



DATE: March 28, 2016
TO: President and Members of the EMID Board of Directors
VIA: Kevin M. Miller, District Manager
FROM: Dante G. Hall, Assistant District Manager
Edmund Suen, Finance Director
SUBJECT: Review of Projected Wastewater Rates for FY 2016 – 2017; Policy
Direction for Rate Notification under Proposition 218

RECOMMENDATION

It is recommended that the Estero Municipal Improvement District (EMID) Board of Directors:

1. Review and approve the proposed wastewater rates for FY 2016-2017, or provide alternative direction; and
2. Based on that direction, authorize staff to establish the proposed wastewater rates for FY 2016-2017 that will be noticed to all rate payers under the requirements of Proposition 218.

EXECUTIVE SUMMARY

In establishing wastewater rates last fiscal year, the EMID Board maintained its philosophy of setting wastewater rates using a 10-year forecast of expenditures and long term capital improvement projects. With this objective in mind, the District engaged Bartle Wells Associates (BWA) to prepare the FY 2016 Wastewater Rate Study and recommend rate adjustments for the next fiscal year.

The District has a Joint Exercises Powers Agreement with the City of San Mateo where the District receives treatment of its wastewater via the San Mateo Wastewater Treatment Plant. The District is responsible for its share of operating and maintenance costs that San Mateo incurs treating the District's wastewater, as well as 25% of capital improvement costs at the plant. The current rate model includes assumptions relative to

the 10-year Wastewater Treatment Plant (WWTP) Master Plan Improvement Project that is currently underway. The Master Plan Improvements Project contemplates the District's estimated share of the costs to be \$112.5 Million over the next 10 years. Increases have been identified in the current rate model to include the costs of WWTP Master Plan Improvements. In consideration of these factors, BWA proposes an overall rate increase of 11% on all wastewater rates for FY 2016 – 2017.

Based on the EMID Board direction, staff will prepare a notice that will be mailed to all ratepayers on or before April 11, 2016 in compliance with the provisions of Proposition 218. A public hearing on and adoption of the proposed rates will occur at the June 6, 2016 Board meeting in conjunction with the FY 2015-2016 Annual Budget Public Hearing. The new rates will become effective July 1, 2016.

BACKGROUND & ANALYSIS

Historical Wastewater Rate Setting Policies

The District's wastewater operations rely, in part, on costs borne jointly by EMID and the City of San Mateo via the San Mateo Wastewater Treatment Plant Joint Exercise of Powers Agreement executed in June 1974. Those costs include recurring operations and maintenance, as well as capital improvement costs. The rates that wastewater customers pay are based, primarily, on a fixed charge based upon the size of the meter installed at the customer's location (restaurants and certain other businesses pay rates based upon water consumption). Furthermore, the District has historically set rates on a "Pay As You Go" basis, meaning that rates are increased only based upon budgeted current operating expenditures in order to meet minimum reserve requirements equal to 25% of annual operating expenditures and \$2 million for unanticipated capital expenditures, consistent with the Board's existing reserve policy.

In FY 2009-2010, the EMID Board implemented a 10-year forecast for wastewater rates so as to ensure that the long-term financial needs of the system are met. The Board changed its funding mechanisms for Long-Term Capital Improvement Projects in FY 2010-2011 by incorporating annual CIP funding to provide sufficient funding for CIP projects in the 10-year forecast. The rate model also takes into consideration projected reserve levels above the 25% annual operating expenditure requirement and the \$2 million emergency reserve requirement that may be used to offset rate increases or act to reduce rates where appropriate. This model continues to be used as a basis for establishing the proposed rates for FY 2016-2017.

Assumptions Used in Wastewater Rate Model

The following assumptions were used in creating the rate model:

Revenues

- Number of wastewater service accounts is anticipated to remain primarily steady, with slight increases as a result of the development of such sites as Pilgrim-Triton (Triton Pointe and the Waverly), the Towne Place Suite at the former Black Angus site, 1297 Chess Drive, Illumina, and the Foster Square Project, anticipated through FY 2018-2019. In addition, the Gilead Corporate Campus Master Plan is being developed beyond 2019. Any future growth beyond these developments can be taken into consideration in future years as those additional customers come online.
- Interest income is expected to return 1.0% on investment assets over the 10- year forecast based on current returns. In addition, interest income generated from capital improvement funds is estimated and assumed that it will be transferred to the operating fund to offset annual operating costs, as funding for capital improvement projects are funded through annual transfers from operations.
- Rate changes for FY 2016-2017 would take place effective July 1, 2016

Expenditures

- Preliminary budget figures for FY 2016-2017 are used as the basis for expenditures, with no assumption made as to expenditure savings in future years.
- Operating and maintenance costs of the WWTP are based upon the latest-known information provided by the City of San Mateo. A small increase of \$38,000 to \$2 million for FY 2016-2017 has been assumed relative to the WWTP operations and maintenance (O&M) costs based on the latest projections of O&M costs by San Mateo and the relative proportion of solid waste being treated by the plant from the respective agencies. These costs are expected to grow at average of 3% per year. All other expenditures are assumed to increase by 2.5% per year, consistent with the expected assumptions for the FY 2016-2017 Annual Budget 5-year Financial Plan.
- Projections anticipate the repayment of a cumulative \$3.24 million loan from the Wastewater Capital Projects Reserve for WWTP expenditures incurred through June 30, 2016 and over a 5 year period. WWTP costs in the future years are anticipated to be funded by a combination of bonds and State Revolving Loan funds.
- The wastewater enterprise has been funding collection system capital expenditures through annual transfers to the capital improvements fund. Projections assume the wastewater enterprise transfers \$780,000 annually.

- Ongoing Cost Inflation projections assume 1.5% to 3% annual cost inflation adjustments needed to keep revenues in line with operating expenses

Reserve Levels

Minimum reserve requirements for each year are assumed to be not less than 25% of annual operating expenditures and \$2 million for unanticipated capital expenditures, consistent with the Board’s existing reserve policy.

