



AGENDA NO: C-1

MEETING DATE: April 25, 2017

ADDENDUM TO STAFF REPORT

To: Honorable Mayor and City Council
From: Mike Nunley, PE – Water Reclamation Facility (WRF) Program Manager
Date: April 25, 2017
Subject: DISCUSSION OF PRELIMINARY FINDINGS FROM THE DRAFT SEWER AND RATE STUDY UPDATE

The working draft of the rate study is now available. This working draft provides the assumption and associated tables used in the calculation of Water and Sewer Rates needed to support the new WRF and IPR project.

City of Morro Bay



Financial & Rate Analysis for a New Water Reclamation Facility

Preliminary Draft 04/24/17



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

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Appendix A - Summary of Morro Bay Draft Master Water Reclamation Plan (March 2017)

Appendix B - California Health & Safety Code Sections 5470 - 5474 (Billing on Property Tax Rolls)



City of Morro Bay

Financial & Rate Analysis for a New Water Reclamation Facility

1. Background

The City of Morro Bay is located on the Central California coast in San Luis Obispo County, about 12 miles northwest of the City of San Luis Obispo. The City has a population of approximately 10,700. The City provides water and wastewater service to residents and businesses within the City.

The City is facing the need to relocate and build a new Water Reclamation Facility (WRF). In recent years, the City has identified and evaluated a number of project and site alternatives with community input. In March 2017, a Draft Master Water Reclamation Plan (MWRP) developed by Michael K. Nunley & Associates, Inc. was submitted to the City for public review. The MWRP identifies a range of project alternatives and costs. Bartle Wells Associates (BWA) was retained to develop financial and rate projections for funding the new WRF.

The City's sewer utility is a financially self-supporting enterprise. Sewer rates are the main source of revenues and typically account for over 95% of total revenues. Other revenues include interest earnings, development impact fees, and income from rentals, penalties and other miscellaneous charges. As such, sewer rates need to be set at levels adequate to fund the cost of providing service, including long-term operating and capital needs, and debt service to support the new WRF. Substantial rate increases will be needed to fund the new WRF. The level of rate increases will depend on the project alternative ultimately chosen and the type of financing secured for project funding.

2. WRF Project Cost & Funding Schedule

Table 1 summarizes cost estimates for the various project alternatives, based on cost estimates presented in the Master Water Reclamation Plan (MWRP) Draft March 2017 prepared by Michael K. Nunley & Associates, Inc. (MKN). Project costs are shown in current dollars. Actual project costs are expected to be higher accounting for construction cost inflation.

Financial and rate projections were developed for:

- A) Base Project Cost: New WRF with Secondary Treatment & No Recycled Water Project
Cost estimate: approximately \$124 million in current dollars
- B) New WRF with Advanced Treatment & Recycled Water
Cost estimate: approximately \$167 million in current dollars

Table 1 – Project Alternatives & Costs

	Alternative 0	Alternative 1	Alternative 2	Alternative 3	Alternative 4
	No Recycled Water Project	Urban Reuse	Agricultural Exchange	Indirect Potable Reuse	Indirect Potable Reuse
Estimated WRF Capital Construction Cost	\$79,350,000	\$89,710,000	\$89,710,000	\$89,710,000	\$89,710,000
Engineering/Design (WRF)	7,730,000	8,740,000	8,740,000	8,740,000	8,740,000
Procurement (4% WRF)	3,174,000	3,588,400	3,588,400	3,588,400	3,588,400
Project Admin & CM (12% WRF)	9,522,000	10,765,200	10,765,200	10,765,200	10,765,200
Permitting, monitoring, and mitigation (1% WRF)	793,500	897,100	897,100	897,100	897,100
Existing WWTP Demolition	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Property Acquisition (WRF)	300,000	300,000	300,000	300,000	300,000
Est. Recycled Water Project Capital Construction Cost	0	8,940,000	18,440,000	17,820,000	18,110,000
Engineering/Admin (RW)	0	2,630,000	5,430,000	5,250,000	5,320,000
Subtotal Program Capital Cost Opinion (Rounded)	104,200,000	128,900,000	141,200,000	140,400,000	140,700,000
Construction Contingency	19,320,000	24,040,000	26,370,000	26,220,000	26,290,000
Total Program Capital Cost Opinion	123,520,000	152,940,000	167,570,000	166,620,000	166,990,000

Notes:

1) Estimated WRF Capital Construction Cost includes the WRF Project (lift station, pipelines, and treatment plant) without any recycled water components, based on costs presented in the Draft FMP. Cost assumptions for Alternative 0 are described in **Section 7.3**, and WRF costs for Alternatives 1–4 assume the MBR option from the Draft FMP.

2) Based on estimates in the Draft FMP, the total program capital cost opinion for Alternatives 1–4 would be approximately \$2M less with the SBR option.

3) Construction contingency consists of 25% of construction cost subtotal.

Source: MKN Associates; cost estimates as of February 2017.

Tables 2 and 3 show projected schedules of project expenditures under the two project scenarios evaluated. For financial planning purposes, the tables also show project expenditures accounting for 3% annual construction cost escalation.

Table 2 – Project Funding Schedule A

Base Project Cost: New WRF with Secondary Treatment & No Recycled Water

	Prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
WRF PROJECT COST ESTIMATES							
Prelim/Procure/Permitting	2,800,000	3,000,000	5,000,000				
Engineering Design				8,000,000			
Construction Phase					50,750,000	50,750,000	
Existing WWTP Demo							3,300,000
Total	2,800,000	3,000,000	5,000,000	8,000,000	50,750,000	50,750,000	3,300,000
<i>Cumulative</i>	<i>2,800,000</i>	<i>5,800,000</i>	<i>10,800,000</i>	<i>18,800,000</i>	<i>69,550,000</i>	<i>120,300,000</i>	<i>123,600,000</i>
WRF PROJECT COST ESTIMATES WITH 3% COST ESCALATION							
Cost Escalator	1.000	1.000	1.030	1.061	1.093	1.126	1.159
Prelim/Procure/Permitting	2,800,000	3,000,000	5,150,000				
Engineering Design				8,487,000			
Construction Phase					55,456,000	57,120,000	
Existing WWTP Demo							3,826,000
Total	2,800,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000	3,826,000
<i>Cumulative</i>	<i>2,800,000</i>	<i>5,800,000</i>	<i>10,950,000</i>	<i>19,437,000</i>	<i>74,893,000</i>	<i>132,013,000</i>	<i>135,839,000</i>

Table 3 – Project Funding Schedule B

New WRF with Advanced Treatment & Recycled Water

	Prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
WRF PROJECT COST ESTIMATES							
Prelim/Procure/Permitti	2,800,000	3,000,000	5,000,000				
Engineering Design				9,000,000			
Construction Phase					71,950,000	71,950,000	
Existing WWTP Demo							3,300,000
Total	2,800,000	3,000,000	5,000,000	9,000,000	71,950,000	71,950,000	3,300,000
<i>Cumulative</i>	<i>2,800,000</i>	<i>5,800,000</i>	<i>10,800,000</i>	<i>19,800,000</i>	<i>91,750,000</i>	<i>163,700,000</i>	<i>167,000,000</i>
WRF PROJECT COST ESTIMATES WITH 3% COST ESCALATION							
Cost Escalator	1.000	1.000	1.030	1.061	1.093	1.126	1.159
Prelim/Procure/Permitti	2,800,000	3,000,000	5,150,000				
Engineering Design				9,548,000			
Construction Phase					78,622,000	80,980,000	
Existing WWTP Demo							3,826,000
Total	2,800,000	3,000,000	5,150,000	9,548,000	78,622,000	80,980,000	3,826,000
<i>Cumulative</i>	<i>2,800,000</i>	<i>5,800,000</i>	<i>10,950,000</i>	<i>20,498,000</i>	<i>99,120,000</i>	<i>180,100,000</i>	<i>183,926,000</i>

Table 4 shows a comparison of the project alternatives used in the financial analysis. The table shows by capital project costs as well as estimated operating costs for the new WRF with and without recycled water.

