

FACT SHEET FOR SEWER RATE INCREASE and RESTRUCTURE

- The City has been subsidizing the sewer operations with other City funds for several years. Currently the sewer fund has a negative balance of approximately \$350,000.
- The City must replenish its reserves to meet existing bond covenants. This is the main reason for the necessary rate increase. \$520,000 must be raised over the next 3 years to be in compliance with bond covenants.
- The City has identified a minimum of \$350,000 in capital improvements to be funded over the next 5 years. In addition, improvements to the wastewater treatment plant levee and to the Briarwood lift station, totaling \$700,000 in today's dollars, are highly desirable.
- The current rate structure is complicated for certain customer categories. The new rate structure simplifies the calculations for monthly billing:
 - Attached residences will be billed the same as detached single family homes.
 - Schools will be billed based on number of students.
 - Hotels/motels will be billed based on number of rooms.
 - Churches/temples/community centers will be billed per account (*note that these customers, as well as the industrial and commercial customers, may have more than one account*).
- Industrial and commercial accounts will be billed a flat and variable charge. The industrial variable charge will be applied to the first 95% of water used each month and the commercial variable charge will be applied to the first 70% of water used each month. These percentages represent approximations of water by customer category that is sent to the wastewater treatment plant.
- By raising the rates in 2014 with the new rate structure the City will generate sufficient revenue to meet its bond covenants, pay for the necessary and highly desirable CIP items without additional debt, and cease funding the sewer enterprise with other City funds:

Customer Category	Calendar Year					
	2014	2015	2016	2017	2018	
	Rates Effective ----->	1-Apr-14	1-Jan-15	1-Jan-16	1-Jan-17	1-Jan-18
Flat Monthly Charges						
Residential Inside City	per unit	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
Residential Outside City	per unit	\$66.35	\$66.35	\$66.35	\$66.35	\$66.35
Churches/Temples/Community Centers	per account	\$43.15	\$43.15	\$43.15	\$43.15	\$43.15
Schools (with Cafeteria)	per student	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49
Hotel / Motel	per room	\$17.41	\$17.41	\$17.41	\$17.41	\$17.41
Flat and Variable Monthly Charges						
Industrial Flat Charge	per account	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
Commercial Flat Charge	per account	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
Industrial Variable Charge [1]	per gallon	\$0.01025	\$0.01025	\$0.01025	\$0.01025	\$0.01025
Commercial Variable Charge [2]	per gallon	\$0.00389	\$0.00389	\$0.00389	\$0.00389	\$0.00389

Source: HEC.

"rate rec"

[1] Charge applied to the first 95% of total water use per month.

[2] Charge applied to the first 70% of total water use per month.