FY 2016 - 2017 Wastewater Rate Impact

The current monthly bill for Single Family Residence (SFR) users is \$51.47. The current monthly bill for Multi-family Residential (MFR) is \$43.23. Commercial customers are billed on a volumetric rate based on water usage and strength classification. BWA proposes an overall rate increase of 11% on all wastewater rates for FY 2016 – 2017. The table below provides a comparison of current rates to proposed rates.

Estero Municipal Improvement District Proposed Wastewater Rates for FY 2016-2017 To be effective July 1, 2016			
Fiscal Year Ending June 30	Current 2016	Proposed 2017	Proposed Increase %
Residential (flat monthly rate)			
Single Family	\$ 51.47	\$ 57.13	11.00%
Townhouse/Duplex	\$ 43.23	\$ 47.99	11.01%
Apartment/Condominium	\$ 43.23	\$ 47.99	11.01%
Commercial (rate per ccf of water use)			
High Strength	\$ 9.35	\$ 10.38	11.02%
Medium/Domestic Strength	\$ 3.29	\$ 3.65	10.94%
Low Strength	\$ 2.16	\$ 2.40	11.11%

Table 1

Rate Survey

A survey of communities along the San Francisco Peninsula was conducted to compare the District’s typical residential monthly bill with the neighboring communities. The results of the survey are summarized in the comparison chart attached to this report (Attachment – Wastewater Rate Survey Comparison Chart). The survey indicates the

District's wastewater rates remain among the lowest on the Peninsula. The proposed monthly wastewater charge for a single family residential unit would be increased from to \$51.65 to \$56.65, while the average monthly rate for the agencies surveyed is \$64.16.

POLICY DIRECTION

Staff seeks Board direction on the following policy issues:

1. Wastewater Rates charged for FY 2016-2017

- a. Authorization to proceed with the wastewater rate increase assumptions that reflect an increase of 11% for FY 2016-2017, or otherwise directed by the Board.
- b. Authorization to proceed with distributing Proposition 218 Notice based on the Board's direction regarding wastewater rates.

PROPOSITION 218 NOTIFICATION

Per the requirements under Proposition 218, all ratepayers will receive a notice on or before April 11, 2016, based upon the EMID Board's policy direction this evening. Due to the complexity of the rate model changes being recommended, a user-friendly notice will continue to be prepared that still meets the Proposition 218 noticing requirements. A public hearing will be held and the rates adopted on June 6, 2016. The rates will go into effect on July 1, 2016.

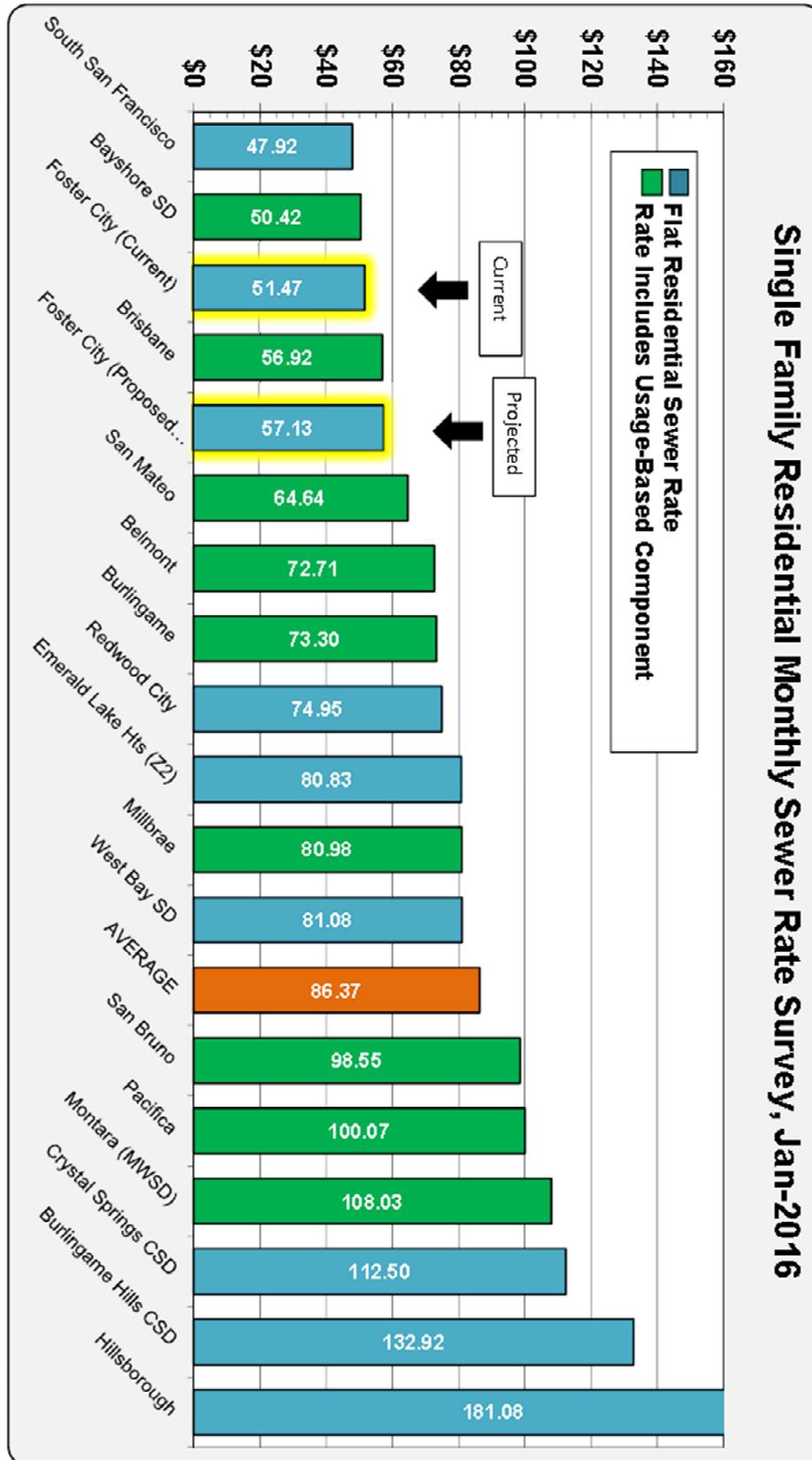
It should be noted that between the notification date and the public hearing date, the EMID Board will receive the FY 2015-2016 Preliminary Annual Budget and 5-Year Financial Plan. Any adjustments that occur based upon EMID Board direction at the Budget Study Session will be incorporated into an updated rate model at the time of the public hearing. However, it is the opinion of staff that conservative assumptions have been employed in the creation of the attached rate models. Accordingly, staff believes that the rates proposed herein are the maximum rates that would be recommended for FY 2015-2016. At the public hearing, the EMID Board would have the option of reducing rates lower than what was noticed to rate payers under Proposition 218 if budgetary estimates change, but it could not increase the rates above what was noticed.

