

LELAND MEADOW WATER DISTRICT

C/o Marvin Palmer 10454 Henshaw Drive
Stockton, California 95219 (209) 951-0573
E-Mail: marvin-palmer@sbcglobal.net

Meeting of the Board of Directors of the Leland Meadow Water District
Saturday, May 25, 2018 at 11:00am @ Leland Meadow Clubhouse

MEETING AGENDA

Meeting called to order – Amy Wolfe

Reading of minutes of the last meeting - Marvin Palmer

Treasurers Report as of April 30, 2019 - Marvin Palmer

Reserve Account	\$28,453.44	
Checking Account	<u>23,076.08</u>	
Total	\$51,529.52	Totals Receivables: \$4,125.00

Note: Accounts Receivable are based on April 16, 2019.

Maintenance Projects for 2019

○ **Projects in Financial Plan:**

Safety Platforms in Sewer Plant Building	\$5,000
Repairs identified by NOR-CAL – Not completed in 2018 – Four projects	10,000
Nor-Cal Inspection – Main line on lots 43 & 44	3,750
Nor-Cal Inspection – Main Line on lots 54 – 58 (543’)	3,750
Robertson Inspection – Lateral lines from main to each lot or condo	7,500
Repair or replace manhole #05 @ lots 49-50	10,000
Install new manhole to replace existing cleanouts on lots 42-43	<u>10,000</u>
	\$50,000

○ **Projects required but not in Financial Plan:**

- **Telemetry System between Pump House and Water Tank** – Our communications system was down for most of the winter and we had to rely on historical data as well as periodic inspections by Snow Play personnel to check the water tank level. **Estimated cost \$2,500**
- **Upgrade Lap Top** - We will need to add some more graphics and alarms to show the radio status and overflow switches. We need to add an alarm that will come up if the tank transmitter goes out range and then switches it to timed mode automatically. **Estimated cost \$5,000**

New Business: PUBLIC HEARING to establish the Schedule of Water and Sewer Rates and Charges effective July 1, 2019. Items to be heard concurrently.

Marvin Palmer Presentation of General Manager Report

Amy Wolfe Open Hearing to public comment and accept written protests not previously submitted

Amy Wolfe Close Public Comment

Marvin Palmer Tabulate Written Protests

Marvin Palmer Reading of Resolution WD 2019-08 Pertaining to Adopting Water Rates
Beginning July 1, 2019 pursuant to Proposition 218 and Resolution WD 2019-09
Pertaining to Adopting Sewer Rates Beginning July 1, 2019 pursuant to
Proposition 218 and Resolution

Amy Wolfe Is there a Board Motion/Second to Consider Resolution WD2019-08 and
WD2019-09

 Discussion and Questions by Board Members

 Vote by Board members

Other Important Issues:

- All shut off/control valves under all of the condos should be insulated and heat taped to prevent freezing and a costly bill from the WD. They should be inspected and replaced if they are leaking. **Question: When was the last time that you visually inspected your shut off valve?**
- All home owners should be sure that their shut off valves are adequately protected from freezing.
- For the past several years, all of the broken lines in the winter could have been prevented with proper inspection and insulation to prevent freezing. Condo and home owners – Shut off valves are your responsibility.
- Winterize your homes and condos after October 1st to May 31st. Turn off your water, open drain valves to drain remaining water in lines, place approximately 1/8 cup of antifreeze in sinks, bathtubs and toilets, drain traps, etc. and drain the water in the toilet tanks - they will crack open when they freeze.
- **Always shut the water off when you leave – even in the summer. Also, please be sure that if a guest is using your home/condo that they follow the instructions, that I'm sure you have prepared, for turning the water service "ON & OFF".**

Amy Wolfe **There being no further business to discuss, this meeting will be adjourned.**

Marvin Palmer
Secretary

Distributed May 16, 2019

LELAND MEADOW WATER DISTRICT

C/O MARVIN PALMER, 10454 HENSHAW DRIVE, STOCKTON, CA 95219

marvin-palmer@sbcglobal.net

209-951-0573

GENERAL MANAGER REPORT

Resolutions to establish the Schedule of Water and Sewer Rates effective July 1, 2019

RECOMMENDED ACTION: Approve Resolutions 2019-08 & 2019-09 to approve the Water and Sewer Rates as presented in the Bartle Wells Water & Sewer Rate Study pursuant to Proposition 218.

BACKGROUND: Leland Meadow Water District provides water and wastewater services to the Customers in the District. The current user fees for water and wastewater services are insufficient to meet both the current financial requirements of the District as well as future financial requirements of the District.

Pursuant to Proposition 218, during a Special Meeting January 2, 2019, the District Board approved hiring Bartle Wells Associates, a public finance consulting firm to conduct a Rate Study under direction of General Manager to recommend rates designed to provide adequate funding for ongoing operating and capital costs to support long-term financial stability in compliance with the legal requirements of Proposition 218. Bartle Wells Associates prepared a Rate Study March 7, 2019. The Board accepted the Rate Study during a Special Meeting March 13, 2019 and approved distribution of the required Proposition 218 notice to all Customers March 16, 2019 and the scheduling of a Public Hearing to be held during the May 25, 2019 LMWD Board Meeting.

During the duly noticed Special Meeting of March 13, 2019, the Board reviewed the Bartle Wells Water & Sewer Rate Study and accepted the report and directed the Secretary to distribute notices of a Public Rate Hearing to all Customers. The notices were mailed to every customer (60 total) March 16, 2019 (Attachment 3) describing the following proposed increases to water and sewer rates:

Monthly Fixed Rates	2019	2020	2021	2022	2023	2024
<i>Rates Effective Date</i>	7/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Water Rates	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94
Sewer Rates	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94

Under the provisions of Proposition 218, if LMWD receives written protests from a majority of affected ratepayers (written protests from more than 30 Customers), the Board cannot approve the proposed rate increase. As of May 16, 2019, the LMWD has received no written protests.

The proposed water rates would provide sufficient funds to recover operating costs and continue to support capital projects for the rehabilitation and maintenance of the LMWD water system.

The proposed sewer rates would provide sufficient funds to recover operating costs and continue to support capital projects for the rehabilitation and maintenance of the LMWD wastewater system.

The proposed water and sewer rates would increase the monthly bill for a Customer to \$200 per month starting July 1, 2019 with 3% increases each January 1 starting with 2020.

GENERAL MANAGER RECOMMENDS THAT THE BOARD:

- Open the public hearing, hear testimony and accept all written protests against the water and sewer rate increases from affected ratepayers;
- Close the public hearing;
- Tabulate the written protests
- If there are fewer than a majority of written protests, Adopt Resolutions 2019-08 and 2019-09 (Attachment 1 and 2) to establish the Schedule of Water Service Rates and Schedule of Sewer Service Rates with changes effective July 1, 2019.

FISCAL IMPACT: If the proposed rates are adopted, water and sewer rates will meet the annual operating costs and capital needs as more fully described in the Rate Study (Attachment 4).

OPTIONS: The Board can adopt this Resolution, reject this Resolution or modify the rates included in the resolution.

PUBLIC NOTIFICATIONS: A Notice of Public Hearing was mailed to every customer March 16, 2019.