Table 4 – Summary of Project Alternatives Used in Financial Analysis

	New WRF Secondary Treatment No Recycling	New WRF Advanced Treatment With Recycling
Project Cost (Current \$)	\$123,600,000	\$167,000,000
Operating Costs (Current \$)		
Secondary Treatment	2,400,000	2,400,000
Advanced Treatment	<u>0</u>	<u>600,000</u>
Total Annual Costs	2,400,000	3,000,000
Project Cost (Escalated \$)	\$135,839,000	\$183,974,000
Operating Costs (Escalated \$)		
Secondary Treatment	2,782,000	2,782,000
Advanced Treatment	<u>0</u>	<u>696,000</u>
Total Annual Costs	2,782,000	3,478,000

3. Incremental Cost of Advanced Treatment & Recycling

Table 5 calculates the incremental cost between the base WRF project and the full project alternative with advanced treatment and indirect potable water recycling facilities. Account for estimated construction cost inflation, the recycled water facilities are projected to add approximately \$48 million to the base project cost.

The recycled water facilities also put the project in better position to be able to obtain grant funding. No grant funding is currently included in this financial analysis. However, the City has retained Kestrel Consulting, a grant specialist, in an effort to maximize grant funding.

Table 5 – Incremental Cost of Advanced Treatment & Recycling

	Prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
CURRENT \$								
Base Project Cost								
Current \$	2,800,000	3,000,000	5,000,000	8,000,000	50,750,000	50,750,000	3,300,000	123,600,000
Project Cost with Indirect Potable Recycling								
Current \$	2,800,000	3,000,000	5,000,000	9,000,000	71,950,000	71,950,000	3,300,000	167,000,000
Incremental Difference								
Current \$	0	0	0	1,000,000	21,200,000	21,200,000	0	43,400,000
ESCALATED \$								
Base Project Cost								
Escalated \$	2,800,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000	3,826,000	135,839,000
Project Cost with Indirect Potable Recycling								
Escalated \$	2,800,000	3,000,000	5,150,000	9,548,000	78,622,000	80,980,000	3,826,000	183,926,000
Incremental Difference								
Escalated \$	0	0	0	1,061,000	23,166,000	23,860,000	0	48,087,000

The Base Project: New WRF with Secondary Treatment is needed exclusively to provide wastewater treatment service to the City’s sewer customers. As such, these Base Project costs would be funded by the City’s sewer rates.

The incremental project costs -- for the increase to advanced treatment, water recycling, and groundwater recharge – primarily benefit the City’s water customers by improving water supply

reliability and providing a local source of water supply. A potential future transition to local water supply could reduce the City's reliance on imported water supply from the State Water Project purchased through the Central Coast Water Authority. Cost savings associated with potentially discontinuing the purchase of some or all of the City's current State Water contract supply is not included in this financial analysis.

A potential transition to 100% local water supply from groundwater & recycled water could eliminate the City's future State Water contract costs but could also increase costs for groundwater treatment. In the near term, such a transition is not expected result in any net cost savings. However, over the longer term, the cost of State Water contract supply is expected to increase substantially due to the cost of the Bay Delta Conservation Plan. Very preliminary draft estimates for potential construction of a peripheral canal, or tunnels to divert water around the delta, indicate the cost could be in the range of \$25 billion. This would substantially increase the fixed costs for state water contract supply. While the transition to 100% local water supply might not pencil out in the near term, it could pencil out in the longer term as the cost of state water contract supply substantially escalates. The City can evaluate the potential costs and benefits of transitioning its water supply in future years, when better information becomes available.

4. Financing & Debt Service Estimates

Table 6 shows debt service estimates per each \$10 million of project funding from the Clean Water State Revolving Fund (SRF) Financing Program and the Water Infrastructure Finance and Innovation Act (WIFIA) Financing Program. These programs offer subsidized, low-interest-rate funding programs. The City is actively pursuing funding from these low-cost funding programs. Annual debt service with SRF and WIFIA is estimated at roughly \$475,000 per year for each \$10 million of project funding. The estimates are based on slightly conservative assumptions of interest rates. Actual interest rates are currently lower.

Table 6 – SRF/WIFIA Financing & Debt Service Estimates

	30-Year SRF Loan	35-Year WIFIA Loan
Funding Target	\$10,000,000	\$10,000,000
Loan Amount		
Project Funding ¹	10,000,000	10,000,000
Accrued Interest During Construction ²	250,000	325,000
Loan-Funded Debt Service Reserve	<u>n/a</u>	<u>Optional</u>
Total Loan Amount	10,250,000	10,325,000
Loan Terms		
Term (years)	30	35
Interest Rate ³	2.25%	3.00%
Annual Loan Payment⁴	474,000	481,000
<i>Per Each \$10 Million of Project Funding</i>		
Cash Reserve Fund Requirement⁵		
Equal to Annual Debt Service	474,000	481,000
<p>1 Some costs may not be eligible for SRF Loan funding & would require another funding source. 2 Assumes steady gradual drawdown of loan funds over two years. 3 Total net interest rate estimated for financial planning purposes; actual rate may vary. 4 First debt service payment due one year following completion of project. 5 Agencies must set aside funds to meet the SRF Reserve Requirement at least 90 days prior to project completion date.</p>		

Current SRF Rate = 1.8%

Current 20-Year SLGS Rate = 2.62%

For comparative purposes, financial and rate projections were also developed assuming standard bond financing. Table 7 shows debt service estimates per each \$10 million of project funding assuming financing via tax-exempt revenue bonds. Annual debt service for bonds is estimated at roughly \$670,000 per year for each \$10 million of project funding. For financial planning purposes, the estimates are based on slightly conservative assumptions of issuance costs and interest rates. Actual interest rates are currently lower.