Attachments:

Wastewater Rate Survey Comparison Chart

Bartle Wells Associates Wastewater Rate Study Data

FY 2016-2017 WASTEWATER RATE SURVEY COMPARISON CHART



Foster City/Estero Municipal Improvement District 2016 Rate Study

**Draft Wastewater Tables
March 2, 2016**



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Table 1
 Foster City / Estero Municipal Improvement District
 Current Wastewater Rates

Fiscal Year Ending June 30	Current 2016
Residential (flat monthly rate)	
Single Family	\$51.47
Townhouse/Duplex	43.23
Apartment/Condominium (Pools w/ Restrooms)	43.23
Commercial (rate per ccf of water use)	
Restaurants	9.35
Commercial/Hotels/Offices/Industrial/Laundromats	3.29
Institutional (rate per ccf of water use)	
Institutional/Schools	2.16

Table 2
 City of Foster City/Estero Municipal Improvement District
 Strength Classifications into Low, Medium/Domestic, and High Strength Dischargers

Low Strength	Banks & Financial Institutions Barber Shops/Hair Salons (hair cutting only) Post Offices/Government Retail Stores Libraries Schools Churches, Halls & Lodges
Medium/Commercial/ Domestic Strength	Residential - All Appliance Repair Beauty Shops (hair cutting w/additional treatments) Dry Cleaners Nail Salons Pet Groomers Commercial Laundromats Bars & Taverns Tasting Rooms Hospitals - General, Convalescent & Veterinarian Hotels, Motels, B&Bs, and Vacation Rentals Offices - Business and Professional Offices - Medical/Dental Pools with Restrooms (Clubhouse) Theaters Warehouses Car Washes High Tech Medical Manufacturing Light Manufacturing/Industrial Gym or Health Club Machine Shops Service Stations, Garages, Auto Repair Shops Mini Marts - W/O Dish Washer or Garbage Disposal Mini Mart with Gas Pumps - W/O Dish Washer or Garbage Disposal Spa with Various Beauty Treatments Parking Garages
High Strength	Restaurants Coffee Shops Ice Cream Parlors Catering Eatery Bakeries Butcher Shops Fish Market/Shop Markets - with Dish Washer or Garbage Disposal Markets - with Bakeries or Butcher Shops Mini Marts - with Dish Washer or Garbage Disposal Wineries Market Dairies (milk producers, yogurt, ice cream maker) Specialty Foods Manufacturing (e.g., cheese or olive oil maker)

Note: Wastewater users who have Fats, Oils, and Grease (FOG) waste will be put into the High Strength user category

Table 3
 City of Foster City/Estero Municipal Improvement District
 Assumed Wastewater Strength Factors

Strength Class	LOW	MEDIUM	HIGH
Examples:	Institutional Bank	Residential Offices	Restaurant Bakery
Flow (gpd)	200	200	200
BOD ¹ (mg/l)	130	240	1000
TSS ² (mg/l)	100	240	800
Strength Factor	0.66	1.00	2.85

Strength Factor Formula $SF = (Flow(gpd)/200) * (0.33 + (0.33 * BOD(mg/l)/240) + (0.34 * TSS(mg/l)/240))$

WW flows and strengths based on State Water Resources Control Board's Revenue Program Guidelines

1 "BOD" stands for Biochemical Oxygen Demand

2 "TSS" stands for Total Suspended Solids

Table 4
 City of Foster City/Estero Municipal Improvement District
 Summary of Sewer Users by Customer Class

Customer Class	EDUs ¹	Annual Measured ADWF ² (gal/day)	ADWF Flow (gal/day)	FY2015 Estimate EDU x Flow ADWF Flow (gal/day)	BOD ³ (mg/l)	TSS ⁴ (mg/l)	FY2016 Calculated Current Rate
Residential							
Single Family Residential	4,534		200	906,800	240	240	51.47
Townhouse/Duplex	2,221		168	373,128	240	240	43.23
Apartment/Condos	5,922		168	994,896	240	240	43.23
				2,274,824			
Commercial							
			Flow Factor				
Low Strength	36	70,078	65%	45,551	130	100	2.16
Medium/Domestic Strength	170	230,675	53%	122,027	240	240	3.29
High Strength	47	82,919	70%	58,044	1000	800	9.35
		383,673		225,622			
Totals				2,500,446			
Check Against Lowest Actual Monthly Avg. Day Flow (May 2014 from LS 59 Flow Log):				2,367,806			

1 "EDU" stands for Equivalent Dwelling Unit
 2 "ADWF" stands for Average Dry Weather Flow
 3 "BOD" stands for Biochemical Oxygen Demand
 4 "TSS" stands for Total Suspended Solids

Table 5
 Foster City / Estero Municipal Improvement District
 Wastewater Service Accounts

Data as of: 12/07/15

Customer Class	Number of Accounts
<u>Residential</u>	
Single Family	4,534
Townhouse/Duplex	2,221
Apartment/Condominium (Pools w/ Restrooms)	<u>5,922</u>
Residential Total	12,677
<u>Commercial</u>	
Restaurants	47
Commercial/Hotels/Offices/Industrial/Laundromats	<u>170</u>
Commercial Total	217
<u>Institutional</u>	
Institutional/Schools	<u>36</u>
Institutional Total	36
Total	12,930

Source: Cognos Sewer Customer Count Report

Table 6
Foster City / Estero Municipal Improvement District
Wastewater Operating Fund Reserves

Fund Reserve Component	July 1, 2015
	Balance
Reserved for Maintenance & Operation	<u>\$799,897</u>
Total	\$799,897

Note: Rate model only includes fund reserve components available to fund ongoing operating and capital expenditures.