ATTACHMENTS:

- #1 - Resolution No. WD 2019-08 Resolution to adopt water rates beginning July 1, 2019 pursuant to Proposition 218.
- #2 – Resolution No. WD 2019-09 Resolution to adopt sewer rates beginning July 1, 2019 pursuant to Proposition 218.
- #3 - Proposition 218 Notice.
- #4 - Bartle Wells Rate Study.

Marvin Palmer
5/16/19

RESOLUTION NO. 2019- 08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LELAND MEADOW WATER DISTRICT TO ADOPT WATER RATES BEGINNING JULY 1, 2019, PURSUANT TO PROPOSITION 218

WHEREAS, the Leland Meadow Water District (“District”) provides potable water and wastewater services throughout the District; and

WHEREAS, there has been presented to the Board of Directors (Board) a Water & Sewer Rate Study dated March 7, 2019; and

WHEREAS, at a duly noticed Special Meeting dated March 13, 2019 the Board reviewed the Water & Sewer Rate Study (2019 Study); and

WHEREAS, pursuant to Proposition 218, Article XIID, on March 16, 2019 the District mailed notice of the water rate increase to all property owners within the District’s service area, which included the proposed rate for the five-year period beginning July 1, 2019; and

WHEREAS, the Board held a public hearing on May 25, 2019 at 11 am at the Leland Meadow Lake House at which date, time and place, the Board heard all persons who wished to comment on the subject and considered and tabulated all written protests; and

WHEREAS, written protests against the proposed rates and charges were not presented by a majority of owners.

WHEREAS, the proposed water rates have been reviewed and considered by the Board, and it has been determined that the water rates described in the 2019 Study are necessary and sufficient to cover, without exceeding, the cost to provide water service to each customer connection; and

WHEREAS, the proposed water rates have been reviewed and considered by the Board, and it has been determined to be in the best interest of the District to adopt water rates for the sound financial operation of the District; and

WHEREAS, The Board desires to establish water rates for the five-year period beginning July 1, 2019.

NOW THEREFORE, BE IT RESOLVED, determined and ordered by the District Board of Directors as follows:

Section 1: The matters set forth in the recitals to this Resolution are true and correct statements.

Section 2: The prior water rate schedule is rescinded and replaced by Resolution WD 2019 – 08

Section 3: Written protests against the proposed rates and charges were not presented by a majority of owners.

Section 4: The Board has reviewed the entire record for this matter, which includes the 2019 Study, the final version of which is incorporated herein by reference, and the analyses of expenses and revenues set forth therein. Based on the Board's review, it finds and determines that the record supports the Board's findings that:

- A. As set forth in the 2019 Study, revenues derived from the rates and charges will not exceed the revenues required to provide the property related service; and
- B. As set forth in the 2019 Study, revenues derived from the rates and charges will not be used for any purpose other than that for which the rates or charges are imposed; and
- C. As set forth in the 2019 Study, the amount of a rate or charge imposed upon any parcel or person as an incident of property ownership does not exceed the proportional cost of the services attributable to the parcel.

Section 5: The Board hereby determines that no rate or charge will be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

Section 6: The Board hereby determines that no rate or charge will be imposed for general governmental services including, but not limited to police, ambulance, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Section 7: The Board does adopt the water rates included hereto and made a part of hereof to provide sufficient revenue for the sustainable operation of Leland Meadow Water District.

Section 8: The water rates below shall take effect on July 1, 2019.

Monthly Fixed Rates	2019	2020	2021	2022	2023	2024
<i>Rates Effective Date</i>	7/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Water Rates	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94

PASSED AND ADOPTED by the Board of Directors of Leland Meadow Water District at a Regular Meeting duly held on the 25th day of May 2019 with the following vote:

AYES: BOARD MEMBERS:
 NOES: BOARD MEMBERS:

 Amy Wolfe, President

 Marvin Palmer, Secretary / Treasurer

RESOLUTION NO. 2019- 09

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LELAND MEADOW
WATER DISTRICT TO ADOPT SEWER RATES BEGINNING JULY 1, 2019, PURSUANT
TO PROPOSITION 218**

WHEREAS, the Leland Meadow Water District (“District”) provides potable water and wastewater services throughout the District; and

WHEREAS, there has been presented to the Board of Directors (Board) a Water & Sewer Rate Study dated March 7, 2019; and

WHEREAS, at a duly noticed Special Meeting dated March 13, 2019 the Board reviewed the Water & Sewer Rate Study (2019 Study); and

WHEREAS, pursuant to Proposition 218, Article XIID, on March 16, 2019 the District mailed notice of the sewer rate increase to all property owners within the District’s service area, which included the proposed rate for the five-year period beginning July 1, 2019; and

WHEREAS, the Board held a public hearing on May 25, 2019 at 11 am at the Leland Meadow Lake House at which date, time and place, the Board heard all persons who wished to comment on the subject and considered and tabulated all written protests; and

WHEREAS, written protests against the proposed rates and charges were not presented by a majority of owners.

WHEREAS, the proposed sewer rates have been reviewed and considered by the Board, and it has been determined that the sewer rates described in the 2019 Study are necessary and sufficient to cover, without exceeding, the cost to provide sewer service to each customer connection; and

WHEREAS, the proposed sewer rates have been reviewed and considered by the Board, and it has been determined to be in the best interest of the District to adopt sewer rates for the sound financial operation of the District; and

WHEREAS, The Board desires to establish sewer rates for the five-year period beginning July 1, 2019.

NOW THEREFORE, BE IT RESOLVED, determined and ordered by the District Board of Directors as follows:

Section 1: The matters set forth in the recitals to this Resolution are true and correct statements.

Section 2: The prior sewer rate schedule is rescinded and replaced by Resolution WD 2019 – 08

Section 3: Written protests against the proposed rates and charges were not presented by a majority of owners.

Section 4: The Board has reviewed the entire record for this matter, which includes the 2019 Study, the final version of which is incorporated herein by reference, and the analyses of expenses and revenues set forth therein. Based on the Board's review, it finds and determines that the record supports the Board's findings that:

- A. As set forth in the 2019 Study, revenues derived from the rates and charges will not exceed the revenues required to provide the property related service; and
- B. As set forth in the 2019 Study, revenues derived from the rates and charges will not be used for any purpose other than that for which the rates or charges are imposed; and
- C. As set forth in the 2019 Study, the amount of a rate or charge imposed upon any parcel or person as an incident of property ownership does not exceed the proportional cost of the services attributable to the parcel.

Section 5: The Board hereby determines that no rate or charge will be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

Section 6: The Board hereby determines that no rate or charge will be imposed for general governmental services including, but not limited to police, ambulance, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Section 7: The Board does adopt the sewer rates included hereto and made a part of hereof to provide sufficient revenue for the sustainable operation of Leland Meadow Water District.

Section 8: The sewer rates below shall take effect on July 1, 2019.

Monthly Fixed Rates	2019	2020	2021	2022	2023	2024
<i>Rates Effective Date</i>	7/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Sewer Rates	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94

PASSED AND ADOPTED by the Board of Directors of Leland Meadow Water District at a Regular Meeting duly held on the 25th day of May 2019 with the following vote:

AYES: BOARD MEMBERS:
 NOES: BOARD MEMBERS:

 Amy Wolfe, President

 Marvin Palmer, Secretary / Treasurer

Leland Meadow Water District
10454 Henshaw Drive
Stockton, CA 95219

**Leland Meadow Water District Proposition 218 Notification
NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING
ON WATER/SEWER RATES**

**Hearing Date & Time: May 25, 2019, at 11:00 AM
Hearing Location: Leland Meadow Club House**

Questions or More Information: (209) 951-0573

Why Am I Receiving This Notice?