Table 7 – Bond Financing & Debt Service Estimates

Assumptions		30-Year Bonds
Funding Target		\$10,000,000
Total Debt Issue		\$10,310,000
Proceeds		\$10,000,000
Issuance Costs & Reserve Requirement		
Underwriter Discount	0.60% of Issue Size	\$61,900
Issuance Costs		100,000
Bond Insurance	0.60% Ttl Debt Svc	120,800
Reserve Surety Bond	2.50% Rsrv Req	16,800
Debt Service Reserve Fund		10,500
Contingency/Rounding		
Total		310,000
Financing Terms		
Term (Years)		30
Est. Future Interest Rate		5.00%
Debt Service		
Annual Debt Service		671,000
<i>Per Each \$10 Million of Project Funding</i>		

5. Financial & Rate Projections with SRF Financing

BWA developed 10-year financial projections to evaluate annual revenue requirements and project rate increases under the base WRF and WRF with advanced treatment and recycling. The projections were based on reasonable and slightly conservative assumptions including:

- WRF Project cost and timing estimates included as shown on Tables 2 and 3. These projections include 3% annual cost escalation.
- Operating cost projections are based on the 2016/17 Budget.
- Operating cost inflation is projected at 4% per year for planning purposes.
- The projections assume a relatively low growth scenario of 5 new single family homes or equivalent units per year.
- Operating costs for the new WRF and for Advanced Treatment & Operations are based on engineering estimates provided by MKN and account for future cost inflation.
- SRF Debt Service payments are assumed to begin 2021/22, the first year after the new WRF is completed. The projections also include cash funding equal to annual debt service in 2020/21 to meet SRF's debt service reserve requirement.
- The projections assume that Cayucos Sanitary District continues to send its wastewater to the City's treatment plant and contributes 25% of the existing treatment plant's operating and capital need through 2018/19, after which Cayucos SD anticipates transitioning to its own planned treatment facility. *Note: The reduction in wastewater flow from Cayucos SD is not projected to result in a significant decrease in operating costs. Most of the wastewater treatment plant's operating and maintenance costs are fixed costs (e.g. staffing) that do not vary with changes in wastewater flow.*

Drivers of increased revenue requirements and rates include:

- Funding for the new WRF including debt service and supplemental cash funding provided as available.
- Loss of revenues from Cayucos SD starting 2019/20 with no corresponding decrease in expenses.
- New operating costs associated with advanced treatment and water recycling beginning 2021/22.
- Ongoing cost inflation.

Financial and rate projections were developed under two key project alternatives:

5.1. Base Project Cost: New WRF with Secondary Treatment & No Recycled Water

Table 8 shows a summary of financial projections under the Base Project scenario. *Table 9 on the following page shows more-detailed cash flow projections.*

Table 8 – Summary of Financial Projections: Base WRF
Base WRF Project with Secondary Treatment & No Recycling
With SRF and/or WIFIA Financing

Fiscal Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Single Family Monthly Charge	Adopted 55.00	Adopted 62.50	Adopted 70.00	Adopted 77.00	Adopted 83.00	Projected 120.00	Projected 140.00	Projected 140.00	Projected 140.00	Projected 142.50	Projected 145.00
Rate Increase %		13.6%	12.0%	10.0%	7.8%	44.6%	16.7%	0.0%	0.0%	1.8%	1.8%
Beginning Fund Reserves	\$4.6	\$5.1	\$3.6	\$3.7	\$3.8	\$4.1	\$2.9	\$3.3	\$3.6	\$3.8	\$3.9
REVENUES											
Sewer Rate Revenues	4.9	5.6	6.2	6.9	7.4	10.7	12.5	12.5	12.5	12.7	12.9
Other Revenues	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	5.0	5.7	6.3	7.0	7.5	10.8	12.6	12.6	12.6	12.8	13.0
SRF Project Proceeds			4.0	6.5	54.0	57.0	3.0				
EXPENSES											
Operating Expenses	1.4	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4
WWTP Operations (City Share)	1.7	1.8	1.9	1.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4
New WRF Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	5.9	5.9	5.9	5.9	5.9
New WRF Capital Costs	1.0	3.0	5.2	8.5	55.5	57.1	3.8	0.0	0.0	0.0	0.0
Other Capital Improvements	1.1	0.7	1.5	1.2	1.2	1.2	0.5	1.2	1.2	1.3	1.3
Total	5.2	7.1	10.2	13.4	61.2	63.1	15.2	12.2	12.5	12.7	13.0
Revenues Less Expenses	(0.2)	(1.4)	0.1	0.0	0.3	4.7	0.4	0.4	0.1	0.1	0.1
Transfer to SRF Reserve Fund	-	-	-	-	-	5.9	-	-	-	-	-
Ending Sewer Fund Reserves	4.4	3.6	3.7	3.8	4.1	2.9	3.3	3.6	3.8	3.9	3.9
SRF Debt Service Reserve						5.9	5.9	5.9	5.9	5.9	5.9
Debt Service Coverage	-	-	-	-	-	-	1.29	1.26	1.23	1.23	1.23

Table 9 - City of Morro Bay - Sewer Cash Flow Projections

New WRF No Recycling (SRF/WIFIA)

Years 1 - 5	Esc Factor	Estimated 2015/16	Budget 2016/17	Projected			
				2017/18	2018/19	2019/20	2020/21
Monthly Residential Sewer Charge		\$55.00	Adopted \$62.50	Adopted \$70.00	Adopted \$77.00	Adopted \$83.00	Projected \$120.00
Beginning Sewer Accounts			5,346	5,346	5,351	5,356	5,361
Growth: Single Family Equivalents			-	5	5	5	5
Growth %			-	0.1%	0.1%	0.1%	0.1%
Change in Billed Comm'l Sewer Use			-	0.0%	0.0%	0.0%	0.0%
Sewer Development Impact Fee	2%		\$4,750	\$4,850	\$4,950	\$5,050	\$5,150
Interest Earnings Rate			0.7%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves		\$4,565,000	\$5,071,000	\$3,644,000	\$3,745,000	\$3,791,000	\$4,084,000
REVENUES							
Sewer Service Charges		4,857,000	5,560,000	6,227,000	6,850,000	7,384,000	10,676,000
Development Impact Fees		107,000	30,000	24,000	25,000	25,000	26,000
Interest Earnings		41,000	35,000	36,000	37,000	38,000	41,000
Rental Income/Penalties/Other	2%	41,000	47,000	50,000	51,000	52,000	53,000
Subtotal		5,046,000	5,672,000	6,337,000	6,963,000	7,499,000	10,796,000
Financing Proceeds: New WRP				4,000,000	6,500,000	54,000,000	57,000,000
EXPENSES							
Operating & Maintenance							
Sewer Personnel	4%	654,000	652,000	678,000	705,000	733,000	762,000
Supplies & Services	4%	778,000	1,007,000	1,047,000	1,089,000	1,133,000	1,178,000
Wastewater Treatment Existing	4%	2,236,000	2,387,000	2,482,000	2,581,000	2,684,000	2,791,000
<i>Less Cayucos SD Share</i>		(559,000)	(597,000)	(621,000)	(645,000)	-	-
Wastewater Treatment New WRF	4%	-	-	-	-	-	-
Wastewater Treatment Advanced	4%	-	-	-	-	-	-
Subtotal		3,109,000	3,449,000	3,586,000	3,730,000	4,550,000	4,731,000
Debt Service							
SRF/WIFIA Financing for New WRF		0	0	0	0	0	0
Subtotal		0	0	0	0	0	0
Capital Improvements							
New Water Reclamation Plant		1,000,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000
Existing WWTP Capital Needs		1,112,000	200,000	200,000	200,000	200,000	200,000
<i>Less Cayucos SD Reimbursement</i>	3%	(278,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Sewer CIP Projects: Cash Funded	3%	300,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000
HydroVac/Vehicle/Equip Replacement	3%	0	0	350,000	50,000	50,000	50,000
Subtotal		2,134,000	3,650,000	6,650,000	9,687,000	56,656,000	58,320,000
Total Expenses		5,243,000	7,099,000	10,236,000	13,417,000	61,206,000	63,051,000
Revenues Less Expenses		(197,000)	(1,427,000)	101,000	46,000	293,000	4,745,000
Transfer to SRF Reserve Req't		0	0	0	0	0	5,914,000
Ending Fund Reserves		4,368,000	3,644,000	3,745,000	3,791,000	4,084,000	2,915,000
Ending SRF Debt Service Reserves		0	0	0	0	0	5,914,000
Min Fund Rsrv Target (25% O&M + \$1M)		1,777,000	1,862,000	1,897,000	1,933,000	2,138,000	2,183,000
Debt Service Coverage		-	-	-	-	-	-