Source: City of Foster City/Estero Municipal Improvement District CAFR, FY 2014/15

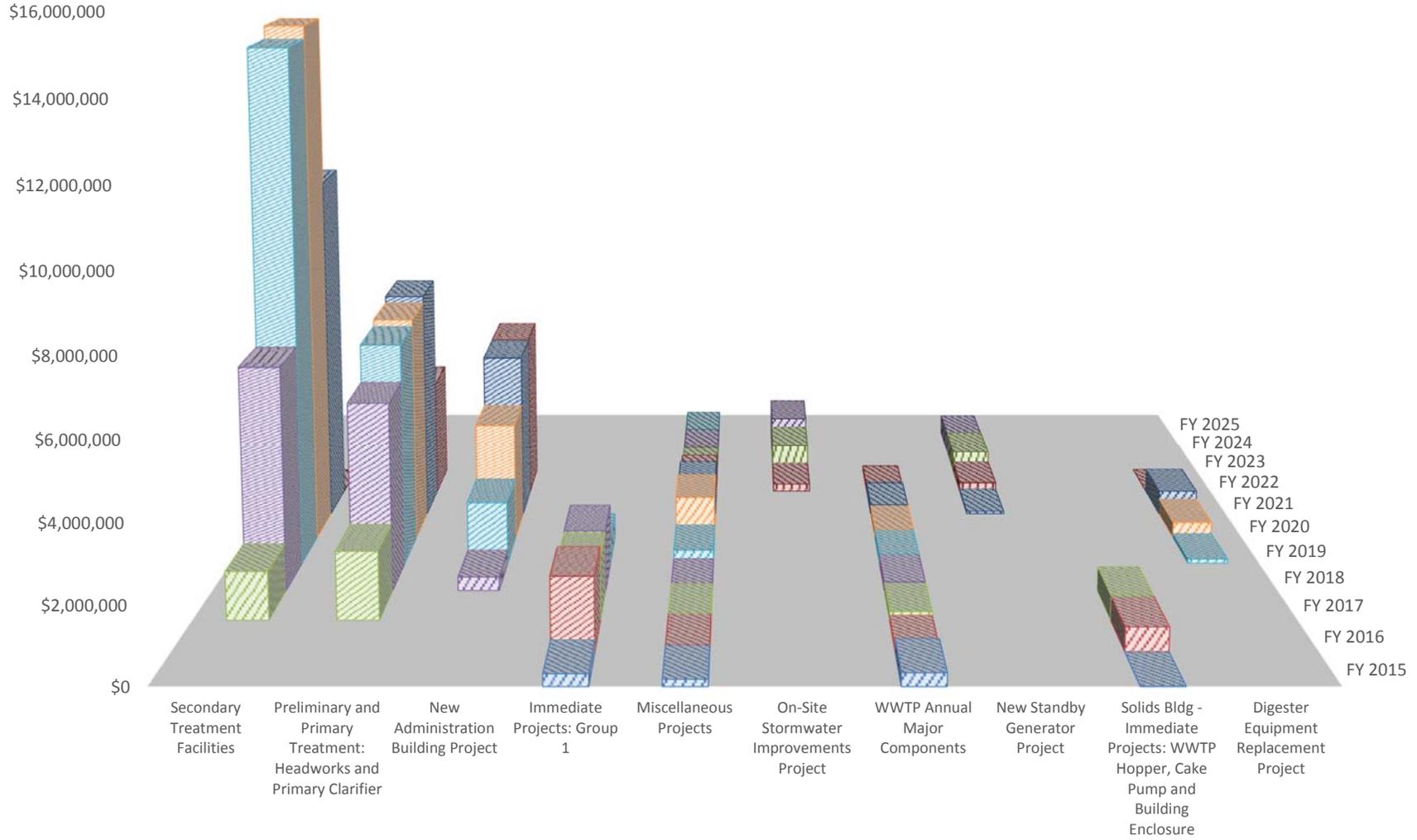
Table 7
City of Foster City / Estero Municipal Improvement District
Wastewater Enterprise O&M Projection

Expenditures	Five Year Projection (Prop 218)						Extended Year Projection				Annual % Increase [1]
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	
Employee Services	\$1,741,147	\$1,803,403	\$1,857,505	\$1,913,230	\$1,970,627	\$2,029,746	\$2,090,638	\$2,153,357	\$2,217,958	\$2,284,497	3.0%
Internal Services (from City)	590,470	620,292	635,799	651,694	667,986	684,686	701,803	719,348	737,332	755,765	2.5%
Internal Services -ERF	360,436	371,249	380,530	390,043	399,794	409,789	420,034	430,535	441,298	452,330	2.5%
Services & Supplies	729,200	775,050	794,426	814,287	834,644	855,510	876,898	898,820	921,291	944,323	2.5%
EMID Share WWTP O&M	1,962,000	2,000,000	2,060,000	2,121,800	2,185,454	2,251,018	2,318,549	2,388,105	2,459,748	2,533,540	3.0%
EMID Share WWTP Capital Improvements	1,000,000	0	0	0	0	0	0	0	0	0	0.0%
Reallocation	<u>795,964</u>	<u>819,843</u>	<u>832,141</u>	<u>844,623</u>	<u>857,292</u>	<u>870,151</u>	<u>883,203</u>	<u>896,451</u>	<u>909,898</u>	<u>923,546</u>	1.5%
TOTAL O&M Expenditures	\$7,179,217	\$6,389,837	\$6,560,401	\$6,735,677	\$6,915,797	\$7,100,900	\$7,291,125	\$7,486,616	\$7,687,525	\$7,894,001	
		-11.0%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%