You are receiving this notice in accordance with Proposition 218, a state law which requires providers of public utility services (including water service) to notify rate payers of increases in proposed rates. Your property receives water or sewer service from the Leland Meadow Water District (“**the District**”).

This notice is intended to provide you with information on the service provided by the District, the reasons for the proposed rates, and the methods by which you can protest the proposed rates if you desire.

What Services Do Rates Fund?

The District’s water and sewer utility enterprises are supported entirely from user fees and charges. Fees and charges must be set at a sufficient rate to cover the operating costs and system replacement capital costs necessary to operate the water and sewer systems in compliance with State and Federal requirements. There is no property tax support or other direct source of revenue for either operation. As a public agency, by State law, the District may not collect more revenue than is necessary to cover annual operating costs, including capital infrastructure replacement.

Why are Rate Increases Needed?

Rate increases are needed to keep District revenues in line with the cost of providing service. The cost of service calculation includes expenses such as labor, energy, chemicals and other supplies, and the cost of providing required maintenance of the system. In addition to funding operations, the District must also fund large capital projects such as treatment plants, distribution mains to continue to provide reliable, high quality, water and sewer service.

The Water System

The Leland Meadow Water District provides water service to 60 customers and five (5) fire hydrants located throughout the District. The system's source of water is groundwater from a single well. Water is pumped into an 86,000-gallon tank and then distributed to the system via 7,000 linear feet of concrete pipe.

The Sewer System

The Leland Meadow Water District provides sewer service to 60 customers. Sewage is collected from 5,500 linear feet of concrete pipe and transported to the treatment facility. The treatment facility consists of a multi-compartment aeration tank and three holding ponds / leach fields.

Legal Requirements

Article XIID of the California Constitution (also known as Proposition 218) requires that providers of public utility services levy service charges that are clearly linked to the cost of providing the service to each parcel. The rates proposed herein are designed to meet all legal requirements and fairly and equitably recover the required revenue from all customers.

The rates were developed by an independent consultant retained by the District and the final findings of that report, which include the detailed calculations showing the basis for these fees, are available from the District upon request.

Proposed Rate Changes

Currently, a customer is charged a fixed rate of \$300.00 per quarter or \$150.00 per quarter for water service and a fixed rate of \$150.00 per quarter for sewer service. When the proposed rates become effective customers will be billed on a monthly basis.

Water and Sewer Rates (Existing and Proposed)

Monthly Fixed Rates	2019	2019	2020	2021	2022	2023	2024
	<i>Existing</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
<i>Rates Effective Date</i>		7/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Water Rates	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94
Sewer Rates	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94

Compliance with Proposition 218

Proposition 218 requires that public utility providers follow a strictly defined process for increasing fees such as water service rates. The District must 1) inform affected property owners of the proposed rates, 2) clearly demonstrate that the amounts of the proposed rates are cost justified (the cost of service study is on file at the District), and 3) hold a public hearing no earlier than 45 days after noticing property owners, at which the District hears all protests to the proposed rates. These rates are subject to "majority protest," meaning they **cannot be imposed** if a majority of affected property owners submit **written** protests opposing the rates.

To Protest This Change

- 1) Notify the District in writing by close of business May 23, 2019 that you oppose the proposed increase. You must identify the property affected by the proposed rates and the property owner must sign and print their name on the **written protest**. Send to Secretary of the Board, 10454 Henshaw Drive Stockton, CA 95219. **OR**
- 2) Attend the May 25, 2019, public hearing at the time and place identified on page 1 of this notice and submit a written protest before the close of the public hearing.



Leland Meadow Water District Water and Sewer Rate Study Report

March 7, 2019



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

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1 BACKGROUND & OBJECTIVES

1.1 Background

Leland Meadow Water District (District) was founded in 1965 and provides water and sewer service to 60 customers. The District is located in Tuolumne County on the Western slopes of the Sierra Nevada Mountains in the Stanislaus National Forest.

The District is entirely funded by fees for the services it provides. Currently, customers are charged a single, fixed rate of \$300 per quarter (\$100.00 per month). This rate includes both water and sewer service.

1.2 Rate Study Objectives

In January 2019, the District retained Bartle Wells Associates (BWA) to provide financial plans and rate studies for the water and sewer enterprises. Key goals and objectives of the studies include developing rates that:

- Recover the costs of providing service including operating costs, capital costs, and building prudent reserves;
- Are fair and equitable to all customers;
- Are easy to understand and implement;
- Comply with the substantive cost-of-service requirements of the California Constitution, Article 13D, Section 6 (established by Proposition 218) and the general mandate of Article 10, Section 2 that prohibits the wasteful use of water;
- Support the District's long-term operational and financial stability.

This report summarizes key findings and recommendations for rates over the next five years. The full set of tables are included in the appendix to this report.

2 LEGAL REQUIREMENTS & RATE METHODOLOGY

2.1 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the District's water rates: Article 10 and Article 13D. The water rates developed in this study were designed to comply with both of these constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the District's cost of providing service, b) recover revenues in proportion to the cost for serving each customer, and c) promote conservation and discourage waste.

2.1.1 Article 10, Section 2

Article 10, Section 2 of the California Constitution was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states that:

It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.

2.1.2 Article 13D, Section 6

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility System Charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts rates for water, sewer, and garbage service from this voting requirement if the appropriate procedure is followed.

The substantive requirements of Article 13D, Section 6 require the District's water rates to meet the following conditions:

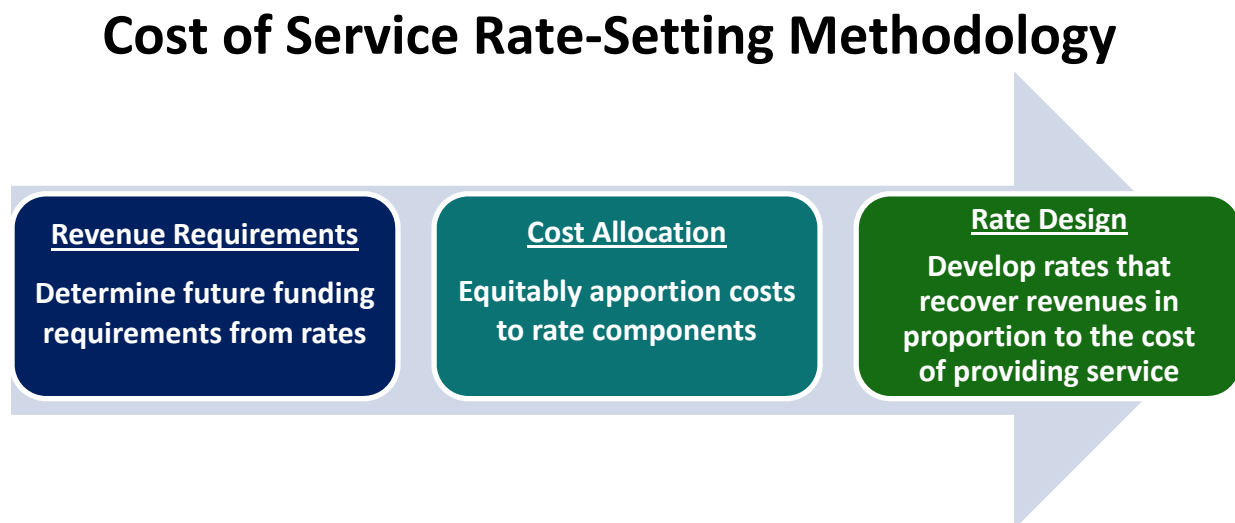
- 1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- 4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
- 5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

2.2 Separation of Funds

Historically, the District has identified the specific area (water or sewer) for each cost incurred by the District but has maintained a single set of financial records for both water and sewer expenses. As California law requires rates be proportional to the service provided, BWA recommends treating the water and sewer services as separate enterprise funds with separate rates. This study provides a separate financial plan and rate for the water and sewer enterprises.

