Agenda # 8.III

City Council

Staff Report

TO: Honorable Mayor and City Council

FROM: Tom McCurdy, Project Manager QK, Inc.

THROUGH: John Jansons, City Manager

DATE: October 24, 2016

SUBJECT: Presentation and Discussion of Draft Water Rate Study

RECOMMENDED ACTION:

It is respectfully recommended that the City Council hear a presentation of the draft Water Rate Study by QK, Inc. and provide any direction to the consultant(s) and staff regarding proceeding toward completion of the Water Rate Study and next steps going forward.

BACKGROUND and DISCUSSION:

Since July of 2014, Quad Knopf Engineers ("QK Inc.) have been developing a water rate study to address the sustainability of the Water Enterprise Utility and to address conservation mandates by the State CA.

The draft Water Rate Study document that has been developed and is attached to this report as **Attachment 1**.

COORDINATION AND REVIEW:

The draft report has been coordinated with the Department of Public Works and the Finance Department staffs.

FISCAL IMPACT:

The cost of the water rate study project was previously approved by Council on July 14, 2014 at a fixed-fee amount of $24,000. (Attachment 2)

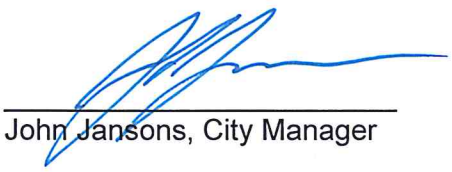
CONCLUSION:

It is respectfully recommended that the City Council hear a presentation of the draft Water Rate Study by QK, Inc. and provide any direction to the consultant(s) and staff regarding proceeding toward completion of the Water Rate Study and next steps going forward.

ATTACHMENT(s): 2

1) Draft Water Rate study by QK Inc. 2016
2) July 14, 2014 City Council Report - Project Approval

Approved By:



John Jansons, City Manager

Attachment 1

DRAFT REPORT

CITY OF FARMERSVILLE

WATER RATE STUDY

SEP 09 2016

September 2016

901 East Main Street | Visalia, CA 93292

September 9, 2016

Mr. John Jansons
City of Farmersville
909 West Visalia Road
Farmersville, CA 93223

SEP 09 2016

Subject: **City of Farmersville Water Rate Study Report Draft**

Dear Mr. Jansons:

QK is pleased to present this report on the Water Rate Study conducted for the City of Farmersville.

This Rate Study has been undertaken to analyze the overall condition of the Water Enterprise fund and the need to maintain a fiscally responsible utility fund for its residents. The City Council has recognized the importance of maintaining a solvent utility fund and has engaged our firm to provide the analysis to ensure the City has sufficient revenues to meet its short and long-term operational, capital and debt service obligations and that rates are set proportionate to the costs of providing service to each parcel served.

The following report outlines the approach, methodology, findings, and conclusions of this study. This analysis has been prepared using generally accepted rate setting principles.

The City's accounting, budgeting, billing records, and capital improvement list were the primary sources for the data contained within the report. The conclusions enclosed within this report provide Farmersville with a set of recommendations to provide stable, technically defensible funding for continued high-quality operations.

It was a pleasure working with the City staff, including Interim City Manager Mario Krstic, Finance Director Steve Huntley and Public Works Director Dale Wyckoff.

Sincerely,

Tom McCurdy, PWLF
QK Inc., Public Works Manager

Enclosure: Farmersville Water Rate Study

F1402712
TMc/

TABLE OF CONTENTS

Executive Summary ES-1

Section 1 - Introduction

1.1 Overview 1-1

Section 2 – Overview of Rate Setting Process

2.1 Considerations in Setting Revenue Requirements 2-1
2.2 Capital Budgeting and Financing 2-1
2.3 Capital Funding 2-1

Section 3 – Rate Setting Process

3.1 Financial Planning/Revenue Requirement Analysis 3-1
3.2 Cost of Service Analysis 3-1
3.3 Rate Design Analysis 3-1
3.4 Rate Setting Summary 3-2

Section 4 – Water Rate Analysis

4.1 Water Consumption and User Characteristics 4-1

Section 5 – Revenue Requirements

5.1 Expenditure Projections 5-1
5.2 Needs Analysis 5-2
5.3 Revenue Requirement Projections 5-3

Section 6 – Rate Design Analysis

6.1 Rate Making Objectives 6-1
6.2 Service and Customer Classes 6-1
6.3 Expenditure Types 6-2

Section 7 – Proposed Rate Structure 7-1

Section 8 – Financial Planning and Management

8.1 Key Financial Plan Objectives 8-1

List of Tables

4-1	Water Consumption Characteristics	4-2
5-1	Needs Analysis	5-2
5-2	Revenue Requirement Projections	5-3
6-1	Distribution of Services by Size and Customer Class	4-1
7-1A	Current and Proposed Water Rates for Single-Family Residences	5-2
7-1B	Current and Proposed Water Rates for Multi-Family Residences	5-3
7-1C	Current and Proposed Water Rates for Commercial/Industrial	5-3
7-2A	Current and Proposed Water Rates for Single-Family Residences	4-1
7-2B	Current and Proposed Water Rates for Multi-Family Residences	5-2
7-2C	Current and Proposed Water Rates for Commercial/Industrial	5-3

Appendices

Appendix A – Existing Water Service Fees according to Resolution 2004-65
Appendix B – Executive Order B-29-15

EXECUTIVE SUMMARY

The City of Farmersville's current water rate structure does not provide for periodic rate adjustments. Consequently, water rates have remained unchanged for the past several years. There have been no increases for inflation or system needs over an extended period of time. The following rate study will identify shortfalls in the current rate schedule as well as addressing future needs to keep up with system demands. Under the current water rate structure, during the period FY 2010–11 to FY 2015–16, the City's Water Enterprise fund has sustained prolonged losses in revenues contributed to by factors including costs of system maintenance, continuing utility rate increases, and lack of revenue to adequately operate the system as needed.

Water rates in the City of Farmersville were last reviewed and adjusted in 2004. In 2010, the City reviewed rates but an actual rate adjustment was not implemented at that time.

It is evident that the City has lacked the ability to raise rates on a routine basis which requires that at milestone periods, rates must be raised to a higher extent to make up for the past several years.

Over the last several fiscal years, the City's rate-supported water enterprise fund indicates a continuing shortfall in revenues versus expenditures. As indicated by the 2016/2017 fiscal budget (page 8):

> *This fund is simply not bringing in enough revenue to support the services delivered. In 2013, the operating loss was $92,441, in 2014 it was $100,399, and in 2015 it was $117,566. Currently, we are on target to meet or exceed our anticipated loss for 2016 of $90,358, but the budget for FY 2017 projects the loss skyrocketing to* ***$169,969****.*

To make up for the shortfall that has occurred over the past several years, a substantial rate increase of 30.3% will be necessary to bring the enterprise fund to a balanced budget. It should be noted that this increase would only bring the enterprise fund to a net zero balance. Such a large increase would not provide for additional levels of service necessary for such an aging infrastructure that Farmersville has.