[1] Based on historical results

SAN MATEO WASTEWATER TREATMENT PLANT EXPANSION PROJECTS (FOSTER CITY'S SHARE)

FY 2015 FY 2016 FY 2017 FY 2018 FY 2019 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024 FY 2025



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FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	<u>Foster City's Share (Escalated)</u>	<u>Total Project Cost (Escalated)</u>	<u>Foster City's Share (Not Escalated)</u>	<u>Total Project Cost (Not Escalated)</u>
\$74,029	\$76,250	\$78,537	\$80,893	\$83,320	\$823,186	\$3,292,743	\$727,197	\$2,908,788
4,683,994	4,693,859				14,727,472	58,909,887	12,727,819	50,911,275
					1,298,054	5,192,218	1,275,131	5,100,523
258,753	132,273				1,819,534	7,278,137	1,688,464	6,753,856
9,865,071					46,015,401	184,061,605	41,323,625	165,294,500
	218,853	777,853	1,067,882		2,064,588	8,258,352	1,650,250	6,601,000
					45,006	180,022	43,125	172,500
					103,746	414,984	103,746	414,984
					158,751	635,006	156,250	625,000
121,495	27,007				148,501	594,006	126,500	506,000
6,499,740	3,322,630				29,161,074	116,644,294	26,067,313	104,269,250
80,617					425,889	1,703,555	374,161	1,496,643
					6,142,437	24,569,748	5,926,000	23,704,000
63,961	264,508	590,218	560,707		1,479,394	5,917,577	1,194,900	4,779,600
					213,670	854,681	195,594	782,375
244,276	3,393				397,460	1,589,838	344,956	1,379,825
671,480	9,328				1,235,912	4,943,647	1,077,544	4,310,175
30,719					648,350	2,593,402	576,113	2,304,450
175,155	9,850				222,606	890,424	192,038	768,150
177,133	269,783				495,514	1,982,054	419,638	1,678,550
	81,286	14,994			96,279	385,117	79,660	318,640
8,334	8,750	9,013	9,248	9,561	82,785	331,140	71,865	287,461
					0	0	0	0
					0	0	0	0
					0	0	0	0
					<u>5,169,251</u>	<u>20,677,002</u>	<u>5,000,000</u>	<u>20,000,000</u>
\$22,954,757	\$9,117,770	\$1,470,615	\$1,718,730	\$92,881	\$112,974,860	\$451,899,439	\$101,341,886	\$405,367,545

Table 9
 City of Foster City / Estero Municipal Improvement District
 Wastewater Enterprise Cash Flow Projection

	Five Year Projection						Extended Year Projection			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assumptions:										
Interest Earnings Rate		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Revenue Increase from Growth		1.28%	1.26%	1.25%	1.23%	1.22%	0.25%	0.25%	0.25%	0.25%
Rate Adjustment		11.00%	11.00%	11.00%	10.50%	10.50%	4.25%	4.00%	2.00%	1.50%
Monthly Service Charge for Single Family	\$51.47	\$57.13	\$63.42	\$70.39	\$77.78	\$85.95	\$89.60	\$93.19	\$95.05	\$96.48
Beginning O&M Fund Balance	\$799,897	\$1,272,800	\$2,494,000	\$3,525,400	\$4,719,800	\$5,922,800	\$7,158,400	\$8,450,400	\$9,734,600	\$11,089,400
Operating Revenues										
Service Charges	7,555,000	8,483,000	9,523,000	10,690,000	11,944,000	13,344,000	13,944,000	14,537,000	14,864,000	15,124,000
Connection Fees [1]	417,651	581,000	218,750							
Interest Earnings [2]	85,000	13,000	25,000	35,000	47,000	59,000	72,000	85,000	97,000	111,000
Other Revenue	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<i>Operating Revenue</i>	8,058,651	9,078,000	9,767,750	10,726,000	11,992,000	13,404,000	14,017,000	14,623,000	14,962,000	15,236,000
Non Operating Revenue										
Interfund Loan - Capital Improvement Fund [3]	3,238,092									
Bond / Loan [4]		10,898,047								
SRF Loan Reimbursement [5]	0	0	13,512,390	23,476,196	26,026,206	22,954,757	9,117,770	1,470,615	1,718,730	92,881
<i>Non Operating Revenue</i>	3,238,092	10,898,047	13,512,390	23,476,196	26,026,206	22,954,757	9,117,770	1,470,615	1,718,730	92,881
Total Revenue	11,296,743	19,976,047	23,280,140	34,202,196	38,018,206	36,358,757	23,134,770	16,093,615	16,680,730	15,328,881
Operating Expenses										
Employee Services	1,741,147	1,803,403	1,857,505	1,913,230	1,970,627	2,029,746	2,090,638	2,153,357	2,217,958	2,284,497
Internal Services (from City)	590,470	620,292	635,799	651,694	667,986	684,686	701,803	719,348	737,332	755,765
Internal Services -ERF	360,436	371,249	380,530	390,043	399,794	409,789	420,034	430,535	441,298	452,330
Services & Supplies	729,200	775,050	794,426	814,287	834,644	855,510	876,898	898,820	921,291	944,323
EMID Share WWTP O&M	1,962,000	2,000,000	2,060,000	2,121,800	2,185,454	2,251,018	2,318,549	2,388,105	2,459,748	2,533,540
EMID Share WWTP Capital Improvements	1,000,000	0	0	0	0	0	0	0	0	0
Reallocation	795,964	819,843	832,141	844,623	857,292	870,151	883,203	896,451	909,898	923,546
<i>Operating Expenses</i>	7,179,217	6,389,837	6,560,401	6,735,677	6,915,797	7,100,900	7,291,125	7,486,616	7,687,525	7,894,001
Operating Net Revenue	879,434	2,688,163	3,207,349	3,990,323	5,076,203	6,303,100	6,725,875	7,136,384	7,274,475	7,341,999
Capital Expenses										
Transfer Out - Capital Improvement Fund	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
EMID Share WWTP Expansion	2,864,625	10,898,047	13,512,390	23,476,196	26,026,206	22,954,757	9,117,770	1,470,615	1,718,730	92,881
<i>Capital Expenses</i>	3,644,625	11,678,047	14,292,390	24,256,196	26,806,206	23,734,757	9,897,770	2,250,615	2,498,730	872,881
Annual Debt Service (Interfund Loan)		686,988	686,988	686,988	686,988	686,988				
Annual Debt Service (Bond)			708,934	708,934	708,934	708,934	708,934	708,934	708,934	708,934
Annual Debt Service (SRF)				620,045	1,697,300	2,891,568	3,944,896	4,363,285	4,430,767	4,509,635
<i>Debt Service</i>		686,988	1,395,922	2,015,967	3,093,222	4,287,490	4,653,830	5,072,218	5,139,701	5,218,568
Debt Coverage [6]			2.30	1.98	1.64	1.47	1.45	1.41	1.42	1.41
Total Expenditures	10,823,842	18,754,872	22,248,713	33,007,839	36,815,225	35,123,148	21,842,725	14,809,449	15,325,955	13,985,450
Revenues Less Total Expenditures	472,901	1,221,175	1,031,427	1,194,356	1,202,981	1,235,610	1,292,045	1,284,166	1,354,774	1,343,431
Ending O&M Fund Balance	1,272,798	2,493,975	3,525,427	4,719,756	5,922,781	7,158,410	8,450,445	9,734,566	11,089,374	12,432,831