Table 9 - City of Morro Bay - Sewer Cash Flow Projections

New WRF No Recycling (SRF/WIFIA)

Years 6 - 10	Projected				
	2021/22	2022/23	2023/24	2024/25	2025/26
Monthly Residential Sewer Charge	Projected \$140.00	Projected \$140.00	Projected \$140.00	Projected \$142.50	Projected \$145.00
Beginning Sewer Accounts	5,366	5,371	5,376	5,381	5,386
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Billed Comm'l Sewer Use	0.0%	0.0%	0.0%	0.0%	0.0%
Sewer Development Impact Fee	\$5,250	\$5,360	\$5,470	\$5,580	\$5,690
Interest Earnings Rate	1.0%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves	\$2,915,000	\$3,273,000	\$3,632,000	\$3,755,000	\$3,854,000
REVENUES					
Sewer Service Charges	12,455,000	12,455,000	12,455,000	12,677,000	12,899,000
Development Impact Fees	26,000	27,000	27,000	28,000	28,000
Interest Earnings	32,000	36,000	39,000	40,000	41,000
Rental Income/Penalties/Other	54,000	55,000	56,000	57,000	58,000
Subtotal	12,567,000	12,573,000	12,577,000	12,802,000	13,026,000
Financing Proceeds: New WRP	3,000,000				
EXPENSES					
Operating & Maintenance					
Sewer Personnel	792,000	824,000	857,000	891,000	927,000
Supplies & Services	1,225,000	1,274,000	1,325,000	1,378,000	1,433,000
Wastewater Treatment Existing (1/2 year)	1,450,000	-	-	-	-
<i>Less Cayucos SD Share</i>	-	-	-	-	-
Wastewater Treatment New WRF	1,500,000	3,000,000	3,120,000	3,245,000	3,375,000
Wastewater Treatment Advanced	-	-	-	-	-
Subtotal	4,967,000	5,098,000	5,302,000	5,514,000	5,735,000
Debt Service					
SRF/WIFIA Financing for New WRF	5,914,000	5,914,000	5,914,000	5,914,000	5,914,000
Subtotal	5,914,000	5,914,000	5,914,000	5,914,000	5,914,000
Capital Improvements					
Demo of Existing WWTP	3,826,000	0	0	0	0
Existing WWTP Capital Needs	0	0	0	0	0
<i>Less Cayucos SD Share for Outfall</i>	(50,000)	(52,000)	(54,000)	(56,000)	(58,000)
Sewer CIP Projects: Cash Funded	500,000	1,200,000	1,236,000	1,273,000	1,311,000
HydroVac/Vehicle/Equip Replacement	52,000	54,000	56,000	58,000	60,000
Subtotal	4,328,000	1,202,000	1,238,000	1,275,000	1,313,000
Total Expenses	15,209,000	12,214,000	12,454,000	12,703,000	12,962,000
Revenues Less Expenses	358,000	359,000	123,000	99,000	64,000
Transfer for SRF Reserve Requirement	0	0	0	0	0
Ending Fund Reserves	3,273,000	3,632,000	3,755,000	3,854,000	3,918,000
Ending SRF Debt Service Reserves	5,914,000	5,914,000	5,914,000	5,914,000	5,914,000
Min Fund Rsrv Target (25% O&M + \$1M)	2,242,000	2,275,000	2,326,000	2,379,000	2,434,000
Debt Service Coverage	1.29	1.26	1.23	1.23	1.23

5.2. New WRF with Advanced Treatment & Recycled Water Project

Table 10 shows a summary of financial projections with the addition of Advanced Treatment and Recycled Water. *Table 11 on the following page shows more-detailed projections.* This version of financial projections includes increased project costs for advanced treatment and recycled water, increased debt financing and debt service requirements, and a corresponding contribution for the incremental costs from the City’s water utility. In addition to the sewer rate increases shown, the City’s water rates would also need to increase to fund the water utility’s share of project costs in excess of the base project costs shown above.

Table 10 – Summary of Financial Projections: WRF with Recycling
 New WRF with Advanced Treatment & Recycled Water Project
 With SRF and/or WIFIA Financing

Fiscal Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	Adopted	Adopted	Adopted	Adopted	Adopted	Projected	Projected	Projected	Projected	Projected	Projected
Single Family Monthly Charge	55.00	62.50	70.00	77.00	83.00	120.00	140.00	140.00	142.50	145.00	147.50
Rate Increase %		13.6%	12.0%	10.0%	7.8%	44.6%	16.7%	0.0%	1.8%	1.8%	1.7%
Beginning Fund Reserves	\$4.6	\$5.1	\$3.6	\$3.8	\$2.8	\$3.9	\$2.8	\$2.7	\$2.9	\$3.0	\$3.1
REVENUES											
Sewer Rate Revenues	4.9	5.6	6.2	6.9	7.4	10.7	12.5	12.5	12.8	13.0	13.2
Other Revenues	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Water Rate Contribution	0.0	0.0	0.0	0.0	0.0	2.3	3.0	3.0	3.0	3.1	3.1
Total	5.0	5.7	6.3	7.0	7.5	13.1	15.6	15.7	15.9	16.2	16.5
SRF Project Proceeds			4.0	6.5	78.0	80.9	3.0				
Water Fund Contribution						2.3	3.0	3.0	3.0	3.1	3.1
EXPENSES											
Operating Expenses	1.4	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4
WWTP Operations (City Share)	1.7	1.8	1.9	1.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4
Advanced Treatment/Recycling	-	-	-	-	-	-	0.7	0.7	0.8	0.8	0.8
Debt Service	-	-	-	-	-	-	8.2	8.2	8.2	8.2	8.2
Base WRF Capital Costs	1.0	3.0	5.2	8.5	55.5	57.1	3.8	0.0	0.0	0.0	0.0
Adv Trtmnt & Recycling Project	0.0	0.0	0.0	1.1	23.2	23.9	0.0	0.0	0.0	0.0	0.0
Other Capital Improvements	1.1	0.7	1.5	1.2	1.2	1.2	1.0	1.5	1.5	1.6	1.6
Total	5.2	7.1	10.2	14.5	84.4	86.9	18.7	15.5	15.8	16.1	16.4
Revenues Less Expenses	(0.2)	(1.4)	0.1	(1.0)	1.1	9.4	2.9	3.1	3.2	3.2	3.2
Transfer to SRF Reserve Fund	-	-	-	-	-	8.2	-	-	-	-	-
Ending Sewer Fund Reserves	4.4	3.6	3.8	2.8	3.9	2.8	2.7	2.9	3.0	3.1	3.2
Debt Service Coverage	-	-	-	-	-	-	1.21	1.20	1.20	1.21	1.21

Table 11 - City of Morro Bay - Sewer Cash Flow Projections

New WRF with Recycling (SRF/WIFIA)