With the continuing drought conditions that California has been experiencing the past 4 years has put additional burdens on the Water Department. On April 1, 2015, Governor Brown, by Executive Order B-29-15 (attached), established a statewide water conservation goal of 25 percent reduction in water use. Municipalities had variable water reduction percentages based on the various factors including community size. Farmersville's minimum reduction was set at 32%. This State mandate also required communities to develop water conservation plans to achieve that goal or face stringent penalties by the State.

The proposed rate increase identified in the Proposed Rate Structure, Section 7, includes establishing a base volume or quantity of water to be used for a base rate. Included in the

base rate are the necessary fees for manpower, utilities, etc. Additionally, it is recommended that the proposed rate increase include fees for establishing additional reserve funds for emergencies as well as funds for future capital improvements.

As part of the rate setting process, Farmersville will be subject to the requirements of Proposition 218. In November 1996, California voters passed Proposition 218, the "Right to Vote on Taxes Act". This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees, and charges without taxpayer consent. Proposition 218 requires voter approval prior to imposition or increase of general taxes, assessments, and certain user fees.

1. INTRODUCTION

In 2014, the City of Farmersville ("City") selected QK Inc. ("QK") to perform a water rate study ("Study"). This Study provides recommendations that focus on two key objectives: short- and long-term financial health and stability; and, equitable cost-of-service rates.

The initial review of the City's existing rate structure, budget, and consumption data has shown that the City has not been collecting enough revenue to adequately fund the existing expenditures for its daily water enterprise operation, let alone meeting its need for current and future capital improvements. At one time the City had a modest reserve but due to continuing years of negative revenue this reserve has been depleted.

As a result, the existing rates are not sustainable due to the utility not generating sufficient revenues and subsequently running an annual net loss. Running a net loss has brought the utility into a negative fund cash balance. Subsequently, the utility has become dependent on inter-fund transfers from the other funds including the General Fund to offset the negative balance.

The City's current water supply is dependent solely on groundwater resources. The City has eight (8) active groundwater wells with roughly 29 miles of water mains that produces approximately 527.725 million gallons of water (2015 annual total) annually to serve its roughly 11,382 customers. In addition, the City extended potable water service to the Cameron Creek Colony in 2015, which serves an approximate 436 additional residents. This extension was done as an emergency response to serve the community that was experiencing existing domestic wells going dry due to the extended drought.

The City's water distribution system consists of only one pressure zone. The City currently does not have any storage tanks or reservoir capacity. The system is dependent on at least one well running at all times to maintain adequate pressure for the distribution system. Sections 2.2 & 5.2 provide discussion of capital improvement needs to maintain sufficient capacity for the needs of the water system and community for now as well as in the future.

Based on discussions with City staff and review of past budgets, master plans, and capital improvement needs, this Study presents recommended rate adjustments that are necessary to maintain sufficient revenue to operate the water system and distribution infrastructure while maintaining adequate funds for ongoing capital improvements and reserves.

One of the shortfalls that is addressed in this Study is having adequate personnel to operate the water department. The department currently has a total of six (6) fulltime employees that provide service for not only the City's Water Enterprise utility but also includes sewer, streets, parks, facilities and maintenance activities.

2. OVERVIEW OF RATE SETTING PROCESS

Every year, the City goes through a budget process in order to establish a spending plan for the work to be performed throughout the next fiscal year (July 1st through June 30th). As part of the process, staff reviews the prior year's expenditures compared to the revenue collected from its customers. While this process is not necessarily a review of rates, it typically highlights if there is a need for rate adjustments.

Rate analyses are typically performed every few years to ensure that revenues from rates are adequately funding utility operations, maintenance, and future capital needs. As stated previously, the City has not performed a rate study for several years. This Study will account for past years in which an annual increase was not implemented.

In California, typical rate analyses, such as this, also require compliance with the cost-of-service principles imposed by Proposition 218, which ensures that rates correlate to how costs are incurred. The proposed rate structure that has been developed for the single-family residential customer class includes a base rate.

2.1 Considerations in Setting Revenue Requirements

There are a multitude of considerations, ranging from financial, to political, to legal, that must be considered or discussed during the process of setting revenue requirements, as part of the process of a rate analysis. This section provides an overview of the considerations that were reviewed.

2.2 Capital Budgeting and Financing

Capital needs are usually defined by the City's Water Capital Improvement Plan (CIP). As part of its budget and planning process, the City identifies capital improvements that are necessary for the continued delivery of clean, safe, drinking water. The Capital Improvement Plan is typically funded by a variety of sources which should include system depreciation, water rates, connection (impact) fees, grants and capital reserves. The City of Farmersville's budgeting process typically identifies a value for depreciation but does not set aside actual funds for that purpose.

The City is lacking an adequate CIP that incorporates funding for infrastructure maintenance and replacement. This Study includes elements that are recommended to be included after discussions with City staff.

2.3 Capital Funding

The selection of the most appropriate funding strategy for capital projects is primarily a policy decision between use of cash or reserves, the issuance of debt (bonding), use of grant funds or some combination thereof. The use or build-up of cash to fund capital

improvements has not been a process that can be depended on as past practice has utilized the small reserves to fund various minor projects or emergency repairs. An example of this practice was the use of available funds to install only a portion of the City water system with automated meter reading (AMR) technology. After the initial expenditure, the City realized that without additional funds, the project could not be completed and made operational. The City has obtained a California Department of Water Grant (Water & Energy Grant) to install 1,025 AMR meters and implement a functional billing system.

Although the City has been fortunate to not acquire debt service to maintain its utility system, it has not been able to adequately keep up with system deficiencies. With debt service financing, capital improvements are funded with borrowed funds (usually through the issuance of bonds or other another mechanism such as loans) with the obligation of repayment, typically with interest, over future years. In the short and long term, each funding mechanism has a different impact on water rates such as different net percentage values, risks, and legal obligations. Due to the borrowing costs associated with debt, cash funding can be cheaper in the long run; however, debt typically ensures greater generational equity for larger and longer lasting capital projects.

3. RATE SETTING PROCESS

The scope of this Study is to review the existing rate structure and evaluate if the revenues generated are sufficient to maintain a solvent water enterprise fund for daily operations and the viability of the future needs of the department.

In today's times, there are various requirements that establish that enterprise funds, such as those used for water, sewer, and storm drain, are self-sufficient and operate adequately to maintain the daily and capital needs of the utility. In other words, the water fund should collect adequate revenue to fund the anticipated expenses for the department without needing funds from other sources, such as another enterprise fund or the general fund. In addition to these principles, the City should maintain an adequate reserve fund to deal with any unanticipated emergency that may occur.