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Cash Fund Reserve Test: Minimum Fund Balance > 25% O&M Expenses

Year-end O&M Fund Balance	1,272,798	2,493,975	3,525,427	4,719,756	5,922,781	7,158,410	8,450,445	9,734,566	11,089,374	12,432,831
25% Operating Expenses	1,794,804	1,597,459	1,640,100	1,683,919	1,728,949	1,775,225	1,822,781	1,871,654	1,921,881	1,973,500
# of Days O&M in Reserves	65	142	196	256	313	368	423	475	527	575
Pass/fail	FAIL	PASS	PASS							

Accrual Fund Reserve Test: Minimum Fund Balance >25% O&M Expenses

Operating Revenues Less O&M Expenses	879,434	2,688,163	3,207,349	3,990,323	5,076,203	6,303,100	6,725,875	7,136,384	7,274,475	7,341,999
<u>Less: Transfers</u>	<u>(780,000)</u>									
Net Revenues	99,434	1,908,163	2,427,349	3,210,323	4,296,203	5,523,100	5,945,875	6,356,384	6,494,475	6,561,999
Ending Fund Balance	899,331	2,807,494	5,234,843	8,445,166	12,741,369	18,264,469	24,210,344	30,566,728	37,061,203	43,623,202
Pass/fail	FAIL	PASS								

[1] Growth projections based on CDD estimates.

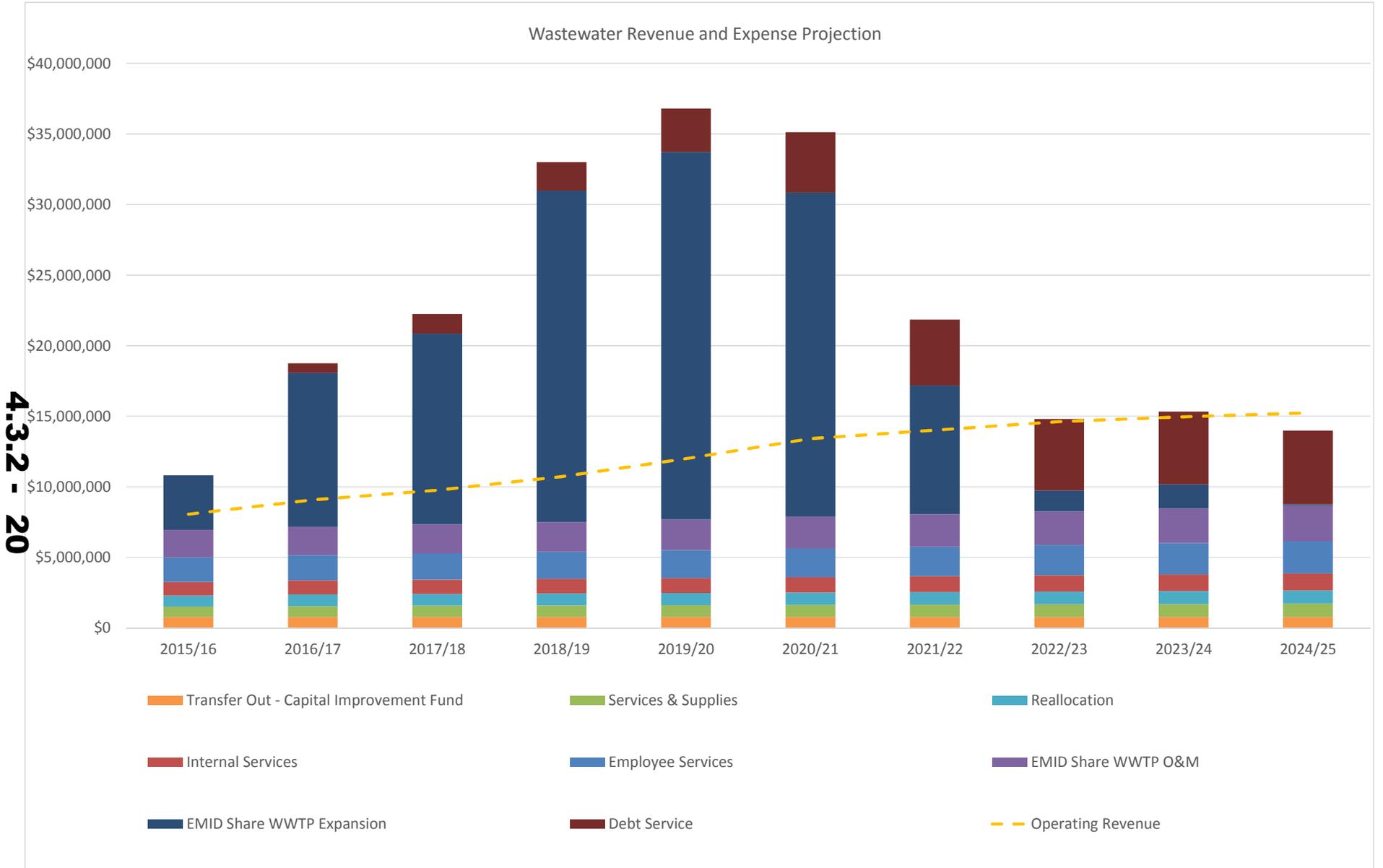
[2] Projected interest calculated as 1% of the Beginning Fund Balance of the Wastewater O&M Fund.