Wastewater Service Single Family Bill per Month

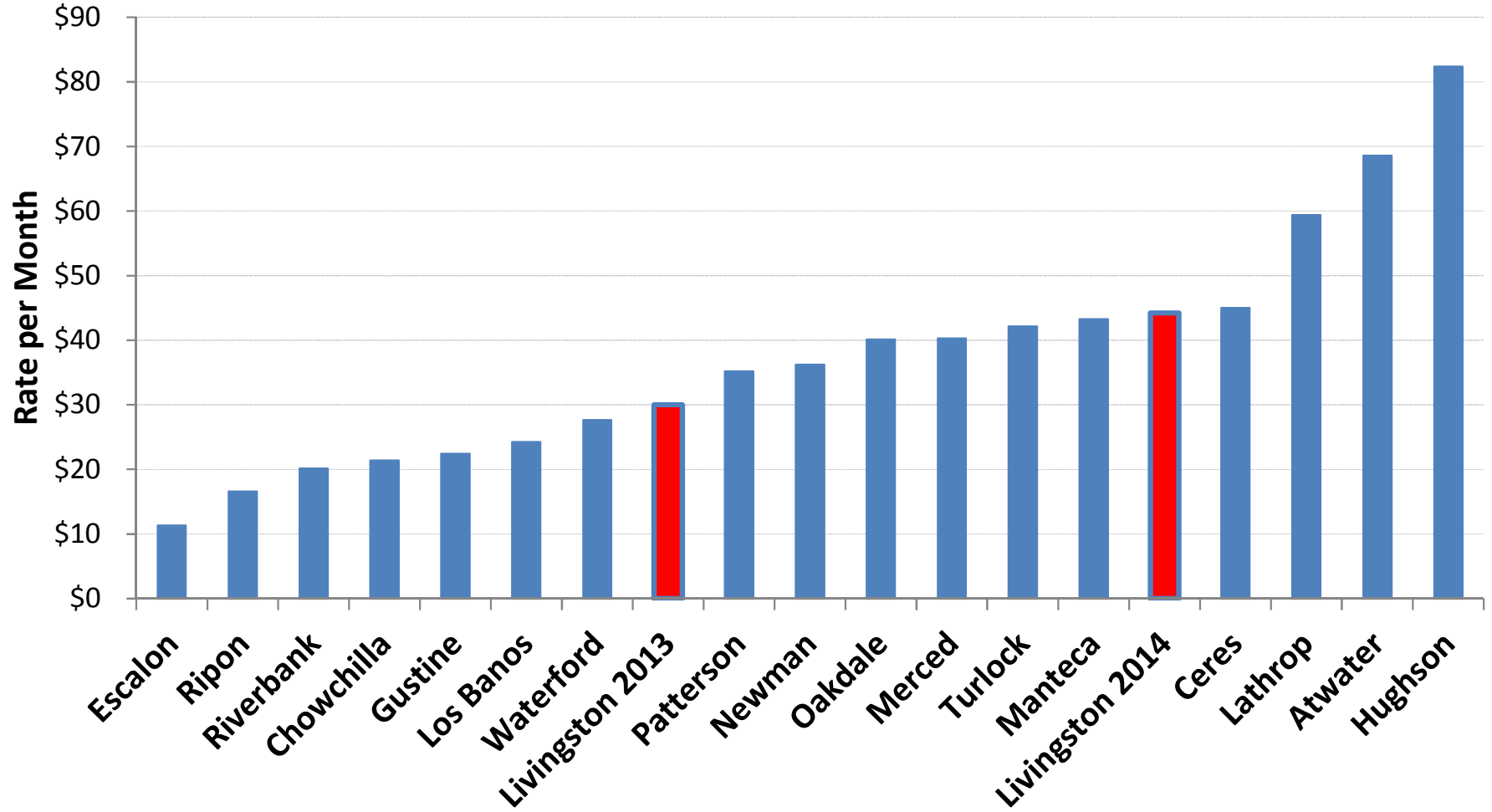


Table 2
City of Livingston 2013 Wastewater Rate Study
Comparison of Current and Future Rate Schedule

DRAFT

Land Use	Current	Calendar Year				
		2014	2015	2016	2017	2018
	Rates Effective ----->	1-Apr-14	1-Jan-15	1-Jan-16	1-Jan-17	1-Jan-18
Single Family Residential						
Inside City Unit	\$30.00	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
Outside City Unit	\$43.52	\$66.35	\$66.35	\$66.35	\$66.35	\$66.35
Multi-Family Unit (using <12,000 galls/unit/mo)	\$30.00	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
each additional gallon [1]	\$0.003644	n/a	n/a	n/a	n/a	n/a
Churches/Temples/Community Centers	\$56.25	\$43.15	\$43.15	\$43.15	\$43.15	\$43.15
Schools	\$562.50	n/a	n/a	n/a	n/a	n/a
Schools per Student		\$1.49	\$1.49	\$1.49	\$1.49	\$1.49
Hotel/Motel	\$32.33	n/a	n/a	n/a	n/a	n/a
Hotel/Motel per Room		\$17.41	\$17.41	\$17.41	\$17.41	\$17.41
Commercial Base	\$32.33	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
each gallon [1], [2]	\$0.003644	\$0.003886	\$0.003886	\$0.003886	\$0.003886	\$0.003886
Industrial Base	\$32.33	\$44.23	\$44.23	\$44.23	\$44.23	\$44.23
each gallon [1], [3]	\$0.003644	\$0.010248	\$0.010248	\$0.010248	\$0.010248	\$0.010248
each pound of B.O.D	\$0.17	n/a	n/a	n/a	n/a	n/a

Source: HEC.

"summ2"

[1] Current charge is for every gallon of water registered by water meter.