To properly address the needs of the City in this rate study, three principles must be thoroughly investigated. The rate study process involves conducting a Financial Planning and Revenue Requirement Analysis, Cost of Service Analysis and Rate Design Analysis. Each of these principles are described below:

3.1 Financial Planning and Revenue Requirement Analysis

Create a five-year plan to support an orderly, efficient program of on-going maintenance and operating costs, capital improvement and replacement activities, debt financing, retirement of any outstanding debt and set aside a reserve fund. The City is fortunate that it currently doesn't have any outstanding debt at this time. In addition, the long-term plan should fund and maintain adequate reserve balances to levels based on industry standards and Farmersville's fiscal policies.

3.2 Cost of Service Analysis

Identifies and apportions annual revenue requirements to distinct customer classes based on the demand placed on the utility system. The City currently utilizes a flat rate system, whereby based on a monthly fee, there is no additional costs for the amount of water used.

3.3 Rate Design Analysis

The rate design process develops an equitable and proportionate schedule of rates for each customer class to recover the costs attributable to that specific use. This is also where other policy objectives can be achieved, such as, promoting the efficient use of water. The policy objectives within the rate design are harmonized with cost of service objectives to achieve the delicate balance between customer equity, financial stability and resource conservation goals.

The rate study process will utilize these various analyses for development of the appropriate rate structure to best serve the City. Each of the processes lends itself to developing sound fiscal and social policy for how the water enterprise is operated, maintained, and utilized by residents.

3.4 RATE SETTING PRINCIPLES SUMMARY

In order to meet the overall objectives of the City, the rate study and proposed rate adjustments must also conform to the California State Constitution as well as the Water Code. More specifically, Proposition 218 requires that property related fees and charges, such as water rates (as affirmed in Bighorn-Desert View Water Agency v. Verjil), must not exceed the reasonable cost of providing the service associated with the fee or charge, and shall also not exceed the proportional cost of the service attributable to the parcel that is subject to the fee or charge.

With the implementation of water conservation measures required by Executive Order B-29-15, staff has seen an increase in manpower needs during off duty and weekend hours. This increase in billable hours is attributed to the added enforcement of an odd/even watering schedule where residents are only allowed to water on days in compliance with the phase of water conservation measures adopted by the City, typically one day during the week and one day on the weekend. The added state mandate for water conservation and the accompanying enforcement duties has put an additional burden on the water staff. While the volume of water has been reduced by the conservation measures, operating the water system 7 days a week with increased vigilance during the weekend period has increased the manpower required to properly maintain the system and ensure residents abide by the mandated water conservation requirements. As a result of these conditions, additional funds for manpower are included in the proposed rate adjustment.

In conjunction with Proposition 218, Article X (2) of the State Constitution institutes the need to preserve the State's water supplies and discourage the wasteful or unreasonable use of water by encouraging water conservation. Article X (2) is broad in its declarations; however, the Water Code provides guidance to its application for developing water rates. Water Code Section 106 declares that the highest use of water is typically for domestic purposes, and irrigation is secondary. In connection with meeting the objectives of Article X, Water Code Sections 370, as revised by Assembly Bills 2882 in 2008, and 375, as revised by Assembly Bill 88 in 2015, authorize a water purveyor to utilize its water rate design to incentivize the efficient use of water.

Another key principle for a comprehensive rate study is found in economic theory, which suggests the price of a commodity must roughly equal its cost or value if equity among customers is to be maintained – i.e. cost-based. For example, capacity-related costs are usually incurred by a water utility to meet peak use requirements. Consequently, the customers causing peak demands should pay for the demand-related facilities in proportion to their contribution to maximum demands. While the City has a connection fee that corresponds with the various sizes of meters, it appears that this form of charges has

not been utilized to the extent as intended.

Through refinement of costing and pricing techniques, consumers of a product are given a more accurate price point of what the commodity costs to produce and deliver to meet their water needs. The above fundamentals have considerable foundation in economic literature and correlate to the cost of service principles of Proposition 218. This "price-equals-cost" theory provides the basis for much of the subsequent analysis and comment within this Study. This theory is particularly important as the proposed rate structure has been developed to encourage the efficient use of water while maintaining economic and cost of service principles.

The City's current rate structure has an element to charge based on the volume of water used. The downside of this requirement is that the City has not had functioning water meters to gather data that can be used to calculate the volumes consumed or used by existing customers. In 2008, the City utilized existing funds that were available to begin to transition from a manual meter reading system into an Automated Meter Reading (AMR) system. The problem was that adequate funds were not available to complete the transformation citywide and implement the billing software necessary to utilize the system.

In 2014, the City applied for a Water & Energy Grant through the California Department of Water Resources to complete the meter installation project and implement a volume based billing system. The City has received notification that the Water and Energy Grant has been awarded to Farmersville. A key component of that grant is to implement a volume based billing system and utilize a tiered rate approach to encourage water conservation.

The current rate structure for the City, while currently not in use, has indicated a 2,000 cubic foot base rate structure with a single tier or price for overuse above the base volume allowed. Due to the inability of the City's existing system to bill on a volume based approach, the reality is that the current rate is essentially a "Flat Rate" billing system.

Based on the current needs of the City and water conservation mandates that have been implemented by the State, the proposed base volume is recommended to be 1,500 cubic feet per service connection. In addition, the existing single tier system will be updated to be calculated based on a 100 cubic foot units of measure above the base rate. This usage structure is more uniform and consistent with current standards of the industry and current meter technology usage. The base rate will be more in line with the mandated water conservation reductions.

4. WATER RATE ANALYSIS

As previously stated, the City engaged QK to perform a Water Rate Study focused on two main principles. First, any developed rates must provide sufficient revenues to fund expenditures related to operations, maintenance, capital, and funding of reserves. Secondly, within the cost of service principles established by Proposition 218, design a water rate structure that promotes efficient use of water but reflects the varying costs of demand of each customer class. This section of the report outlines the details of the analysis and the approach to developing the rate recommendations.

4.1 Water Consumption and User Characteristics

QK examined the previous four years of billing data provided by the City Finance Department. Multiple years of data were analyzed to ensure any short-term anomalies were accounted for and that long-term trends were identified. Furthermore, billing data was analyzed to determine seasonal demand patterns and overall consumption characteristics. Since the projected volume of water consumption is a key component in revenue generation, it has become necessary to adequately fund the utility based on a lower volume of water consumed due to the stringent water conservation measures that have been implemented to meet the State's Executive Order to reduce overall water usage statewide by 25 percent. While most utilities could realize a higher amount of revenue by producing more water, that is not practical given the current water conservation mandates that have been imposed by the State. Even with the reduced volume of water produced, the City must still maintain the infrastructure. The City can only depend on the revenue generated by a volume based approach, which has been reduced due to conservation measures. In Farmersville, the revenue generated is currently based on a flat rate system and has not been contingent on the volume of water produced. The only reduction that is realized is by reducing the amount of electricity and chemical (chlorine) required to pump a lower volume of water.