[3] Interfund loan equal to \$373,467 of capital expenses outstanding from FY 2014/15 plus \$2,864,625 of capital in FY 2015/16. 2% interest, 5 year repayment.

[4] 5% interest rate, 30 year repayment.

[5] 2.2% interest rate, 30 year repayment.

[6] Minimum requirement debt service coverage requirement = 1.40x



Single Family Residential Monthly Sewer Rate Survey, Jan-2016

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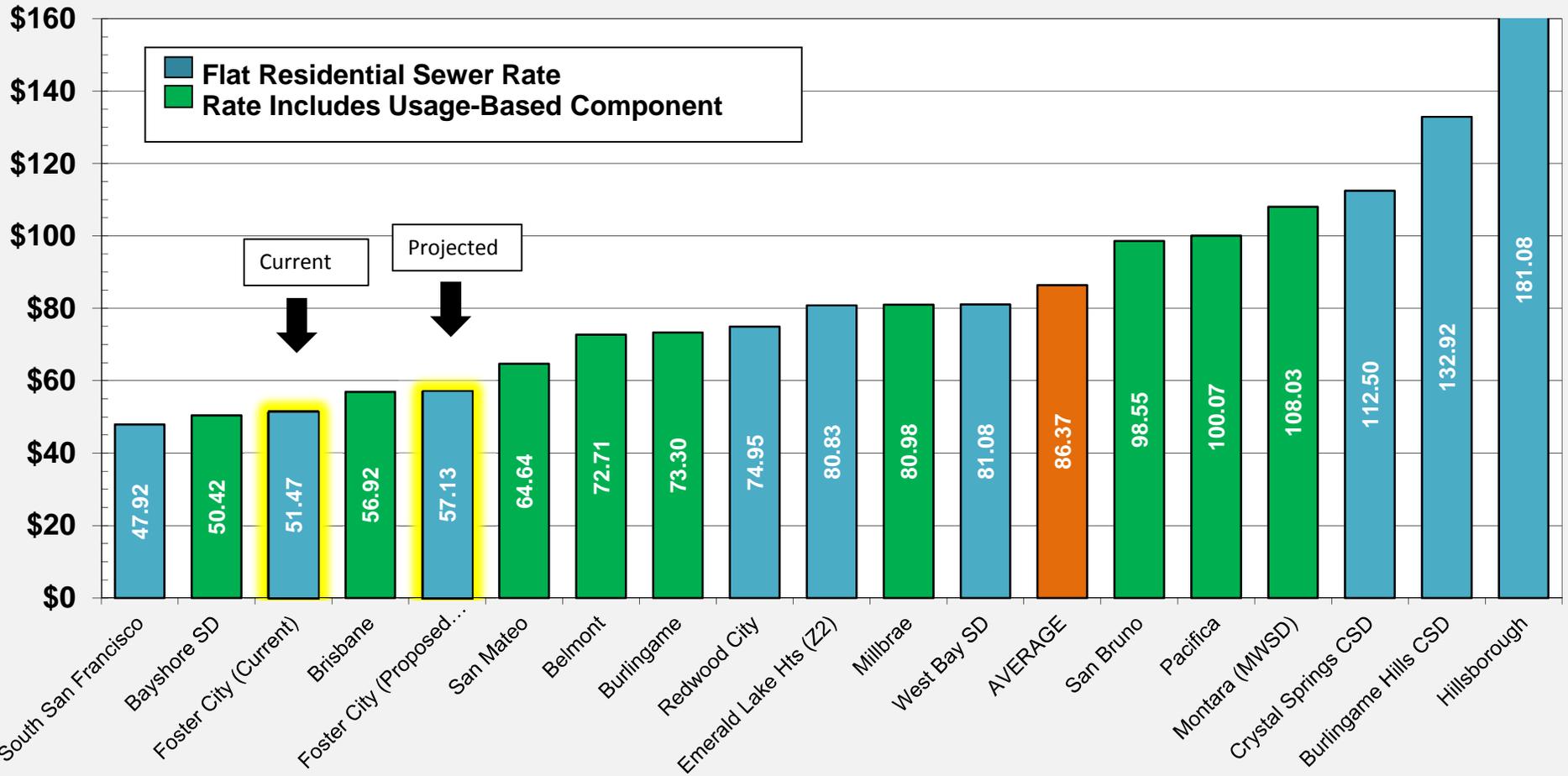