[2] Calculated future charges are for the first 70% of water each month registered by the water meter.

[3] Calculated future charges are for the first 95% of water each month registered by the water meter.

Table 7
City of Livingston 2013 Wastewater Rate Study
Minimum Necessary Capital Improvements

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Improvement Type	Funding Source	Total	Fiscal Year					
			2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Sewer Collection System								
Briarwood Lift Station Rehab [1]	Rates	\$60,000		\$60,000	\$0			
SCADA at Lift Stations	Rates	\$110,000		\$30,000	\$20,000	\$20,000	\$20,000	\$20,000
Centrifugal Water Pump	Rates			\$10,901				
Utility Vehicles [2]	Rates	\$53,500		\$53,500				
Miscellaneous Equipment [3]	Rates	\$10,610		\$9,000	\$1,610			
Subtotal Sewer Collection		\$234,110	\$0	\$163,401	\$21,610	\$20,000	\$20,000	\$20,000
Treatment Plant								
Drying Bed Analysis	Rates	\$10,000		\$10,000				
Levee Improvements/Repair [4]	Rates	\$40,000		\$40,000			\$0	\$0
Scada System Upgrade and Server	Rates	\$63,200		\$63,200				
Subtotal Treatment Plant		\$113,200	\$0	\$113,200	\$0	\$0	\$0	\$0
Total Wastewater Infrastructure - 2013 \$s		\$347,310	\$0	\$276,601	\$21,610	\$20,000	\$20,000	\$20,000
Debt Financed		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded		\$358,211	\$0	\$276,601	\$21,610	\$20,000	\$20,000	\$20,000
Total Infrastructure Costs in Future \$ [5]		\$380,200	\$0	\$287,200	\$23,300	\$22,400	\$23,200	\$24,100
Debt Financed		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded		\$380,200	\$0	\$287,200	\$23,300	\$22,400	\$23,200	\$24,100
<hr/>								
Sewer Collection	Debt Financed			0%	0%	0%	0%	0%
Treatment Plant	Debt Financed			0%	0%	0%	0%	0%
Sewer Collection	Rates			59%	100%	100%	100%	100%
Treatment Plant	Rates			41%	0%	0%	0%	0%
Total				100%	100%	100%	100%	100%

Source: City of Livingston and HEC.

"cip"

[1] To complete this facility requires an estimated \$300,000 in today's dollars.

[2] Cost-share 50% with other City departments for a 1 ton 2014 Ford truck total estimated cost of \$63,000.

[3] Sewer department City allocated costs of public works replacement of computers, upgrades of City Hall networks, software and computers.

[4] To complete this facility requires an estimated \$400,000 in today's dollars.

[5] Cost estimates have been escalated by the past 5-year California Construction Index annual increase of 3.82%

Table 8
City of Livingston 2013 Wastewater Rate Study
Projected Depreciation Schedule

DRAFT

Asset List	Fiscal Year						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Existing Assets	\$315,160	\$315,160	\$313,609	\$309,909	\$309,909	\$308,854	\$308,854
New Assets Annual Depreciation	\$0	\$0	\$13,107	\$13,689	\$14,105	\$14,520	\$14,935
Total Annual Depreciation	\$315,160	\$315,160	\$326,716	\$323,599	\$324,014	\$323,374	\$323,789
<i>Percent Depreciation for System Rehabilitation</i>		0%	0%	10%	20%	20%	20%
System Rehabilitation		\$0	\$0	\$32,400	\$64,800	\$64,700	\$64,800

Source: City of Livingston and HEC.

"depr"

Table 9
City of Livingston 2013 Wastewater Rate Study
Projected Revenue Requirement

