students
Self Serve Laundry	0.5	per machine
Service station	0.1	per pump
Theater	0.3	per 100 seats
Used Car Lot	0.2	per 10 fixtures
Warehouse	0.1	per 1,000 sq. ft.
Lift Station Surcharges (proposed)		
1 Lift Station	0.24	per account
2 Lift Stations	0.48	per account
3 Lift Stations	0.72	per account