2.3 Rate-Setting Methodology

The rates developed in this report use a straightforward methodology to establish equitable charges that recover the cost of providing service and fairly apportion costs. The general methodology used in this study is summarized in the following figure.



3 WATER FINANCES & CASH FLOW PROJECTIONS

3.1 Financial Overview

Bartle Wells Associates conducted an independent evaluation of the water enterprise's finances.

Key observations include:

- Projected operating and capital expenses will exceed revenues.
- The capital expenses for the water enterprise are projected to total \$444,246 from 2019 through 2028. The District plans to cash fund all capital expenses. Cash funding capital expenses will allow rates to be lower in the long term.
- The District needs to accumulate reserves in order to cash fund capital expenses and be prepared for emergency expenses.

3.2 Enterprise Financial Projections

BWA developed long-term cash flow projections to determine the water enterprise's annual revenue requirements and project required water rate revenue increases. The financial projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions. Key information and assumptions include:

Reserves

- The District must use all of the current reserves for the sewer enterprise. However, if the proposed rate increases are adopted the water enterprise will end the year with \$25,400 in reserves. Due to the small size of the District, BWA recommends the District maintain two years of operating expenses in reserve. Reserves will fluctuate based on the timing of capital expenses, but the proposed rates are projected to provide the water enterprise sufficient reserves.

Revenue Assumptions

- Investment income is estimated based on projected reserve levels. Future projections are estimated based on conservative interest earning rates; and actual amounts will vary based on reserves and future interest earning rates.

Expense Assumptions

- Operating and maintenance costs are based on the 2018-19 budget and escalate at the annual rate of 3.0% to account for future cost inflation. This assumption is based on the 1990 through 2018 Engineering News-Record's average annual cost increase.

3.3 Projected Rate Increases

The following table shows the projected overall recommended rate increases needed to meet the District’s annual revenue requirements.

Table 1. Proposed Rate Adjustments

	2019	2020	2021	2022	2023
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%

In future years, the District can re-evaluate its future rate and revenue requirements based on future updates of long-term financial projections. The District always has the flexibility to implement rates that are lower than those adopted pursuant to the Proposition 218 process. However, future rates cannot exceed levels adopted via the Proposition 218 process without going through the Proposition 218 process for any additional increases. Rates adopted pursuant to Proposition 218 process are essentially future rate caps.

3.4 Projected Cashflow with Rate Increases

Figure 1 shows 5-year cash flow projections incorporating the assumptions described above. The rate projections shown on the table are designed to fund the District’s cost of providing service while maintaining balanced budgets and prudent minimal levels of fund reserves each year.

Figure 1: Projected Revenues & Expenses

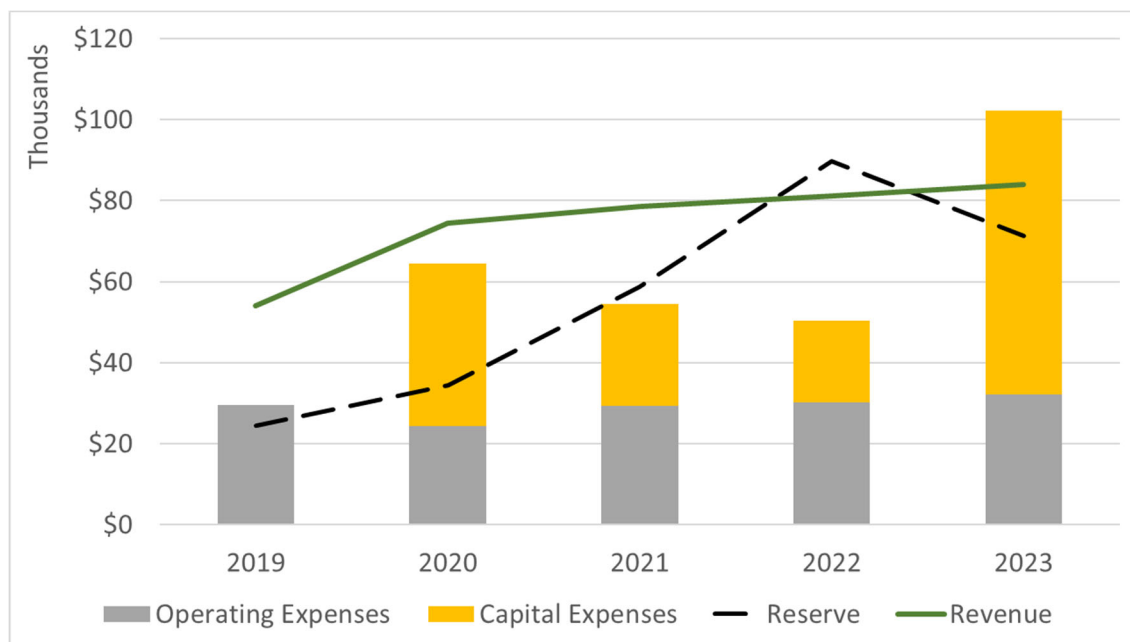


Table 2. Projected Revenues & Expenses

Water Enterprise Fund	2019	2020	2021	2022	2023
Reserves					
Beginning Fund Balance	\$0	\$24,500	\$34,487	\$58,726	\$89,675
Revenue Escalation					
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%
Revenues					
Operating Revenue					
User Charge Revenue	\$36,000	\$72,000	\$76,014	\$78,294	\$80,643
Revenue From Rate Increase	36,000	2,160	2,280	2,349	2,419
Revenue Timing Adjustment*	-18,000				
Interest on Reserves	\$0	\$245	\$345	\$587	\$897
Total Operating Revenue	\$54,000	\$74,405	\$78,639	\$81,231	\$83,959
Total Revenue	\$54,000	\$74,405	\$78,639	\$81,231	\$83,959
Expenses					
Total Operating Expenses	\$29,500	\$24,418	\$29,400	\$30,282	\$32,148
Non-Operating Expenses					
Inspection of Distribution System	\$0	\$30,000	\$0	\$0	\$0
Inspect Interior of Water Tank	0	0	5,000	0	0
Distribution System Repairs	0	10,000	20,000	20,000	10,000
Reserve Study Capital Projects	\$0	\$0	\$0	\$0	\$60,120
Total Non-Operating Expenses	\$0	\$40,000	\$25,000	\$20,000	\$70,120
Total Expenses	\$29,500	\$64,418	\$54,400	\$50,282	\$102,268
Revenues Less Expenses	\$24,500	\$9,987	\$24,239	\$30,949	-\$18,308
Ending Fund Balance	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367
*Revenue timing adjustment accounts for mid-year rate increases (July 1, 2019)					
Reserve Analysis					
Ending Balance	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367
Target Reserve (2 years O&M expense)	59,000	48,836	58,800	60,564	64,296
Variance from Target	-\$34,500	-\$14,349	-\$74	\$29,111	\$7,071