DRAFT

Revenues and Expenses	Assumptions	Fiscal Year					
		Recommended 2013-14	1 2014-15	2 2015-16	3 2016-17	4 2017-18	5 2018-19
Operating Expenses							
Personnel	6.0%	\$477,685	\$506,346	\$536,727	\$568,930	\$603,066	\$639,250
Utilities	5.0%	\$164,800	\$173,040	\$181,692	\$190,777	\$200,315	\$210,331
Contracted Services	4.0%	\$95,000	\$98,800	\$102,752	\$106,862	\$111,137	\$115,582
Equipment and Repairs	4.0%	\$260,000	\$270,400	\$281,216	\$292,465	\$304,163	\$316,330
Insurance	4.0%	\$48,365	\$50,300	\$52,312	\$54,404	\$56,580	\$58,844
Supplies	4.0%	\$94,800	\$98,592	\$102,536	\$106,637	\$110,903	\$115,339
Total Operating Expenses		\$1,140,650	\$1,197,478	\$1,257,234	\$1,320,075	\$1,386,164	\$1,455,675
Debt Service							
USDA Loan 92-02		\$172,540	\$271,795	\$271,375	\$271,820	\$272,085	\$272,170
USDA Loan 92-06		\$157,383	\$247,750	\$247,600	\$247,315	\$247,895	\$247,295
Future Debt Service		\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service		\$329,923	\$519,545	\$518,975	\$519,135	\$519,980	\$519,465
Capital Greater than Rehabilitation		\$0	\$287,200	\$0	\$0	\$0	\$0
Merced County Taxes	2.0%	\$9,938	\$10,136	\$10,339	\$10,546	\$10,757	\$10,972
System Rehabilitation		\$0	\$0	\$32,400	\$64,800	\$64,700	\$64,800
Emergency Repairs Fund		\$0	\$50,000	\$30,000	\$30,000	\$30,000	\$30,000
USDA Reserve Fund			\$175,000	\$173,000	\$172,000	\$0	\$0
Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0
SUBTOTAL Annual Cost		\$1,480,510	\$2,239,359	\$2,021,948	\$2,116,556	\$2,011,601	\$2,080,912
	<i>Fixed</i>	\$865,910	\$1,598,527	\$1,353,752	\$1,419,815	\$1,285,083	\$1,323,331
	<i>Variable</i>	\$614,600	\$640,832	\$668,196	\$696,740	\$726,518	\$757,582
Credits							
Developer Impact Fees	[1]	\$0	\$0	\$0	\$0	\$0	\$0
Penalty Fees	1.5% of sales	(\$10,500)	(\$33,922)	(\$30,661)	(\$32,080)	(\$30,506)	(\$31,545)
Interest Income	constant	(\$600)	(\$600)	(\$600)	(\$600)	(\$600)	(\$600)
Rental Income	constant	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
Doms WW Land Lease Agmt Martin	constant	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
Reimbursements/Refunds	constant	(\$4,500)	(\$4,500)	(\$4,500)	(\$4,500)	(\$4,500)	(\$4,500)
Gain (Sale of Assets)	[2]	\$0	\$0	\$0	\$0	\$0	\$0
Total Credits		(\$32,600)	(\$56,022)	(\$52,761)	(\$54,180)	(\$52,606)	(\$53,645)
	Est. 2013						
REVENUE REQUIREMENT	\$1,468,266	\$1,447,910	\$2,183,337	\$1,969,187	\$2,062,376	\$1,958,996	\$2,027,267
Increase (Decrease) from Prior Year			\$715,071	(\$214,150)	\$93,188	(\$103,380)	\$68,272
<i>Annual Percentage Change</i>			49%	-10%	5%	-5%	3%
Fixed Costs Percentage	65%	58%	71%	67%	67%	64%	64%
Variable Costs Percentage	35%	42%	29%	33%	33%	36%	36%

Source: HEC.

"rev req"

[1] Not included in analysis to be conservative.

[2] None anticipated.

Table 16
City of Livingston 2013 Wastewater Rate Study
Projected Cash Flow with Rates Frozen at First Year Increase