Figure 4-1 provides a summary of the City's water consumption characteristics of approximately 2,300 customer accounts.

Figure 4-1:
Water Consumption Characteristics

Calendar Year	Number of Days	Population	Total Well Production (gallons)	Average per capita per day
2010	365	10,588	681,756,100	176.4
2011	365	10,796	669,751,100	170.0
2012	366	10,824	656,446,300	165.7
2013	365	11,003	715,273,200	178.1
2014	365	10,786	625,355,800	158.8
2015	365	11,084	526,724,700	130.2

Based on Figure 4-1, it appears that residents have accepted the State mandate of water conservation. The reduction in water use from 2013 to 2015 is approximately 26.9%, a figure that is just shy of the City's mandate of 32% reduction.

5. REVENUE REQUIREMENTS

To determine whether additional rate revenue is required, projected operating and capital expenses are compared with projected revenue from current rates. Rates are then increased so that the expenses are covered and reserves for operating and capital needs are maintained.

5.1 Expenditure Projections

Review of the City's actual expenditures and revenues from FY 2011 through FY 2016 and the City's budget for FY 2016–17 served as the basis for projecting future expenditures and for determining revenue requirements through FY 2020–21. Tables 5-1 and 5-2 below summarize the projected expenditure trends, which are noteworthy in the following respects:

- **Operating expenses –** Operating and maintenance (O&M) expenses are projected to gradually increase during the planning period at the projected rate of inflation (3.0 percent).

- **Debt service –** Debt service was not considered as the City does not currently have any outstanding debt for the Water fund.

- **Funding capital improvements –** The only capital improvement costs are for future upgrade of the water system. There are capital improvements funds allocated in the current budget that are offset by the Water and Energy Grant.

- **Transfers to reserve –** Reserves are currently less than recommended. This rate study recommends adding a line item place holder in the budget to allocate funds for emergency expenditures.

The starting point for determining future revenue requirements was the City's published FY 2016-17 budget. Based on certain trends evident in the expenditure data from prior fiscal years, the FY 2015-16 budget was rounded up slightly to create the baseline budget for the first year of the planning period. Projected budgets for the next four years were determined by applying the City's proposed annual inflation rate of 5 percent. The City's Needs Analysis and Reserve Fund requirements were then added to complete the expenditure projections.

The purpose of the Reserve Fund is two-fold. First, with sufficient working capital, the City can operate without cash flow restraints with respect to short-term fluctuations in operating expenses. Second, with sufficient working capital, the City can accomplish at least a portion of its CIP on a pay-as-you-go basis. The City established a goal for the new rate

structure to increase the current Reserve Fund by approximately $355,000 within six years, which the proposed rate structure can achieve.

5.2 Needs Analysis

QK staff reviewed the systems operations needs with Water Operations staff and developed a "Needs Analysis," which included an updated Capital Improvement Program, proposed staffing improvements, and proposed operational improvements. The Needs Analysis covers the next six fiscal years, but only the first five years are included directly in the current Water Rate Study. Table 5-1 provides line item detail for the City's Needs Analysis, in units of thousands of dollars.

Table 5-1
Needs Analysis
($000)

	Projected Expenditures				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Staffing Improvements					
Addition of a fulltime Utility Maintenance Worker (1/2 time for 1st year)	$40	$73	$75	$77	$79
Operational Improvements					
Increased System Maintenance and Repairs	$20	$21	$22	$23	$24
Pump Motor Replacements	$52	$55	$58	$61	$64
Capital Improvements (CIP)					
Railroad Crossings (recommended by 2000 Water Master Plan)	$0	$0	$100	$150	$50
Additional Pipeline Loops	$75	$75	$0	$0	$0
SCADA for system operations	$40	$0	$0	$0	$0
0.85 Million Gallon Elevated Tank (South of RR)	$0	$150	$150	$150	$150
0.85 Million Gallon Elevated Tank (North of RR)	$150	$0	$0	$150	$150
Totals	$227	$374	$555	$611	$517

Note: Units shown above are in $1,000 increments, i.e., $20 equals $20,000.

5.3 Revenue Requirement Projections

Table 5-2 summarizes projected expenditures for the next five fiscal years, including the Needs Analysis summarized from Table 5-1 above. The total of these projected expenditures equals the minimum revenue required. Amounts in Table 5-2 are shown in units of thousands of dollars.

Table 5-2
Revenue Requirement Projections
($000)

	Budgeted	Projected Expenditures			
	FY 2016-	FY 2017-	FY 2018-	FY 2019-	FY 2020-
Personnel Services	$218	$263	$277	$290	$305
Services and Supplies	$351	$368	$385	$404	$424
Needs Analysis					
Staffing Improvements	$ 40	$ 73	$ 75	$ 77	$ 79
Operational Improvements	$ 52	$ 55	$ 58	$ 61	$ 64
Capital Improvements	$115	$225	$400	$450	$400
Transfers to Reserve	$ 30	$ 50	$ 75	$100	$100
Totals	$806	$1,034	$1,270	$1,382	$1.372

Table 5-2 shows a substantial increase between the City's current budget for FY 2015–16 and the projected budget for FY 2016–17, mostly due to the augmented Needs Analysis. Total projected expenditures for the five-year planning period are approximately $5.864 million. The proposed rate structure is projected to generate total revenues that slightly exceed this amount, but as mentioned above, the cumulative revenue curve will track behind the expenditure curve at the beginning.

6. RATE DESIGN ANALYSIS

The rate design process produces rates that will generate the appropriate amount of revenue from the service class and volumetric charges and, with respect to the volumetric charges, from each customer class.

6.1 Rate Making Objectives

The rate design process is guided by the general rate-making objectives listed above, and which for the City are summarized as follows:

1. **Restructure service charges** – The current water rate structure applies the same Service Charge to all metered customers regardless of meter size. Meter size is a reasonable proxy for estimating the relative benefit each customer derives from the existence and overall capacity of the entire water system. Large service connections have greater hydraulic capacity than small service connections, so they benefit more even if their actual consumption is less than their hydraulic capacity. However, a reduced version of the flat service charge will remain to account for billing and account maintenance, which is independent of meter size.

Maintain the proportions between fixed service charges and variable service charges – Under the existing rate structure, the Water Enterprise derives approximately 80 percent of its revenue from the base rate (not including internal transfers, etc.) and 20 percent from consumption charges. Under the proposed rate structure (not include CIP charges), approximately 54 percent of the revenue will come from the base rate and 46 percent from consumption charges. If the CIP is accepted and included in the proposed rate structure, 57percent will come from the base rate and 43 percent from consumption charges.