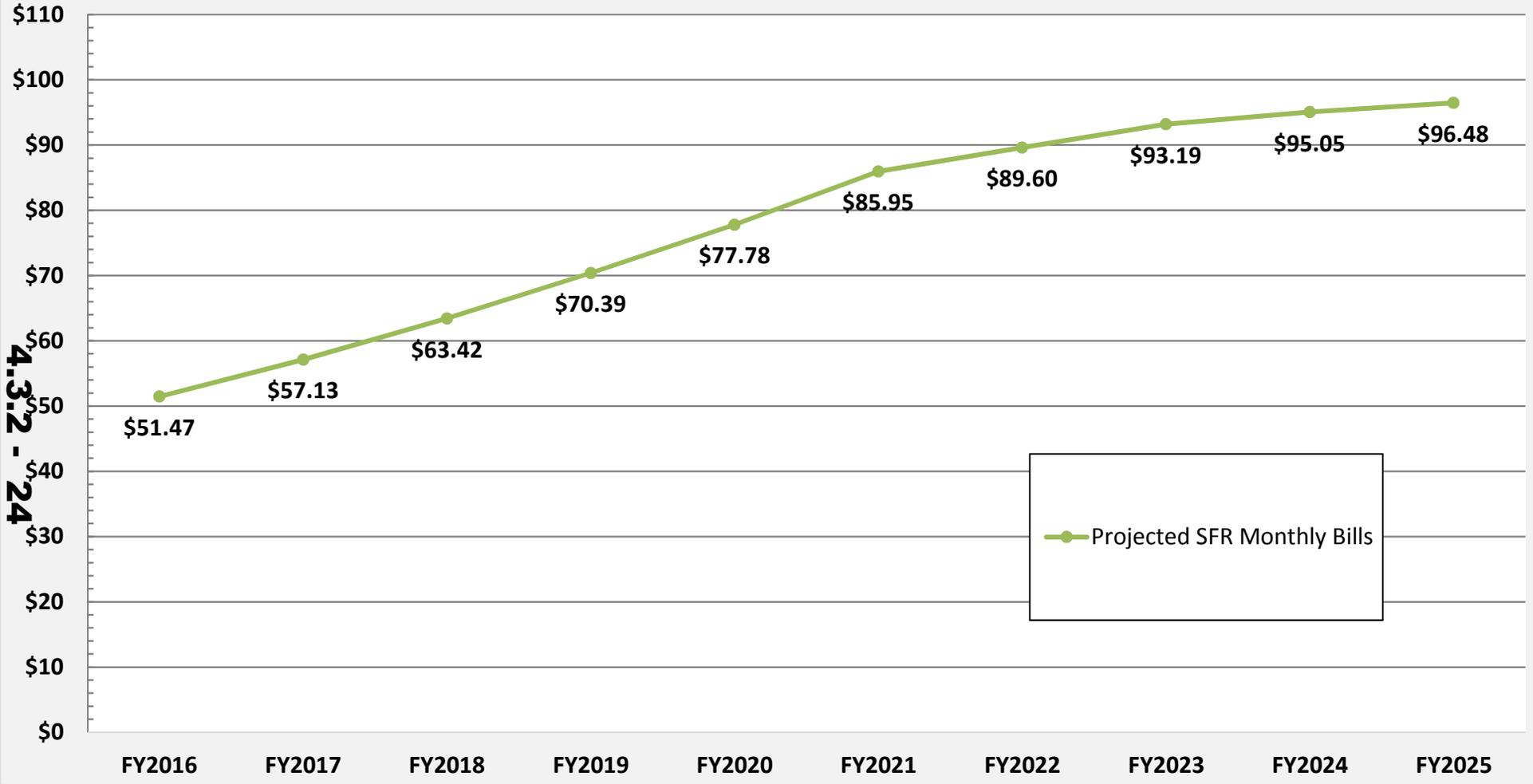
Table 10
City of Foster City / Estero Municipal Improvement District
Projected Wastewater Rate Impacts

Projected Rates	Current	Projected - Fiscal Year Ending June 30				
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
		11.0%	11.0%	11.0%	10.5%	10.5%
Residential (flat monthly rate)						
Single Family	\$51.47	\$57.13	\$63.41	\$70.39	\$77.78	\$85.95
<i>Increase (Decrease)</i>		5.66	6.28	6.98	7.39	8.17
Townhouse/Duplex	\$43.23	\$47.99	53.27	59.13	65.34	72.20
<i>Increase (Decrease)</i>		4.76	5.28	5.86	6.21	6.86
Apartment/Condominium (Pools w/ Restrooms)	\$43.23	\$47.99	53.27	59.13	65.34	72.20
<i>Increase (Decrease)</i>		4.76	5.28	5.86	6.21	6.86
Commercial (rate per ccf of water use)						
High Strength	\$9.35	\$10.38	11.52	12.79	14.13	15.61
<i>Increase (Decrease) per ccf</i>		1.03	1.14	1.27	1.34	1.48
Medium/Domestic Strength	\$3.29	\$3.65	4.05	4.50	4.97	5.49
<i>Increase (Decrease) per ccf</i>		0.36	0.40	0.45	0.47	0.52
Low Strength	\$2.16	\$2.40	2.66	2.95	3.26	3.60
<i>Increase (Decrease) per ccf</i>		0.24	0.26	0.29	0.31	0.34

Table 11
 City of Foster City / Estero Municipal Improvement District
 Projected Wastewater Rate Impacts

Rate Change Options	Current	Projected - Fiscal Year Ending June 30				
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Single Family Residential Flat Monthly Flat	\$51.47	\$57.13	\$63.41	\$70.39	\$77.78	\$85.95
\$ Increase (Decrease)		5.66	6.28	6.98	7.39	8.17
% Increase (Decrease)		11.0%	11.0%	11.0%	10.5%	10.5%

Foster City/Estero Municipal Improvement District Monthly Single Family Residential Wastewater Bill



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