4 SEWER FINANCES & CASH FLOW PROJECTIONS

4.1 Financial Overview

Bartle Wells Associates conducted an independent evaluation of sewer enterprise finances. Key observations include:

- Projected operating and capital expenses will exceed revenues.
- The District projects capital expenses of \$370,508 from 2019 through 2028. The District plans to cash fund all capital expenses. Cash funding capital expenses will allow rates to be lower in the long term.
- The District needs to accumulate reserves in order to cash fund capital expenses and be prepared for emergency expenses.

4.2 Enterprise Financial Projections

BWA developed long-term cash flow projections to determine the sewer enterprise's annual revenue requirements and project required sewer rate revenue increases. The financial projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions. Key information and assumptions include:

Reserves

- The District must use all \$31,838 of the existing reserves for the sewer enterprise. If the proposed rate increases are adopted the sewer enterprise is projected to end the year with \$3,257 in reserves. Due to the small size of the District, BWA recommends the District maintain two years of operating expenses in reserve. Reserves will fluctuate based on the timing of capital expenses, but the proposed rates are projected to provide the sewer enterprise sufficient reserves.

Revenue Assumptions

- Investment income is estimated based on projected reserve levels. Future projections are estimated based on conservative interest earning rates; and actual amounts will vary based on reserves and future interest earning rates.

Expense Assumptions

- Operating and maintenance costs are based on the 2018-19 budget and escalate at the annual rate of 3.0% to account for future cost inflation. This assumption is based on the 1990 through 2018 Engineering News-Record's average annual cost increase.

4.3 Projected Rate Increases

The following table shows the projected overall rate increases needed to meet the District’s annual revenue requirements.

Table 3. Proposed Rate Adjustments

	2019	2020	2021	2022	2023
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%

In future years, the District can re-evaluate its future rate and revenue requirements based on future updates of long-term financial projections. The District always has the flexibility to implement rates that are lower than those adopted pursuant to the Proposition 218 process. However, future rates cannot exceed levels adopted via the Proposition 218 process without going through the Proposition 218 process for any additional increases. Rates adopted pursuant to Proposition 218 process are essentially future rate caps.

4.4 Projected Cashflow with Rate Increases

Figure 1 shows 5-year cash flow projections incorporating the assumptions described above. The rate projections shown on the table are designed to fund the District’s cost of providing service while maintaining balanced budgets and prudent minimal levels of fund reserves each year.

Figure 2: Projected Revenues & Expenses

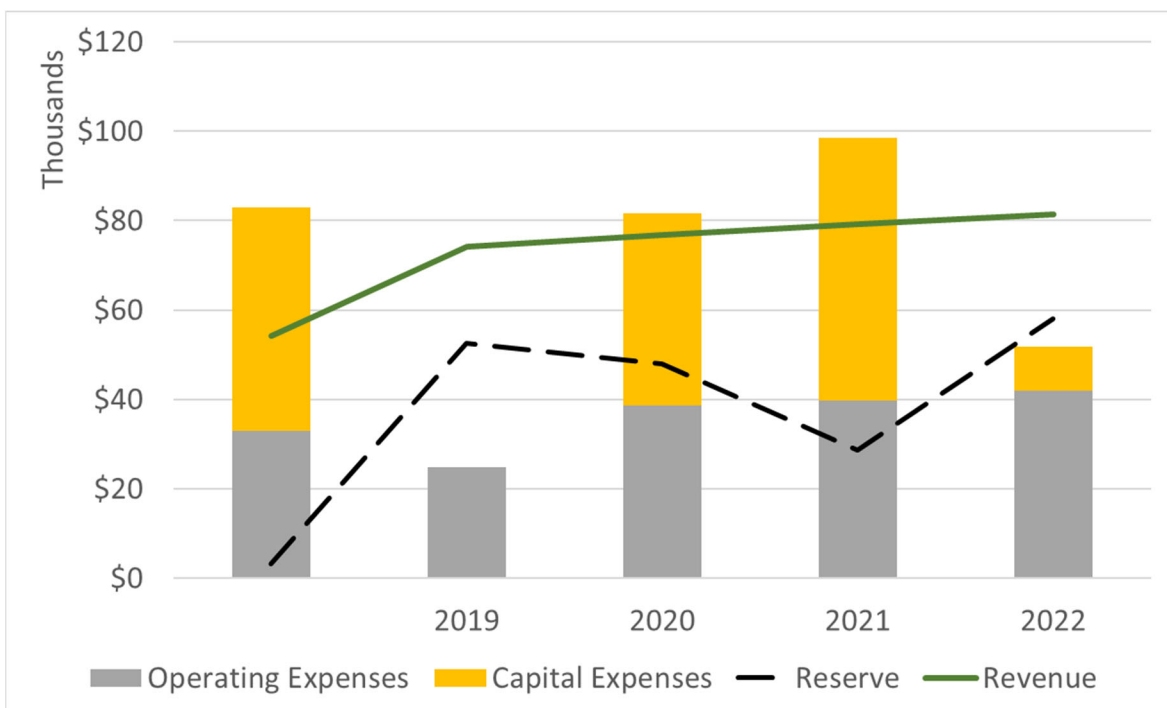


Table 4. Projected Revenues & Expenses

Sewer Enterprise Fund	2019	2020	2021	2022	2023
Reserves					
Beginning Fund Balance	\$31,838	\$3,257	\$52,619	\$48,011	\$28,639
Revenue Escalation					
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%
Revenues					
Operating Revenue					
User Charge Revenue	\$36,000	\$72,000	\$74,160	\$76,385	\$78,676
Revenue From Rate Increase	36,000	2,160	2,225	2,292	2,360
Revenue Timing Adjustment*	-18,000				
Other Revenue	0	0	0	0	0
Interest on Reserves	\$318	\$33	\$526	\$480	\$286
Total Operating Revenue	\$54,318	\$74,193	\$76,911	\$79,156	\$81,323
<i>Total Revenue</i>	<i>\$54,318</i>	<i>\$74,193</i>	<i>\$76,911</i>	<i>\$79,156</i>	<i>\$81,323</i>
Expenses					
Total Operating Expenses	\$32,900	\$24,830	\$38,574	\$39,732	\$41,881
Non-Operating Expenses					
Collection System Repairs	\$10,000	\$0	\$0	\$0	\$0
Lateral Lines	7,500	0	0	0	0
Inspect Main Line on Lots 43 & 44	3,750	0	0	0	0
Inspect Main Line on Lots 54 - 58 (543')	3,750	0	0	0	10,000
Manhole #05 @ Lots 49-50	10,000	0	0	0	0
Manhole Cleanout Lots #42-43	10,000	0	0	0	0
Reserve Study Capital Projects	\$5,000	\$0	\$42,945	\$58,797	\$0
Total Non-Operating Expenses	\$50,000	\$0	\$42,945	\$58,797	\$10,000
<i>Total Expenses</i>	<i>\$82,900</i>	<i>\$24,830</i>	<i>\$81,519</i>	<i>\$98,529</i>	<i>\$51,881</i>
Revenues Less Expenses	-\$28,582	\$49,363	-\$4,608	-\$19,372	\$29,442
Ending Fund Balance	\$3,257	\$52,619	\$48,011	\$28,639	\$58,081
*Revenue timing adjustment accounts for mid-year rate increases (July 1, 2019)					
Reserve Analysis					
Ending Balance	\$3,257	\$52,619	\$48,011	\$28,639	\$58,081
Target Reserve (2 years O&M expense)	\$65,800	\$49,660	\$77,148	\$79,464	\$83,762
Variance from Target	-\$62,543	\$2,959	-\$29,137	-\$50,825	-\$25,681