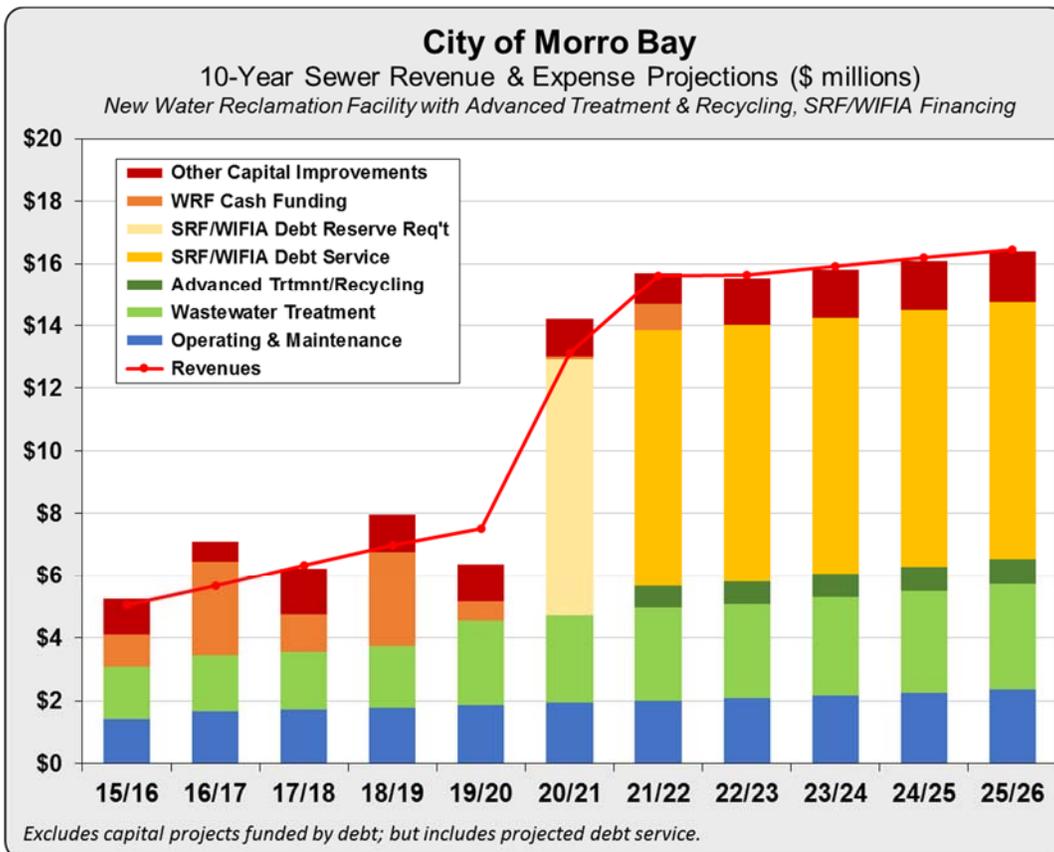
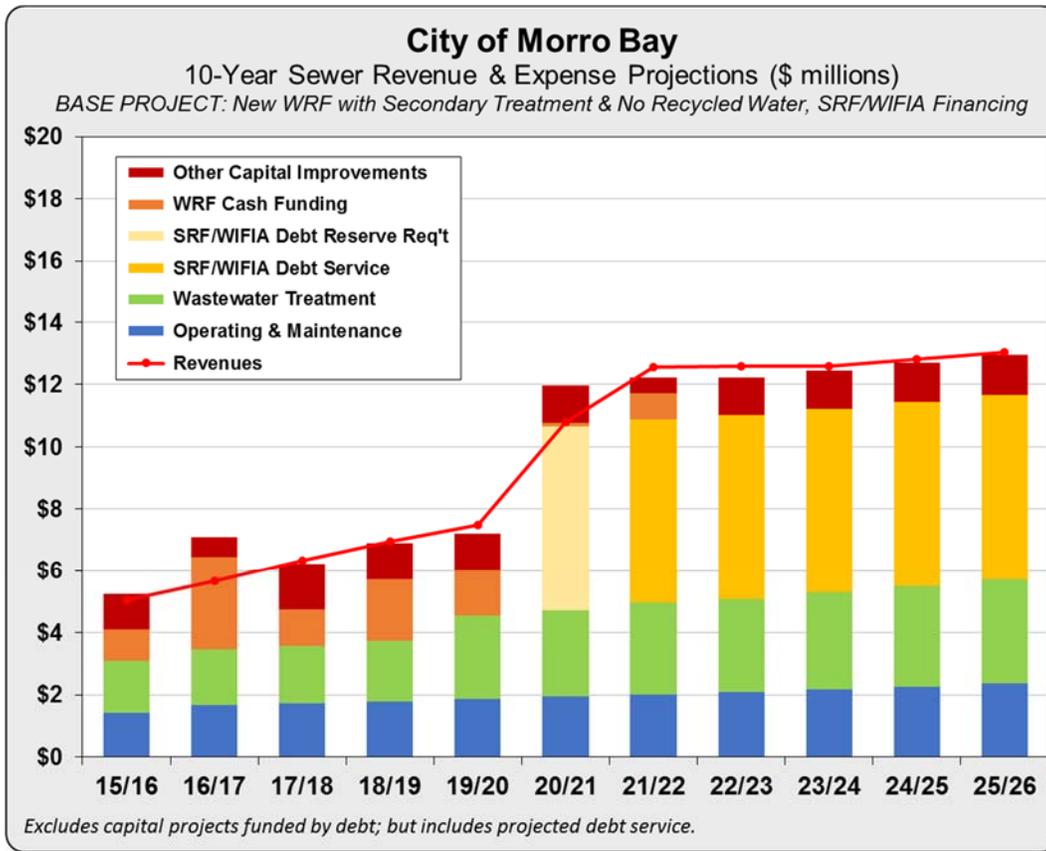
Years 1 - 5	Esc Factor	Estimated 2015/16	Budget 2016/17	Projected			
				2017/18	2018/19	2019/20	2020/21
			Adopted	Adopted	Adopted	Adopted	Projected
Monthly Residential Sewer Charge		\$55.00	\$62.50	\$70.00	\$77.00	\$83.00	\$120.00
Beginning Sewer Accounts			5,346	5,346	5,351	5,356	5,361
Growth: Single Family Equivalents			-	5	5	5	5
Growth %			-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	2%		\$4,750	\$4,850	\$4,950	\$5,050	\$5,150
Interest Earnings Rate			0.7%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves		\$4,565,000	\$5,071,000	\$3,644,000	\$3,751,000	\$2,750,000	\$3,888,000
REVENUES							
Sewer Service Charges		4,857,000	5,560,000	6,233,000	6,863,000	7,405,000	10,716,000
Development Impact Fees		107,000	30,000	24,000	25,000	25,000	26,000
Interest Earnings		41,000	35,000	36,000	38,000	28,000	39,000
Rental Income/Penalties/Other	2%	41,000	47,000	50,000	51,000	52,000	53,000
Subtotal		5,046,000	5,672,000	6,343,000	6,977,000	7,510,000	10,834,000
Financing Proceeds: New WRF				4,000,000	6,500,000	78,000,000	80,900,000
<u>Water Fund Contribution</u>							
SRF Debt Service & Rsrv Req't							2,284,000
Advanced Treatment & Recycling							-
EXPENSES							
Operating & Maintenance							
Sewer Personnel	4%	654,000	652,000	678,000	705,000	733,000	762,000
Supplies & Services	4%	778,000	1,007,000	1,047,000	1,089,000	1,133,000	1,178,000
Wastewater Treatment Existing	4%	2,236,000	2,387,000	2,482,000	2,581,000	2,684,000	2,791,000
Less Cayucos SD Reimbursements	4%	(559,000)	(597,000)	(621,000)	(645,000)	-	-
Wastewater Treatment New WRF	4%	-	-	-	-	-	-
Advanced Treatment & Recycling	4%	-	-	-	-	-	-
Subtotal		3,109,000	3,449,000	3,586,000	3,730,000	4,550,000	4,731,000
Debt Service							
SRF/WIFIA Financing for New WRF		0	0	0	0	0	0
Subtotal		0	0	0	0	0	0
Capital Improvements							
Base WRF Project		1,000,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000
Advanced Treatment & Recycling			0	0	1,061,000	23,166,000	23,860,000
Existing WWTP Capital Needs		1,112,000	200,000	200,000	200,000	200,000	200,000
Less Cayucos SD Reimbursement	3%	(278,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Sewer CIP Projects: Cash Funded	3%	300,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000
HydroVac/Vehicle/Equip Replacement	3%	0	0	350,000	50,000	50,000	50,000
Subtotal		2,134,000	3,650,000	6,650,000	10,748,000	79,822,000	82,180,000
Total Expenses		5,243,000	7,099,000	10,236,000	14,478,000	84,372,000	86,911,000
Revenues Less Expenses		(197,000)	(1,427,000)	107,000	(1,001,000)	1,138,000	7,107,000
Transfer to SRF Reserve Req't		0	0	0	0	0	8,189,000
Ending Fund Reserves		4,368,000	3,644,000	3,751,000	2,750,000	3,888,000	2,806,000
Ending SRF Debt Service Reserves		0	0	0	0	0	8,189,000
Debt Service Coverage		-	-	-	-	-	-