The City's rate-making objectives are consistent with industry standards and practices by retail water agencies in California. The effect of this strategy will be to hold down service charges for smaller connections and increase service charges for larger connections. This tends to benefit the single-family residential customer class, but it also leads to a more equitable distribution of charges.

6.2 Service and Customer Classes

The distribution of service connections by size and customer class for the purpose of rate design is shown in Table 6-1. Due to uncertainties in the data, and to simplify the water rate structure, certain service sizes listed in Table 6-1 above have been grouped together. For this analysis, 5/8″, 3/4″, and 1″ services will be grouped together as 1″ services; 1½″and 2″ services will be grouped together as 2″ services; and, 3″ and 4″ services will be grouped together as 4″ services.

Table 6-1
Distribution of Services by Size and Customer Class for Rate Structure Design

Size	1"	2"	4"	6"	8"	Totals
	2,505	60	10	3	0	2,578

6.3 Expenditure Types

The total cost to operate, maintain, and expand a water system includes "variable costs", which are proportional to water consumption; "fixed costs," which are unrelated to water consumption; and, "composite costs," which have a variable component and a fixed component. For example, the cost for electricity to pump water and the cost of chemicals to maintain water quality are both directly related to water consumption, and are thus variable costs. Conversely, the cost to maintain liability insurance and the cost to replace a fire hydrant are both unrelated to water consumption, and are thus fixed costs.

Two related examples of composite costs are equipment maintenance and the maintenance staff needed to perform the work. Certain maintenance activities are unrelated to the amount of water used (e.g. repainting equipment to inhibit corrosion), while other maintenance activities are directly related to the amount of water used (e.g. replacing worn-out parts inside a pump, because wear increases with usage). Still other maintenance activities might also be a bit of both.

Composite costs exist because of the way the City (like most water purveyors) tracks expenditures. The Water Enterprise Chart of Accounts has just one-line item for Equipment Maintenance and the 15 line items for Personnel Services are for employment costs (salaries, overtime, insurance, etc.). It is simply not practical to subdivide every expenditure line item into its variable and fixed components and then accurately track these separate components, especially retroactively for the sole purpose of providing data for this Water Rate Study.

Water Operations staff and Quad Knopf worked closely together to categorize each expenditure line item as variable, fixed, or composite, including both regular expenses and proposed future capital and other expenses. For composite costs, this included estimating the percentage of each line item that is variable.

7. PROPOSED RATE STRUCTURE

Projected water rates for the next five years are shown in Tables 7-1 and 7–2. This rate structure model is sufficient to fund the City's Water Enterprise over the 5-year study period, including adding an average of $3.1 million in capital improvements, $0.3 million in staffing improvements, $0.15 million in operational improvements, and $0.9 million to the Reserve Fund.

RATES w/o CIP & 2016 = Current Rates

Table 7-1A
Current and Proposed Water Rates for Single-Family Residences

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.79 $17.09	$16.00	$16.80	$17.64	$18.52	$19.45
1-1/2" meters 2" meters	$17.82 $18.31	$24.00	$25.20	$26.46	$27.78	$29.17
3" meters 4" meters	$23.70 $26.97	$40.00	$42.00	$44.10	$46.31	$48.63
6" meters 8" meters	$33.07 $45.09	$64.00	$67.20	$70.56	$74.09	$77.79
WATER CONSUMPTION RATE (per 100 cubic foot)						
Per units of 100 C.F. over base rate	$0.226	$0.600	$0.630	$0.662	$0.695	$0.730

Note: The current base volume is 2,000 cubic feet; the proposed base volume is 1,500 cubic feet.

Table 7-1B
Current and Proposed Water Rates for Multi-Family Residences

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.02 $16.33	$16.00	$16.80	$17.64	$18.52	$19.45
1-1/2" meters 2" meters	$17.06 $17.54	$24.00	$25.20	$26.46	$27.78	$29.17
3" meters 4" meters	$22.94 $26.18	$40.00	$42.00	$44.10	$46.31	$48.63
6" meters 8" meters	$32.31 $44.31	$64.00	$67.20	$70.56	$74.09	$77.79
WATER CONSUMPTION RATE (per 100 cubic foot)						
Per units of 100 C.F. over base rate	$0.226	$0.600	$0.630	$0.662	$0.695	$0.730

Note: The current base volume is 2,000 cubic feet; the proposed base volume is 1,500 cubic feet.

Table 7-1C
Current and Proposed Water Rates for Commercial/Industrial

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.79 $17.09	$16.00	$16.80	$17.64	$18.52	$19.45
1-1/2" meters 2" meters	$17.82 $18.31	$24.00	$25.20	$26.46	$27.78	$29.17
3" meters 4" meters	$23.70 $26.97	$40.00	$42.00	$44.10	$46.31	$48.63
6" meters 8" meters	$33.07 $45.09	$64.00	$67.20	$70.56	$74.09	$77.79
WATER CONSUMPTION RATE (per 100 cubic foot)						
Per units of 100 C.F. over base rate	$0.226	$0.600	$0.630	$0.662	$0.695	$0.730

Note: The current base volume is 2,000 cubic feet; the proposed base volume is 1,500 cubic feet.

RATES w/ CIP & 2016 = Current Rates

Table 7-2A

Current and Proposed Water Rates for Single-Family Residences

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.79 $17.09	$20.00	$21.00	$23.10	$25.41	$27.32
1-1/2" meters 2" meters	$17.82 $18.31	$32.00	$33.60	$36.96	$40.66	$43.71
3" meters 4" meters	$23.70 $26.97	$50.00	$52.50	$57.75	$63.53	$68.29
6" meters 8" meters	$33.07 $41.87	$80.00	$84.00	$92.40	$101.64	$109.26
WATER CONSUMPTION RATE (per cubic foot)						
Per units of 100 C.F. over base rate	$0.00226	$0.00650	$0.00699	$0.00769	$0.00865	$0.00930

Note: The current Over Usage threshold is 2,000 cubic feet; the proposed threshold is 1,500 cubic feet.

Table 7-2B
Current and Proposed Water Rates for Multi-Family Residences

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.02 $16.33	$20.00	$21.00	$23.10	$25.41	$27.32
1-1/2" meters 2" meters	$17.06 $17.54	$32.00	$33.60	$36.96	$40.66	$43.71
3" meters 4" meters	$22.94 $26.18	$50.00	$52.50	$57.75	$63.53	$68.29
6" meters 8" meters	$32.31 $44.31	$80.00	$84.00	$92.40	$101.64	$109.26
WATER CONSUMPTION RATE (per 100 cubic foot)						
Per units of 100 C.F. over base rate	$0.226	$0.650	$0.699	$0.769	$0.865	$0.930

Note: The current base volume is 2,000 cubic feet; the proposed base volume is 1,500 cubic feet.