DRAFT

Revenues and Expenses	Estimate 2012-13	Fiscal Year					
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Operating Revenues							
Sewer Sales							
July through December		\$1,100,212	\$1,091,669	\$1,091,669	\$1,091,669	\$1,091,669	\$1,091,669
January through June [2]		\$545,834	\$1,091,669	\$1,091,669	\$1,091,669	\$1,091,669	\$1,091,669
Sales from New Users		\$0	\$26,650	\$35,444	\$38,346	\$56,246	\$62,153
Total Sewer Sales	\$1,466,949	\$1,646,046	\$2,209,987	\$2,218,781	\$2,221,684	\$2,239,583	\$2,245,490
Other Revenues	\$106,435	\$32,600	\$56,022	\$52,761	\$54,180	\$52,606	\$53,645
Total Operating Revenues	\$1,573,384	\$1,678,646	\$2,266,009	\$2,271,542	\$2,275,863	\$2,292,189	\$2,299,135
Total Operating Expenses	\$986,400	\$1,140,650	\$1,197,478	\$1,257,234	\$1,320,075	\$1,386,164	\$1,455,675
Operating Revenue before Capital Improvements and Debt Service	\$586,984	\$537,996	\$1,068,531	\$1,014,308	\$955,789	\$906,024	\$843,460
Total Debt Service	\$519,875	\$329,923	\$519,545	\$518,975	\$519,135	\$519,980	\$519,465
Debt Service Coverage [4]	1.13	1.63	2.06	1.95	1.84	1.74	1.62
Capital Improvements	\$26,342	\$0	\$287,200	\$32,400	\$64,800	\$64,700	\$64,800
Merced County Taxes	\$9,938	\$9,938	\$10,136	\$10,339	\$10,546	\$10,757	\$10,972
Net Revenues (Deficit)	\$30,829	\$198,136	\$251,650	\$452,594	\$361,308	\$310,588	\$248,223
Beginning Fund Balance	(\$374,211)	(\$343,382)	(\$145,246)	\$106,404	\$568,098	\$971,805	\$1,323,893
Net Revenues (Deficit)	\$30,829	\$198,136	\$251,650	\$452,594	\$361,308	\$310,588	\$248,223
Add Back System Rehabilitation	\$0	\$0	\$0	\$9,100	\$42,400	\$41,500	\$40,700
Fund Balance	(\$343,382)	(\$145,246)	\$106,404	\$568,098	\$971,805	\$1,323,893	\$1,612,816
Briarwood Lift Station Rehabilitation					(\$335,696)		
Levee Improvements						(\$232,343)	(\$241,215)
Net Fund Balance	(\$343,382)	(\$145,246)	\$106,404	\$568,098	\$636,110	\$1,091,550	\$1,371,601
Minimum Operating Reserves [5]	\$848,800	\$900,217	\$919,159	\$939,078	\$960,025	\$982,055	\$1,005,225

Source: HEC.

"flow"

[1] Growth rate for first three years based on Dep't of Finance estimates of growth since 2010; following years of growth based on historical average from 1990 to 2013.

[2] For Fiscal Year 2013-14 the new rate is only in effect for 3 months.

[3] Not included in analysis to be conservative.

[4] Per existing covenants, 1.25x coverage is required to issue future debt.

[5] Minimum operating reserves level is the USDA bond reserve amount plus 4 months of expenditures.

USDA reserve fur \$520,000

Table 19
City of Livingston 2013 Wastewater Rate Study
Estimated Bill Impacts by Customer Type

DRAFT

Customer	2014 New Bill	Current Bill	Change	% change
RESIDENTIAL				
	<i>Typical Customer</i>			
Single Family	\$44.23	\$30.00	\$14.23	47%
Multi-Family Unit (using <12,000 galls/	\$44.23	\$30.00	\$14.23	47%
NON-RESIDENTIAL				
<u>Accounts with Base Charges Only</u>				
Schools				
Livingston High	\$1,666.63	\$562.50	\$1,104.13	196%
Livingston Middle	\$1,236.53	\$562.50	\$674.03	120%
Selma Herndon	\$966.22	\$562.50	\$403.72	72%
LUSD Campus Park	\$830.33	\$562.50	\$267.83	48%
LUSD Yamato Colony	\$816.89	\$562.50	\$254.39	45%
Total All Schools	\$5,516.59	\$2,812.50	\$2,704.09	96%
Hotel/Motel	\$296.04	\$146.52	\$149.52	102%
Churches	\$43.15	\$56.25	(\$13.10)	-23%
<u>Accounts with Base and Use Charges</u>				
Commercial (examples)				
Food Establishment	\$193.18	\$231.84	(\$38.66)	-17%
Hair Salon	\$48.54	\$38.10	\$10.44	27%
Auto Sales	\$65.32	\$60.57	\$4.75	8%
Light Industrial	\$10,113.57	\$5,914.44	\$4,199.13	71%

Source: HEC

"nonres_imp"