5 RATE ANALYSIS

5.1 Rate Derivation Overview

The California Constitution does not give agencies leeway to arbitrarily set rates purely based on policy preferences. Instead, it provides agencies with flexibility to implement rates within a framework established by Articles 10 and 13D. Together, these Articles establish that rates should both a) discourage waste and encourage conservation of water, and b) not exceed the costs of service attributable to each parcel or customer.

Ultimately, there is no single correct way to allocate or attribute costs. Hence, five similar agencies may have five different rate structures provided each agency can establish a reasonable cost basis for their own particular rate structure within the parameters of meeting the various requirements of the California Constitution.

While there is no single correct approach for cost attribution and rate-setting, BWA believes that costs should be allocated within a reasonable range that reflects both a) underlying cost causation, to the extent such causation can reasonably be determined or estimated, and b) the policy preferences of the agency within the parameters of having a reasonable cost basis. The rates developed in this report are designed to achieve the District's policy preferences while complying with the requirements of the California Constitution.

5.2 Rate Structure

Rates are required to equitably allocate costs to each customer based on the level of service provided to each customer. BWA believes the current monthly fixed rate structure for both water and sewer rates is equitable to all customers and optimal for such a small district. The structure is optimal for a small district because a monthly fixed rate structure provides financial stability (as monthly fees do not fluctuate) and requires much less administrative effort. The structure is equitable for the following reasons:

- All connections were designed equivalently. The connections were not sized based on customer type or estimated usage. All customers can reasonably be grouped into one water and one sewer class.
- Customer usage is unusually variable because most of the customers do not reside in the District permanently. The occupancy driven variability in demand can make costs allocated to volumetric usage less equitable.
- It is important for the maintenance of the water and sewer systems to continually operate. While the few permanent residents may have greater consumption and discharge than secondary residents, water and sewer systems need regular usage to stay functional. The consistent use by primary residents benefits secondary residents.
- The majority of the District's costs are fixed from year-to-year. Variable costs account for less than 5% of expenses for both the water and sewer enterprises. The main service provided by

the District is the sitting infrastructure (the pipes in the ground) making service continually available to the District’s customers. The main services provided is not the quantity of water sold or waste collected.

As stated above there is no single correct way to allocate or attribute costs. The proposed rates were developed based on reasonable and equitable allocations for cost recovery for the services provided.

5.3 Rate Derivation

The monthly fixed rate derivation is simply the revenue requirement (projected amount of user charge revenue needed) divided by the number of customers, divided by the number of billing periods (12 for monthly billing).

6 PROPOSED RATES

6.1 Proposed Rates

The following table shows a 5-year schedule of proposed rates incorporating the overall level of required rate increases to fund District’s costs of providing service. Beginning July 1st, 2019, the District plans to bill customers on a monthly basis.

Table 5 Proposed Rates

Monthly Fixed Rates	2019	2019	2020	2021	2022	2023	2024
	<i>Existing</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
<i>Rates Effective Date</i>		<i>7/1/2019</i>	<i>1/1/2020</i>	<i>1/1/2021</i>	<i>1/1/2022</i>	<i>1/1/2023</i>	<i>1/1/2024</i>
Water Rates	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94
Sewer Rates	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56	\$115.94

APPENDIX A

Additional Water and Sewer Rate Study Tables



Leland Meadow Water District Water and Sewer Rate Study 2019

**Rate Model
March 7, 2019**



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

**Bartle Wells Associates
Leland Meadows Executive
Executive Summary 1**

Rate	2019	2019	2020	2021	2022	2023
	<i>Current</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Water Summary						
Improved Parcels	60	60	60	60	60	60
Monthly Fixed Rate	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56
<i>Average Total Monthly Increase</i>		<i>100.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
Sewer Summary						
Improved Parcels	60	60	60	60	60	60
Monthly Fixed Rate	\$50.00	\$100.00	\$103.00	\$106.09	\$109.28	\$112.56
<i>Average Total Monthly Increase</i>		<i>100%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
Combined Water and Sewer Summary						
Combined Water and Sewer Rate	\$100.00	\$200.00	\$206.00	\$212.18	\$218.56	\$225.12
<i>Average Total Monthly Increase</i>		<i>100%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>

**Bartle Wells Associates
Leland Meadows Executive
Executive Summary 2**

Reserve Funds	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Water Reserve	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367	\$55,164	\$79,937	\$52,308	\$25,778	\$64,701
Sewer Reserve	<u>3,257</u>	<u>52,619</u>	<u>48,011</u>	<u>28,639</u>	<u>58,081</u>	<u>30,587</u>	<u>60,969</u>	<u>60,555</u>	<u>111,861</u>	<u>94,392</u>
Total Reserves	\$27,757	\$87,106	\$106,737	\$118,314	\$129,447	\$85,751	\$140,905	\$112,863	\$137,639	\$159,093

Capital Spending	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Water Reserve	\$0	\$40,000	\$25,000	\$20,000	\$70,120	\$70,420	\$30,894	\$85,197	\$85,525	\$17,091	\$444,246
Sewer Reserve	<u>50,000</u>	<u>0</u>	<u>42,945</u>	<u>58,797</u>	<u>10,000</u>	<u>74,466</u>	<u>17,714</u>	<u>50,247</u>	<u>0</u>	<u>66,339</u>	<u>370,508</u>
Total Reserves	\$50,000	\$40,000	\$67,945	\$78,797	\$80,120	\$144,886	\$48,608	\$135,444	\$85,525	\$83,430	\$814,754

Use of Funds	Amount
2028 Reserves	\$159,093
2028 Total Capital Spending	<u>814,754</u>
Total Non-Operating Funds Raised from Rates	\$973,847

Table 1
Leland Meadows Water District
Water Rate Study
Projected Operating Revenues