Table 7-2C
Current and Proposed Water Rates for Commercial/Industrial

	Jan. 1, 2016 (current)	Jan. 1, 2017 (proposed)	Jan. 1, 2018 (proposed)	Jan. 1, 2019 (proposed)	Jan. 1, 2020 (proposed)	Jan. 1, 2021 (proposed)
BASE RATE (per month)						
3/4"×5/8" meters 1" meters	$16.79 $17.09	$20.00	$21.00	$23.10	$25.41	$27.32
1-1/2" meters 2" meters	$17.82 $18.31	$32.00	$33.60	$36.96	$40.66	$43.71
3" meters 4" meters	$23.70 $26.97	$50.00	$52.50	$57.75	$63.53	$68.29
6" meters 8" meters	$33.07 $45.09	$80.00	$84.00	$92.40	$101.64	$109.26
WATER CONSUMPTION RATE (per 100 cubic foot)						
Per units of 100 C.F. over base rate	$0.226	$0.650	$0.699	$0.769	$0.865	$0.930

Note: The current base volume is 2,000 cubic feet; the proposed base volume is 1,500 cubic feet.

8. FINANCIAL PLANNING AND MANAGEMENT

Annually, the City adopts a budget for the upcoming fiscal year. The adopted budget serves as not only a spending plan but also an information resource for the public about the City's financial strategies and provides documentation for other financial-related matters such as audits, loan, and grants. The budget is also a valuable resource for reviewing multiple year spending trends.

The City-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

8.1 Key Financial Plan Objectives

The establishment of a sustainable water rate should mirror the already established financial policies and strategies of the City. According to the most recently adopted budget, the City has the following budget strategies:

1. **Strategic Focus** – The City's financial management should be strategic, reflecting the Council's and the community's priorities for service while providing resources that realistically fund routine operations.
2. **Fiscal control and accountability** – The City's financial activities should be fiscally sound and accountable to the City Council through the City Manager.
3. **Clarity** – The City's financial planning and reporting should be clear and easy to understand so that all participants, the Council, the community, and staff can productively participate in making good decisions.
4. **Long-term Planning** – The City's financial planning should emphasize multi-year horizons to promote long-term planning of resource uses.
5. **Flexible and cost effective responses** – The City's financial management practices should encourage a mission-driven organization that responds quickly and straightforwardly to community demands. The City's management should flexibly respond to opportunities for better service, should proactively manage revenues, and should cost-effectively manage ongoing operating costs.

All of these strategies should be reflected in the development of the water rate structure in order to maintain consistent policy throughout the City's fiscal business. Adherence to these strategies has been taken into consideration during the rate study process.

Finally, the City also notes that it has guidelines that address a variety of applicable issues that directly correlate to the establishment of a water rate.

1. **Reserves –** The City will maintain reserve funds to:
    - Stabilize the City's fiscal base for anticipated fluctuations in revenues and expenditures.
    - Provide for nonrecurring, unanticipated expenditures.
    - Provide for innovative opportunities for the betterment of the community.

2. **Purchasing –** The City will maintain a purchasing policy designed to support and enhance the delivery of governmental services while seeking to obtain the maximum value for each dollar expended.

The inclusive consideration of all aspects of the City's fiscal management structure need to be included within any water rate established.

APPENDIX A – EXISTING WATER SERVICE FEES ACCORDING TO RESOLUTION 2004-6

APPENDIX A

Existing Water Service Fees according to Resolution 2004-65

WATER SERVICE FEES

The following fees shall be charged for water services provided by the City:

	MONTHLY FEE	
	8/1/04	7/1/05
Single family residential, multi-dwelling unit, service stations, garages, churches, social, fraternal, non-profit, other retail/service	12.00 **	18.50
Restaurants, cafes, drive-ins, grocery stores, bars, car washes, laundromats* (+$10.20 monthly stand-by charge)	.43/100cf	0.47
Hotels, motels, rooming units, camps, auto courts with cooking facilities (per unit)	3.25	3.50
Hotels, motels, rooming units, camps, auto courts without cooking facilities (per unit)	2.70	3.00
Industrial Uses	To be negotiated through Planning Process	
Public schools (+$14.25 monthly stand-by charge)	.65/student .43/100cf	0.70 0.46
All consumption in excess of 3,000 cubic feet	.50/100cf	0.52
Water for cleaning purposes (5 days only)	30	31.25
Construction water (+$80 and $500 deposit)	0.50/100cf	0.52
Delinquent turn-on charge (during business hours)	30	35
Delinquent turn-on charge (after business hours)	50	55
Utility Deposit for residential, garages, churches, service stations, social/fraternal/non-profit, retail/service and professional offices (per office and per unit)	75	80
Utility Deposit for restaurants, grocery, drive-ins, car washes	TWICE THE ESTIMATED MONTHLY BILL	
Account Establishment Fee	10	12.50
Swimming pool fill up fee	20	25

* Based on an average water consumption of water for months of March and April to determine monthly use.

**(Council motion provided staff discretion to adjust rates within Water, Sewer, Refuse to best meet needs as long a total does not exceed $50.25)

APPENDIX B – EXECUTIVE ORDER B-29-15

Executive Department
State of California

EXECUTIVE ORDER B-29-15

WHEREAS on January 17, 2014, I proclaimed a State of Emergency to exist throughout the State of California due to severe drought conditions; and

WHEREAS on April 25, 2014, I proclaimed a Continued State of Emergency to exist throughout the State of California due to the ongoing drought; and

WHEREAS California's water supplies continue to be severely depleted despite a limited amount of rain and snowfall this winter, with record low snowpack in the Sierra Nevada mountains, decreased water levels in most of California's reservoirs, reduced flows in the state's rivers and shrinking supplies in underground water basins; and

WHEREAS the severe drought conditions continue to present urgent challenges including: drinking water shortages in communities across the state, diminished water for agricultural production, degraded habitat for many fish and wildlife species, increased wildfire risk, and the threat of saltwater contamination to fresh water supplies in the Sacramento-San Joaquin Bay Delta; and

WHEREAS a distinct possibility exists that the current drought will stretch into a fifth straight year in 2016 and beyond; and

WHEREAS new expedited actions are needed to reduce the harmful impacts from water shortages and other impacts of the drought; and

WHEREAS the magnitude of the severe drought conditions continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the Government Code, I find that conditions of extreme peril to the safety of persons and property continue to exist in California due to water shortage and drought conditions with which local authority is unable to cope; and

WHEREAS under the provisions of section 8571 of the California Government Code, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the drought.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular Government Code sections 8567 and 8571 of the California Government Code, do hereby issue this Executive Order, effective immediately.

IT IS HEREBY ORDERED THAT:

1. The orders and provisions contained in my January 17, 2014 Proclamation, my April 25, 2014 Proclamation, and Executive Orders B-26-14 and B-28-14 remain in full force and effect except as modified herein.