Table 11 - City of Morro Bay - Sewer Cash Flow Projections

New WRF with Recycling (SRF/WIFIA)

Years 6 - 10	Projected				
	2021/22	2022/23	2023/24	2024/25	2025/26
Monthly Residential Sewer Charge	Projected \$140.00	Projected \$140.00	Projected \$142.50	Projected \$145.00	Projected \$147.50
Beginning Sewer Accounts	5,366	5,371	5,376	5,381	5,386
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,250	\$5,360	\$5,470	\$5,580	\$5,690
Interest Earnings Rate	1.0%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves	\$2,806,000	\$2,731,000	\$2,864,000	\$2,986,000	\$3,090,000
REVENUES					
Sewer Service Charges	12,514,000	12,526,000	12,762,000	12,998,000	13,234,000
Development Impact Fees	26,000	27,000	27,000	28,000	28,000
Interest Earnings	31,000	30,000	31,000	33,000	34,000
Rental Income/Penalties/Other	54,000	55,000	56,000	57,000	58,000
Subtotal	12,625,000	12,638,000	12,876,000	13,116,000	13,354,000
Financing Proceeds: New WRP	3,000,000				
<u>Water Fund Contribution</u>					
SRF Debt Service & Rsrv Req't	2,284,000	2,284,000	2,284,000	2,284,000	2,284,000
Advanced Treatment & Recycling	700,000	728,000	757,000	787,000	818,000
EXPENSES					
Operating & Maintenance					
Sewer Personnel	792,000	824,000	857,000	891,000	927,000
Supplies & Services	1,225,000	1,274,000	1,325,000	1,378,000	1,433,000
Wastewater Treatment Existing (1/2 year)	1,450,000	-	-	-	-
Less Cayucos SD Reimbursements	-	-	-	-	-
Wastewater Treatment New WRF	1,500,000	3,000,000	3,120,000	3,245,000	3,375,000
Advanced Treatment & Recycling	700,000	728,000	757,000	787,000	818,000
Subtotal	5,667,000	5,826,000	6,059,000	6,301,000	6,553,000
Debt Service					
SRF/WIFIA Financing for New WRF	8,189,000	8,189,000	8,189,000	8,189,000	8,189,000
Subtotal	8,189,000	8,189,000	8,189,000	8,189,000	8,189,000
Capital Improvements					
Demo of Existing WWTP	3,826,000	0	0	0	0
Advanced Treatment & Recycling	0	0	0	0	0
Existing WWTP Capital Needs	0	0	0	0	0
Less Cayucos SD Reimb for Outfall	(50,000)	(52,000)	(54,000)	(56,000)	(58,000)
Sewer CIP Projects: Cash Funded	1,000,000	1,500,000	1,545,000	1,591,000	1,639,000
HydroVac/Vehicle/Equip Replacement	52,000	54,000	56,000	58,000	60,000
Subtotal	4,828,000	1,502,000	1,547,000	1,593,000	1,641,000
Total Expenses	18,684,000	15,517,000	15,795,000	16,083,000	16,383,000
Revenues Less Expenses	(75,000)	133,000	122,000	104,000	73,000
Transfer for SRF Reserve Requirement	0	0	0	0	0
Ending Fund Reserves	2,731,000	2,864,000	2,986,000	3,090,000	3,163,000
Ending SRF Debt Service Reserves	8,189,000	8,189,000	8,189,000	8,189,000	8,189,000
Debt Service Coverage	1.21	1.20	1.20	1.21	1.21

The following charts shows a breakdown of projected expenses along with projected revenues under the Base Project scenario on top and with advanced treatment and recycling below.



6. Rate Projections with SRF Financing

6.1. Base Project Cost: New WRF with Secondary Treatment & No Recycled Water

Table 12 shows the City's previously adopted sewer rates through fiscal year 2019/20 along with the projected maximum rate needed for funding the new WRF and projected future operating, maintenance, and capital improvement expenses.

Table 12 – Sewer Rate Projections: Base WRF
 New WRF with Secondary Treatment & No Recycled Water
 With SRF and/or WIFIA Financing

	Current 2016/17	Adopted 2017/18	Adopted 2018/19	Adopted 2019/20	Projected Max Rate
<u>PROJECTED SEWER RATES</u>					
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family	\$62.50	\$70.00	\$77.00	\$83.00	\$140.00
Multi-Family/Condo	50.00	56.00	61.60	66.40	112.00
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength	\$7.95	\$9.37	\$10.57	\$11.40	\$19.23
Class B - Domestic Strength	9.65	11.29	12.67	13.61	22.96
Class C - Moderate Strength	11.86	13.50	14.89	15.82	26.69
Class D - Mod-High Strength	14.18	15.78	17.13	18.03	30.42
Class E - High Strength	17.84	19.75	21.36	22.46	37.88
Minimum Monthly Charge	50.00	56.00	61.60	66.40	112.00