Revenue	2017	2018	2019	2020	2021	2022	2023
	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Rate Revenue	\$31,725	\$34,588	\$36,000	\$72,000	\$76,014	\$78,294	\$80,643
Additional Revenue From Rate Increase			\$18,000	\$2,160	\$2,280	\$2,349	\$2,419
Other Revenue							
Special Assessment	\$8,177	\$750	\$0				
Interest Income - Savings	5	5	0				
Penalties/Late Charges	478	727	0				
Miscellaneous Income	0	0	0				
Hookup Fees							
Bank Service Changes	(\$49)	\$0	\$0				
Total Other Revenue	\$8,611	\$1,482	\$0	\$0	\$0	\$0	\$0
Total Operating Revenue	\$40,336	\$36,069	\$54,000	\$74,160	\$78,294	\$80,643	\$83,063
<i>% Change from Previous Year</i>	<i>136.8%</i>	<i>-10.6%</i>	<i>49.7%</i>	<i>37.3%</i>	<i>5.6%</i>	<i>3.0%</i>	<i>3.0%</i>

* Budgeted revenue reflects full collection

Table 2
Leland Meadows Water District
Water Rate Study
Projected Operating Expenses

Cost Escalation	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
General Inflation Factor				3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Operating Expenses	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Regulatory Requirements												
Water testing - Aqualab	\$1,150	\$1,230	\$1,200	\$1,236	\$1,273	\$1,311	\$1,351	\$1,391	\$1,433	\$1,476	\$1,520	\$1,566
Public Agency Fees	1,641	1,757	1,650	1,700	1,750	1,803	1,857	1,913	1,970	2,029	2,090	2,153
Insurance												
Insurance - Liability	1,053	1,095	1,250	1,288	1,326	1,366	1,407	1,449	1,493	1,537	1,583	1,631
Insurance - State Comp Insurance Fund	492	437	500	515	530	546	563	580	597	615	633	652
Maintenance												
Water System Supply & Fire System - Misc. Projects	7,409	19,546	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Professional services												
Professional Services - Accountant	235	0	0	0	0	0	0	0	0	0	0	0
Professional Services - Auditor	1,000	2,050	1,250	1,000	1,030	1,061	2,050	1,050	1,075	1,107	1,140	1,175
Professional services - General Manager	2,760	3,191	3,600	3,708	3,819	3,934	4,052	4,173	4,299	4,428	4,560	4,697
Professional Services - Water & Sewer Consultant	0	269	0	0	0	0	0	0	0	0	0	0
Professional Services - Attorney	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Study	0	980	1,000	500	515	530	546	563	580	597	615	633
Miscellaneous												
Miscellaneous Expenses/Mileage	803	572	600	618	637	656	675	696	716	738	760	783
Postage/Office Supplies	289	265	300	309	318	328	338	348	358	369	380	391
Utilities - PG&E And AT&T	3,190	2,776	3,150	3,245	3,342	3,442	3,545	3,652	3,761	3,874	3,990	4,110
Other Costs												
Rate Study, Legal Support, Engineering Report	0	0	5,000	0	500	515	530	546	563	580	597	5,085
General Manager Increase (10h/w x 52 w x\$30)	\$0	\$0	\$0	\$0	\$3,750	\$3,863	\$3,978	\$4,098	\$4,221	\$4,347	\$4,478	\$4,612
Total Operating Expenses	\$20,022	\$34,166	\$29,500	\$24,418	\$29,400	\$30,282	\$32,148	\$32,051	\$33,006	\$33,996	\$35,016	\$40,536
<i>% Change from Previous Year</i>	<i>-10.4%</i>	<i>70.6%</i>	<i>-13.7%</i>	<i>-17.2%</i>	<i>20.4%</i>	<i>3.0%</i>	<i>6.2%</i>	<i>-0.3%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>15.8%</i>

Table 3
Leland Meadows Water District
Water Rate Study
Water Cashflow Projection

Water Enterprise Fund	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Reserves										
Beginning Fund Balance	\$0	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367	\$55,164	\$79,937	\$52,308	\$25,778
Revenue Escalation										
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenues										
Operating Revenue										
User Charge Revenue	\$36,000	\$72,000	\$76,014	\$78,294	\$80,643	\$83,063	\$85,554	\$88,121	\$90,765	\$93,488
Revenue From Rate Increase	36,000	2,160	2,280	2,349	2,419	2,492	2,567	2,644	2,723	2,805
Revenue Timing Adjustment*	-18,000									
Interest on Reserves	\$0	\$245	\$345	\$587	\$897	\$714	\$552	\$799	\$523	\$258
Total Operating Revenue	\$54,000	\$74,405	\$78,639	\$81,231	\$83,959	\$86,268	\$88,673	\$91,564	\$94,011	\$96,550
<i>Total Revenue</i>	<i>\$54,000</i>	<i>\$74,405</i>	<i>\$78,639</i>	<i>\$81,231</i>	<i>\$83,959</i>	<i>\$86,268</i>	<i>\$88,673</i>	<i>\$91,564</i>	<i>\$94,011</i>	<i>\$96,550</i>
Expenses										
Total Operating Expenses	\$29,500	\$24,418	\$29,400	\$30,282	\$32,148	\$32,051	\$33,006	\$33,996	\$35,016	\$40,536
Non-Operating Expenses										
Inspection of Distribution System	\$0	\$30,000	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$10,000	\$0
Inspect Interior of Water Tank	0	0	5,000	0	0	0	0	0	0	0
Distribution System Repairs	0	10,000	20,000	20,000	10,000	10,300	10,609	10,927	11,255	11,593
Reserve Study Capital Projects	\$0	\$0	\$0	\$0	\$60,120	\$60,120	\$10,285	\$64,270	\$64,270	\$5,498
Total Non-Operating Expenses	\$0	\$40,000	\$25,000	\$20,000	\$70,120	\$70,420	\$30,894	\$85,197	\$85,525	\$17,091
<i>Total Expenses</i>	<i>\$29,500</i>	<i>\$64,418</i>	<i>\$54,400</i>	<i>\$50,282</i>	<i>\$102,268</i>	<i>\$102,471</i>	<i>\$63,900</i>	<i>\$119,193</i>	<i>\$120,541</i>	<i>\$57,627</i>
Revenues Less Expenses	\$24,500	\$9,987	\$24,239	\$30,949	-\$18,308	-\$16,202	\$24,773	-\$27,629	-\$26,530	\$38,923
Ending Fund Balance	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367	\$55,164	\$79,937	\$52,308	\$25,778	\$64,701
*Revenue timing adjustment accounts for mid-year rate increases (July 1, 2019)										
Reserve Analysis										
Ending Balance	\$24,500	\$34,487	\$58,726	\$89,675	\$71,367	\$55,164	\$79,937	\$52,308	\$25,778	\$64,701
Target Reserve (2 years O&M expense)	59,000	48,836	58,800	60,564	64,296	64,102	66,012	67,992	70,032	81,072
Variance from Target	-\$34,500	-\$14,349	-\$74	\$29,111	\$7,071	-\$8,938	\$13,925	-\$15,684	-\$44,254	-\$16,371

Table 1
Leland Meadows Sewer District
Sewer Rate Study
Projected Operating Revenues

Revenue	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>Estimated</i>	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Rate Revenue	\$31,725	\$34,588	\$36,000	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207
Additional Revenue From Rate Increase			\$18,000	\$2,160	\$2,225	\$2,292	\$2,360	\$2,431	\$2,504	\$2,579	\$2,657	\$2,736
Other Revenue												
Special Assessment	\$8,177	\$750										
Interest Income - Savings	5	5										
Penalties/Late Charges	478	727										
Miscellaneous Income	0	0										
Hookup Fees												
Bank Service Charges	(\$49)	\$0										
Total Other Revenue	\$8,611	\$1,482	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Revenue	\$40,336	\$36,069	\$54,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207	\$93,944
<i>% Change from Previous Year</i>	136.8%	-10.6%	49.7%	37.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