SAVE WATER

2. The State Water Resources Control Board (Water Board) shall impose restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016. These restrictions will require water suppliers to California's cities and towns to reduce usage as compared to the amount used in 2013. These restrictions should consider the relative per capita water usage of each water suppliers' service area, and require that those areas with high per capita use achieve proportionally greater reductions than those with low use. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

3. The Department of Water Resources (the Department) shall lead a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns and ornamental turf with drought tolerant landscapes. The Department shall provide funding to allow for lawn replacement programs in underserved communities, which will complement local programs already underway across the state.

4. The California Energy Commission, jointly with the Department and the Water Board, shall implement a time-limited statewide appliance rebate program to provide monetary incentives for the replacement of inefficient household devices.

5. The Water Board shall impose restrictions to require that commercial, industrial, and institutional properties, such as campuses, golf courses, and cemeteries, immediately implement water efficiency measures to reduce potable water usage in an amount consistent with the reduction targets mandated by Directive 2 of this Executive Order.

6. The Water Board shall prohibit irrigation with potable water of ornamental turf on public street medians.

7. The Water Board shall prohibit irrigation with potable water outside of newly constructed homes and buildings that is not delivered by drip or microspray systems.

8. The Water Board shall direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees, and penalties, to maximize water conservation consistent with statewide water restrictions. The Water Board is directed to adopt emergency regulations, as it deems necessary, pursuant to Water Code section 1058.5 to implement this directive. The Water Board is further directed to work with state agencies and water suppliers to identify mechanisms that would encourage and facilitate the adoption of rate structures and other pricing mechanisms that promote water conservation. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

INCREASE ENFORCEMENT AGAINST WATER WASTE

9. The Water Board shall require urban water suppliers to provide monthly information on water usage, conservation, and enforcement on a permanent basis.

10. The Water Board shall require frequent reporting of water diversion and use by water right holders, conduct inspections to determine whether illegal diversions or wasteful and unreasonable use of water are occurring, and bring enforcement actions against illegal diverters and those engaging in the wasteful and unreasonable use of water. Pursuant to Government Code sections 8570 and 8627, the Water Board is granted authority to inspect property or diversion facilities to ascertain compliance with water rights laws and regulations where there is cause to believe such laws and regulations have been violated. When access is not granted by a property owner, the Water Board may obtain an inspection warrant pursuant to the procedures set forth in Title 13 (commencing with section 1822.50) of Part 3 of the Code of Civil Procedure for the purposes of conducting an inspection pursuant to this directive.

11. The Department shall update the State Model Water Efficient Landscape Ordinance through expedited regulation. This updated Ordinance shall increase water efficiency standards for new and existing landscapes through more efficient irrigation systems, greywater usage, onsite storm water capture, and by limiting the portion of landscapes that can be covered in turf. It will also require reporting on the implementation and enforcement of local ordinances, with required reports due by December 31, 2015. The Department shall provide information on local compliance to the Water Board, which shall consider adopting regulations or taking appropriate enforcement actions to promote compliance. The Department shall provide technical assistance and give priority in grant funding to public agencies for actions necessary to comply with local ordinances.

12. Agricultural water suppliers that supply water to more than 25,000 acres shall include in their required 2015 Agricultural Water Management Plans a detailed drought management plan that describes the actions and measures the supplier will take to manage water demand during drought. The Department shall require those plans to include quantification of water supplies and demands for 2013, 2014, and 2015 to the extent data is available. The Department will provide technical assistance to water suppliers in preparing the plans.

13. Agricultural water suppliers that supply water to 10,000 to 25,000 acres of irrigated lands shall develop Agricultural Water Management Plans and submit the plans to the Department by July 1, 2016. These plans shall include a detailed drought management plan and quantification of water supplies and demands in 2013, 2014, and 2015, to the extent that data is available. The Department shall give priority in grant funding to agricultural water suppliers that supply water to 10,000 to 25,000 acres of land for development and implementation of Agricultural Water Management Plans.

14. The Department shall report to Water Board on the status of the Agricultural Water Management Plan submittals within one month of receipt of those reports.

15. Local water agencies in high and medium priority groundwater basins shall immediately implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to Water Code section 10933. The Department shall refer noncompliant local water agencies within high and medium priority groundwater basins to the Water Board by December 31, 2015, which shall consider adopting regulations or taking appropriate enforcement to promote compliance.

16. The California Energy Commission shall adopt emergency regulations establishing standards that improve the efficiency of water appliances, including toilets, urinals, and faucets available for sale and installation in new and existing buildings.

INVEST IN NEW TECHNOLOGIES

17. The California Energy Commission, jointly with the Department and the Water Board, shall implement a Water Energy Technology (WET) program to deploy innovative water management technologies for businesses, residents, industries, and agriculture. This program will achieve water and energy savings and greenhouse gas reductions by accelerating use of cutting-edge technologies such as renewable energy-powered desalination, integrated on-site reuse systems, water-use monitoring software, irrigation system timing and precision technology, and on-farm precision technology.

STREAMLINE GOVERNMENT RESPONSE

18. The Office of Emergency Services and the Department of Housing and Community Development shall work jointly with counties to provide temporary assistance for persons moving from housing units due to a lack of potable water who are served by a private well or water utility with less than 15 connections, and where all reasonable attempts to find a potable water source have been exhausted.

19. State permitting agencies shall prioritize review and approval of water infrastructure projects and programs that increase local water supplies, including water recycling facilities, reservoir improvement projects, surface water treatment plants, desalination plants, stormwater capture, and greywater systems. Agencies shall report to the Governor's Office on applications that have been pending for longer than 90 days.

20. The Department shall take actions required to plan and, if necessary, implement Emergency Drought Salinity Barriers in coordination and consultation with the Water Board and the Department of Fish and Wildlife at locations within the Sacramento - San Joaquin delta estuary. These barriers will be designed to conserve water for use later in the year to meet state and federal Endangered Species Act requirements, preserve to the extent possible water quality in the Delta, and retain water supply for essential human health and safety uses in 2015 and in the future.

21. The Water Board and the Department of Fish and Wildlife shall immediately consider any necessary regulatory approvals for the purpose of installation of the Emergency Drought Salinity Barriers.

22. The Department shall immediately consider voluntary crop idling water transfer and water exchange proposals of one year or less in duration that are initiated by local public agencies and approved in 2015 by the Department subject to the criteria set forth in Water Code section 1810.

23. The Water Board will prioritize new and amended safe drinking water permits that enhance water supply and reliability for community water systems facing water shortages or that expand service connections to include existing residences facing water shortages. As the Department of Public Health's drinking water program was transferred to the Water Board, any reference to the Department of Public Health in any prior Proclamation or Executive Order listed in Paragraph 1 is deemed to refer to the Water Board.