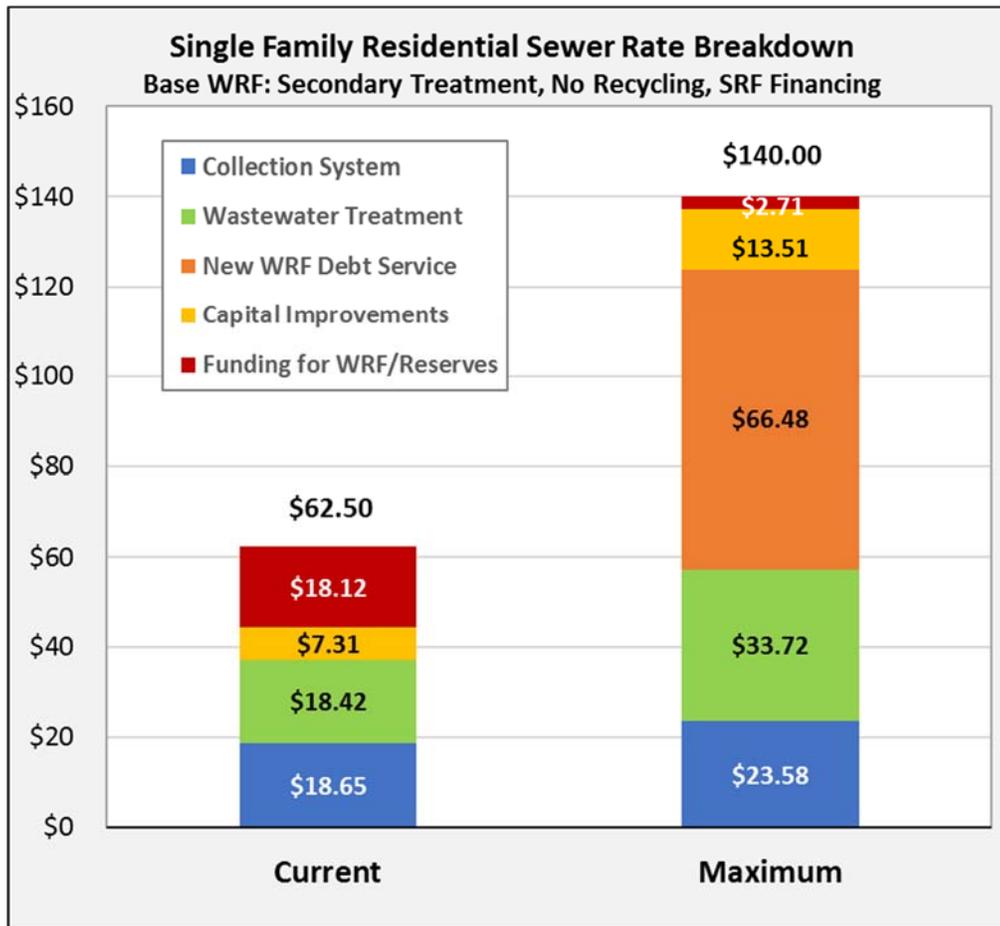
Note: 1 hcf = 100 cubic feet = approximately 748 gallons

Table 13 shows an estimated breakdown of the components of current and projected maximum sewer rates. The chart below the table shows a graphical breakdown.

Table 13 – Sewer Rate Components: Base WRF
With SRF and/or WIFIA Financing

	2016/17	2022/23
	Current	First full year of new WRF operation
Sewer Collection System O&M	\$18.65	\$23.58
Wastewater Treatment O&M*	18.42	33.72
SRF/WIFIA Debt Service	0.00	66.48
Sewer Capital Improvements/Equipment	7.31	13.51
Funding Generated for New WRF/Reserves	<u>18.12</u>	<u>2.71</u>
Total	62.50	140.00

* Current year wastewater treatment O&M is net of 25% cost-sharing by Cayucos SD



The proposed maximum rates would need to be adopted before financing can be obtained, whether from SRF or from bonds or other funding programs, in order to provide adequate repayment security for any debt issuance.

The proposed rate is a maximum rate that the City can phase in. Based on the financial projections, the maximum rate would need be implemented by 2021/22, the first year of SRF debt service.

The proposed rates are based on a number of assumptions including assumption about project cost, debt financing, and future operations. As such, rates can be re-evaluated in future years and only increased as needed to meet the City’s sewer enterprise revenue requirements

6.2. New WRF with Advanced Treatment & Recycled Water Project

The projected maximum sewer rates would be the same under the full project alternative with water recycling. However, since the incremental costs would need to be recovered from the City’s water utility, the incremental difference in funding needs would also require increases to the City’s water rates. Table 14 shows WRF Project funding sources including a breakdown of funding requirement from water vs. sewer rates.

Table 14 – WRF Project Funding Sources
With Breakdown of Water vs. Sewer Funding Sources

	Prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
WRF Project Expenses								
Base WRF Project	2,800,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000	3,826,000	135,839,000
Adv Treatment & Recycling	0	0	0	1,061,000	23,166,000	23,860,000	0	48,087,000
Subtotal	2,800,000	3,000,000	5,150,000	9,548,000	78,622,000	80,980,000	3,826,000	183,926,000
Funding Sources								
SRF Proceeds, Sewer	0	0	4,000,000	5,439,000	54,834,000	57,040,000	3,000,000	124,313,000
SRF Proceeds, Water	0	0	0	1,061,000	23,166,000	23,860,000	0	48,087,000
Subtotal SRF	0	0	4,000,000	6,500,000	78,000,000	80,900,000	3,000,000	172,400,000
Cash Funding, Sewer	2,800,000	3,000,000	1,150,000	3,048,000	622,000	80,000	826,000	11,526,000
Total	2,800,000	3,000,000	5,150,000	9,548,000	78,622,000	80,980,000	3,826,000	183,926,000

Table 15 allocates debt service under the full project cost alternative with recycling to recovery from water vs. sewer rates.

Table 15 – SRF Debt Service Allocation
With Allocation to Water vs. Sewer Funding Requirements

	\$ Amount	% of Total
SRF Funding Allocation		
Sewer: Base WRF Project	\$124,313,000	72.1%
Water: Adv Treatment & Recycling	48,087,000	27.9%
Total	172,400,000	100.0%
SRF Debt Service Allocation		
Sewer: Base WRF Project	5,904,868	72.1%
Water: Adv Treatment & Recycling	2,284,133	27.9%
Total	8,189,000	100.0%

Table 16 shows the funding requirement from water rates for incremental project costs and operating costs related to advanced treatment and recycling.

Table 16 – Water Rate Funding Requirements Starting 2020/21

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
WATER FUNDING REQUIREMENT						
SRF Reserve Requirement	2,284,000	0	0	0	0	0
SRF Debt Service	0	2,284,000	2,284,000	2,284,000	2,284,000	2,284,000
Adv. Treatment & Recycling	0	700,000	728,000	757,000	787,000	818,000
Total	2,284,000	2,984,000	3,012,000	3,041,000	3,071,000	3,102,000

Table 17 calculates future water rate surcharges needed to meet the debt service and operating funding requirements related to advanced treatment and recycling.

Table 17 – Water Rate Surcharges Starting 2020/21 [PRELIMINARY]

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
WATER COST ALLOCATION	2,284,000	2,984,000	3,012,000	3,041,000	3,071,000	3,102,000
COST RECOVERY ALLOCATION						
Residential						
Cost Allocation %	70%	70%	70%	70%	70%	70%
Cost Allocation \$	\$1,598,800	\$2,088,800	\$2,108,400	\$2,128,700	\$2,149,700	\$2,171,400
Dwelling Units						
Single Family (SFR)	4,200	4,200	4,200	4,200	4,200	4,200
Multi-Family/Condo (MFR)	1,268	1,268	1,268	1,268	1,268	1,268
% of Single Family	80%	80%	80%	80%	80%	80%
Single Family Equivalents	1,014	1,014	1,014	1,014	1,014	1,014
Total Single Family Equivs	5,214	5,214	5,214	5,214	5,214	5,214
Annual Cost per SFR	\$307	\$401	\$404	\$408	\$412	\$416
Monthly Cost per SFR	25.55	33.38	33.70	34.02	34.36	34.70
Monthly Cost per MFR	20.44	26.71	26.96	27.22	27.48	27.76
Commercial/Non-Residential						
Cost Allocation %	30%	30%	30%	30%	30%	30%
Cost Allocation \$	\$685,200	\$895,200	\$903,600	\$912,300	\$921,300	\$930,600
Billed Water Use (hcf)	140,000	140,000	140,000	140,000	140,000	140,000
Cost per hcf	\$4.89	\$6.39	\$6.45	\$6.52	\$6.58	\$6.65

Table 18 shows proposed maximum water rate surcharges for funding incremental debt service and advanced water treatment and recycling expenses.