* Budgeted revenue reflects full collection

Table 2
Leland Meadows Sewer District
Sewer Rate Study
Projected Operating Expenses

Cost Escalation	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
General Inflation Factor				3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Regulatory Requirements												
Maintenance - Sewer Plant Operator	\$6,885	\$7,025	\$7,200	\$7,416	\$7,638	\$7,868	\$8,104	\$8,347	\$8,597	\$8,855	\$9,121	\$9,394
Sewer plant testing - Aqualab	1,725	1,775	1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900	1,957
Public Agency Fees	1,641	1,757	1,650	1,700	1,750	1,803	1,857	1,913	1,970	2,029	2,090	2,153
Insurance												
Insurance - Liability	1,053	1,095	1,250	1,288	1,326	1,366	1,407	1,449	1,493	1,537	1,583	1,631
Insurance - State Comp Insurance Fund	492	437	500	515	530	546	563	580	597	615	633	652
Maintenance												
Sewer system maintenance - misc. projects	5,063	6,458	5,000	5,150	10,305	10,614	10,932	6,260	6,448	6,641	6,840	7,046
Water tank road maintenance	16,964	0	3,000	0	0	0	0	0	0	0	0	0
Sewer New Manhole At Lots 44-45	0	16,880	0	0	0	0	0	0	0	0	0	0
Professional services												
Professional Services - Accountant	235	0	0	0	0	0	0	0	0	0	0	0
Professional Services - Auditor	1,000	2,050	1,250	1,000	1,030	1,061	2,050	1,050	1,075	1,107	1,140	1,175
Professional services - General Manager	2,760	3,191	3,600	3,708	3,819	3,934	4,052	4,173	4,299	4,428	4,560	4,697
Professional Services - Water & Sewer Consultant	0	269	0	0	0	0	0	0	0	0	0	0
Professional Services - Attorney	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Study	0	980	1,000	500	515	530	546	563	580	597	615	633
Miscellaneous												
Miscellaneous Expenses/Mileage	803	572	600	618	637	656	675	696	716	738	760	783
Postage/Office Supplies	289	265	300	309	318	328	338	348	358	369	380	391
Utilities - PG&E And AT&T	1,063	925	1,050	1,082	1,114	1,147	1,182	1,217	1,254	1,291	1,330	1,370
Property Lease - Sewer Plant	0	0	0	0	0	0	0	0	0	0	0	0
Other Costs												
Rate Study, Legal Support, Engineering Report	0	0	5,000	0	500	515	530	546	563	580	597	5,085
General Manager Increase (10h/w x 52 w x\$30)	\$0	\$0	\$0	\$0	\$3,750	\$3,863	\$3,978	\$4,098	\$4,221	\$4,347	\$4,478	\$4,612
Total Operating Expenses	\$39,973	\$43,679	\$32,900	\$24,830	\$38,574	\$39,732	\$41,881	\$37,076	\$38,182	\$39,327	\$40,507	\$46,192
<i>% Change from Previous Year</i>	76.6%	9.3%	-24.7%	-24.5%	55.4%	3.0%	5.4%	-11.5%	3.0%	3.0%	3.0%	14.0%

Table 3
Leland Meadows Sewer District
Sewer Rate Study
Sewer Cashflow Projection

Sewer Enterprise Fund	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Reserves										
Beginning Fund Balance	\$31,838	\$3,257	\$52,619	\$48,011	\$28,639	\$58,081	\$30,587	\$60,969	\$60,555	\$111,861
Revenue Escalation										
Rate Revenue Increase	100.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenues										
Operating Revenue										
User Charge Revenue	\$36,000	\$72,000	\$74,160	\$76,385	\$78,676	\$81,037	\$83,468	\$85,972	\$88,551	\$91,207
Revenue From Rate Increase	36,000	2,160	2,225	2,292	2,360	2,431	2,504	2,579	2,657	2,736
Revenue Timing Adjustment*	-18,000									
Other Revenue	0	0	0	0	0	0	0	0	0	0
Interest on Reserves	\$318	\$33	\$526	\$480	\$286	\$581	\$306	\$610	\$606	\$1,119
Total Operating Revenue	\$54,318	\$74,193	\$76,911	\$79,156	\$81,323	\$84,049	\$86,278	\$89,161	\$91,813	\$95,062
<i>Total Revenue</i>	<i>\$54,318</i>	<i>\$74,193</i>	<i>\$76,911</i>	<i>\$79,156</i>	<i>\$81,323</i>	<i>\$84,049</i>	<i>\$86,278</i>	<i>\$89,161</i>	<i>\$91,813</i>	<i>\$95,062</i>
Expenses										
Total Operating Expenses	\$32,900	\$24,830	\$38,574	\$39,732	\$41,881	\$37,076	\$38,182	\$39,327	\$40,507	\$46,192
Non-Operating Expenses										
Collection System Repairs	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lateral Lines	7,500	0	0	0	0	0	0	0	0	0
Inspect Main Line on Lots 43 & 44	3,750	0	0	0	0	0	0	0	0	0
Inspect Main Line on Lots 54 - 58 (543')	3,750	0	0	0	10,000	10,200	0	0	0	0
Manhole #05 @ Lots 49-50	10,000	0	0	0	0	0	0	0	0	0
Manhole Cleanout Lots #42-43	10,000	0	0	0	0	0	0	0	0	0
Reserve Study Capital Projects	\$5,000	\$0	\$42,945	\$58,797	\$0	\$64,266	\$17,714	\$50,247	\$0	\$66,339
Total Non-Operating Expenses	\$50,000	\$0	\$42,945	\$58,797	\$10,000	\$74,466	\$17,714	\$50,247	\$0	\$66,339
<i>Total Expenses</i>	<i>\$82,900</i>	<i>\$24,830</i>	<i>\$81,519</i>	<i>\$98,529</i>	<i>\$51,881</i>	<i>\$111,542</i>	<i>\$55,896</i>	<i>\$89,574</i>	<i>\$40,507</i>	<i>\$112,531</i>
Revenues Less Expenses	-\$28,582	\$49,363	-\$4,608	-\$19,372	\$29,442	-\$27,494	\$30,382	-\$414	\$51,306	-\$17,469
Ending Fund Balance	\$3,257	\$52,619	\$48,011	\$28,639	\$58,081	\$30,587	\$60,969	\$60,555	\$111,861	\$94,392
*Revenue timing adjustment accounts for mid-year rate increases (July 1, 2019)										
Reserve Analysis										
Ending Balance	\$3,257	\$52,619	\$48,011	\$28,639	\$58,081	\$30,587	\$60,969	\$60,555	\$111,861	\$94,392
Target Reserve (2 years O&M expense)	\$65,800	\$49,660	\$77,148	\$79,464	\$83,762	\$74,152	\$76,364	\$78,654	\$81,014	\$92,384
Variance from Target	-\$62,543	\$2,959	-\$29,137	-\$50,825	-\$25,681	-\$43,565	-\$15,395	-\$18,099	\$30,847	\$2,008