24. The California Department of Forestry and Fire Protection shall launch a public information campaign to educate the public on actions they can take to help to prevent wildfires including the proper treatment of dead and dying trees. Pursuant to Government Code section 8645, $1.2 million from the State Responsibility Area Fire Prevention Fund (Fund 3063) shall be allocated to the California Department of Forestry and Fire Protection to carry out this directive.

25. The Energy Commission shall expedite the processing of all applications or petitions for amendments to power plant certifications issued by the Energy Commission for the purpose of securing alternate water supply necessary for continued power plant operation. Title 20, section 1769 of the California Code of Regulations is hereby waived for any such petition, and the Energy Commission is authorized to create and implement an alternative process to consider such petitions. This process may delegate amendment approval authority, as appropriate, to the Energy Commission Executive Director. The Energy Commission shall give timely notice to all relevant local, regional, and state agencies of any petition subject to this directive, and shall post on its website any such petition.

26. For purposes of carrying out directives 2–9, 11, 16–17, 20–23, and 25, Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are hereby suspended. This suspension applies to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions. This suspension, and those specified in paragraph 9 of the January 17, 2014 Proclamation, paragraph 19 of the April 25, 2014 proclamation, and paragraph 4 of Executive Order B-26-14, shall remain in effect until May 31, 2016. Drought relief actions taken pursuant to these paragraphs that are started prior to May 31, 2016, but not completed, shall not be subject to Division 13 (commencing with section 21000) of the Public Resources Code for the time required to complete them.

27. For purposes of carrying out directives 20 and 21, section 13247 and Chapter 3 of Part 3 (commencing with section 85225) of the Water Code are suspended.

28. For actions called for in this proclamation in directive 20, the Department shall exercise any authority vested in the Central Valley Flood Protection Board, as codified in Water Code section 8521, et seq., that is necessary to enable these urgent actions to be taken more quickly than otherwise possible. The Director of the Department of Water Resources is specifically authorized, on behalf of the State of California, to request that the Secretary of the Army, on the recommendation of the Chief of Engineers of the Army Corps of Engineers, grant any permission required pursuant to section 14 of the Rivers and Harbors Act of 1899 and codified in section 48 of title 33 of the United States Code.

29. The Department is directed to enter into agreements with landowners for the purposes of planning and installation of the Emergency Drought Barriers in 2015 to the extent necessary to accommodate access to barrier locations, land-side and water-side construction, and materials staging in proximity to barrier locations. Where the Department is unable to reach an agreement with landowners, the Department may exercise the full authority of Government Code section 8572.

30. For purposes of this Executive Order, chapter 3.5 (commencing with section 11340) of part 1 of division 3 of the Government Code and chapter 5 (commencing with section 25400) of division 15 of the Public Resources Code are suspended for the development and adoption of regulations or guidelines needed to carry out the provisions in this Order. Any entity issuing regulations or guidelines pursuant to this directive shall conduct a public meeting on the regulations and guidelines prior to adopting them.

31. In order to ensure that equipment and services necessary for drought response can be procured quickly, the provisions of the Government Code and the Public Contract Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements, are hereby suspended for directives 17, 20, and 24. Approval by the Department of Finance is required prior to the execution of any contract entered into pursuant to these directives.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of April 2015.

EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

Engineering Design & Construction Management

Survey & GIS

Urban Design & Landscape Architecture

Biology & Environmental Planning

Planning

---

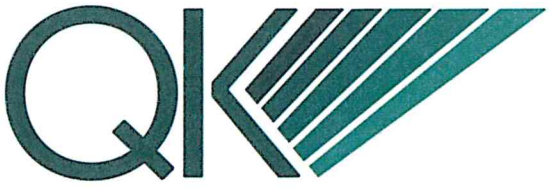
901 East Main Street
Visalia, California 93292
(559) 733-0440

6051 North Fresno Street, Suite 200
Fresno, California 93710
(559) 449-2400

3400 Douglas Boulevard, Suite 190
Roseville, California 95661
(916) 784-7823

5080 California Avenue, Suite 220
Bakersfield, California 93309
(661) 616-2600

Fremming, Parson & Pecchenino, a Quad Knopf Company
2816 Park Avenue
Merced, California 95348
(559) 723-2066,



Attachment 2

Quad Knopf

MEMO

Date: July 10, 2014

Project No.:

To: Mario Krstic

From: Tom McCurdy, Public Works Manager

Subject: Water Rate Study

cc: Steve Huntley, Finance Director

Per your request I have prepared the attached proposal to conduct a Water Rate Study for the City of Farmersville.

From the recent budget study sessions and adoption of the 2014/15 fiscal budget it has been observed that the water department's enterprise fund does not appear to be maintaining a balanced revenue and expenditure fund. It was pointed out that there has been an operational loss for three out of the last four years.

Conducting a Water Rate Study at this time should signify where the shortfalls may be and actions that can be taken to alleviate the shortfall.

In addition to the Water Rate Study it is recommended that we prepare a Water Conservation Plan. With the continuing drought conditions it is prudent to prepare and adopt a Water Conservation Plan at this time.

Please let me know if you need additional information or have questions regarding these items.

Thank you.

TMc/tmc

901 East Main Street • P.O. Box 3699 • Visalia, California 93278 • Tel (559) 733-0440 • Fax (559) 733-7821
www.quadknopf.com

Quad Knopf

July 3, 2014

Mr. Mario Krstic, Interim City Manager
City of Farmersville
901 West Visalia Road
Farmersville, California 93234

Subject: Proposal for Water Rate Study
City of Farmersville, California

Dear Mr. Krstic:

Quad Knopf is pleased to submit this proposal to conduct a Water Rate Study for the City of Farmersville. We recognize that it is crucial that the City have an adequate water rate structure in place to ensure that the City water needs are met now and in the future. As the City's representative, Quad Knopf will be an integral partner with the City to conduct, update, and assist in implementing the new water rates.

After collecting the City's current water infrastructure, operation, maintenance, and overhead costs, Quad Knopf will prepare a draft rate recommendation for review by City Staff. The study will be based on the principles established in the American Water Works Association's guideline manual, but will be simplified because of the community size. Once the City Manager and City Staff have completed their review, a final rate recommendation and report will be prepared for presentation to the City Council.

Quad Knopf will assist the City with the organization and implementation of Rule 218 notification and hearings and Council meeting, and with the implementation of the revised water rate. Quad Knopf will also assist City Staff in preparing a water conservation plan to protect and conserve it's most valuable resource, water.

The cost for the Water Rate Study, Rule 218 compliance and assist with the Water Conservation Plan will be a fixed fee of $24,000. This includes attendance at two City Council meetings.

If you have any questions regarding this proposal, please contact me at (559) 733-0440.

Sincerely,

Joel R. Joyner, P.E., PLS
Principal Engineer

Michael Knopf
Visalia Branch Manager