Table 18 – Maximum Water Rate Surcharges with SRF [PRELIMINARY]

WATER RATE SURCHARGES			
Residential			
<i>Monthly charge per dwelling unit</i>			
Single Family			\$34.00
Multi-Family/Condo	80%		27.20
Commercial/Non-Residential			
<i>Charge per hcf of metered water use</i>			
Charge per hcf			\$6.50

7. Financial & Rate Projections with Bonds

For comparative purposes, BWA developed cash flow and rate projections assuming the City was not approved for SRF or WIFIA financing and instead had to rely 100% on bond financing to fund the new WRF Project. Although bond interest rates are low compared to historical norms, bond rates are substantially higher than subsidized interest rates offered by SRF or WIFIA and would result in higher debt service, higher annual revenue requirements, and higher rates.

7.1. Base Project Cost: New WRF with Secondary Treatment & No Recycled Water

Table 19 shows a summary of financial projections with the addition of Advanced Treatment and Recycled Water. *Table 20 on the following page shows more-detailed projections.*

Table 19 – Summary of Financial Projections: WRF with Recycling
New WRF with Advanced Treatment & Recycled Water Project
With Bond Financing

Fiscal Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Single Family Monthly Charge	Adopted 55.00	Adopted 62.50	Adopted 70.00	Adopted 77.00	Projected 170.00	Projected 170.00	Projected 175.00	Projected 175.00	Projected 175.00	Projected 177.50	Projected 180.00
Rate Increase %		13.6%	12.0%	10.0%	120.8%	0.0%	2.9%	0.0%	0.0%	1.4%	1.4%
Beginning Fund Reserves	\$4.6	\$5.1	\$3.6	\$3.7	\$3.8	\$4.1	\$4.5	\$4.6	\$5.4	\$6.0	\$6.6
REVENUES											
Sewer Rate Revenues	4.9	5.6	6.2	6.9	15.1	15.1	15.6	15.6	15.6	15.8	16.0
Other Revenues	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Total	5.0	5.7	6.3	7.0	15.2	15.2	15.7	15.7	15.7	15.9	16.2
Bond Proceeds for WRF			4.0	6.5	54.0	56.0	2.0				
EXPENSES											
Operating Expenses	1.4	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4
WWTP Operations (City Share)	1.7	1.8	1.9	1.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4
New WRF Debt Service	0.0	0.0	0.0	0.0	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Base WRF Capital Costs	1.0	3.0	5.2	8.5	55.5	57.1	3.8	0.0	0.0	0.0	0.0
Other Capital Improvements	1.1	0.7	1.5	1.2	0.7	0.7	0.5	1.5	1.5	1.6	1.6
Total	5.2	7.1	10.2	13.4	69.0	70.8	17.6	14.9	15.1	15.4	15.6
Revenues Less Expenses	(0.2)	(1.4)	0.1	0.0	0.3	0.4	0.1	0.8	0.6	0.6	0.5
Ending Sewer Fund Reserves	4.4	3.6	3.7	3.8	4.1	4.5	4.6	5.4	6.0	6.6	7.1
Debt Service Coverage	-	-	-	-	1.29	1.27	1.30	1.28	1.26	1.26	1.26

Table 20 - City of Morro Bay - Sewer Cash Flow Projections				New WRF No Recycling (Bonds)			
Years 1 - 5	Esc Factor	Estimated 2015/16	Budget 2016/17	Projected			
				2017/18	2018/19	2019/20	2020/21
Monthly Residential Sewer Charge		\$55.00	Adopted \$62.50	Adopted \$70.00	Adopted \$77.00	Projected \$170.00	Projected \$170.00
Beginning Sewer Accounts			5,346	5,346	5,351	5,356	5,361
Growth: Single Family Equivalents			-	5	5	5	5
Growth %			-	0.1%	0.1%	0.1%	0.1%
Change in Billed Comm'l Sewer Use			-	0.0%	0.0%	0.0%	0.0%
Sewer Development Impact Fee	2%		\$4,750	\$4,850	\$4,950	\$5,050	\$5,150
Interest Earnings Rate			0.7%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves		\$4,565,000	\$5,071,000	\$3,644,000	\$3,745,000	\$3,791,000	\$4,054,000
REVENUES							
Sewer Service Charges		4,857,000	5,560,000	6,227,000	6,850,000	15,123,000	15,123,000
Development Impact Fees		107,000	30,000	24,000	25,000	25,000	26,000
Interest Earnings		41,000	35,000	36,000	37,000	38,000	41,000
Rental Income/Penalties/Other	2%	41,000	47,000	50,000	51,000	52,000	53,000
Subtotal		5,046,000	5,672,000	6,337,000	6,963,000	15,238,000	15,243,000
Bond Proceeds: New WRP				4,000,000	6,500,000	54,000,000	56,000,000
EXPENSES							
Operating & Maintenance							
Sewer Personnel	4%	654,000	652,000	678,000	705,000	733,000	762,000
Supplies & Services	4%	778,000	1,007,000	1,047,000	1,089,000	1,133,000	1,178,000
Wastewater Treatment Existing	4%	2,236,000	2,387,000	2,482,000	2,581,000	2,684,000	2,791,000
Less Cayucos SD Share		(559,000)	(597,000)	(621,000)	(645,000)	-	-
Wastewater Treatment New WRF	4%	-	-	-	-	-	-
Wastewater Treatment Advanced	4%	-	-	-	-	-	-
Subtotal		3,109,000	3,449,000	3,586,000	3,730,000	4,550,000	4,731,000
Debt Service							
Bond Financing for New WRF		0	0	0	0	8,269,000	8,269,000
Subtotal		0	0	0	0	8,269,000	8,269,000
Capital Improvements							
New Water Reclamation Plant		1,000,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000
Existing WWTP Capital Needs		1,112,000	200,000	200,000	200,000	200,000	200,000
Less Cayucos SD Reimbursement	3%	(278,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Sewer CIP Projects: Cash Funded	3%	300,000	500,000	1,000,000	1,000,000	500,000	500,000
HydroVac/Vehicle/Equip Replacement	3%	0	0	350,000	50,000	50,000	50,000
Subtotal		2,134,000	3,650,000	6,650,000	9,687,000	56,156,000	57,820,000
Total Expenses		5,243,000	7,099,000	10,236,000	13,417,000	68,975,000	70,820,000
Revenues Less Expenses		(197,000)	(1,427,000)	101,000	46,000	263,000	423,000
Ending Fund Reserves		4,368,000	3,644,000	3,745,000	3,791,000	4,054,000	4,477,000
Ending SRF Debt Service Reserves		0	0	0	0	0	0
Debt Service Coverage		-	-	-	-	1.29	1.27

Table 20 - City of Morro Bay - Sewer Cash Flow Projections

New WRF No Recycling (Bonds)

Years 6 - 10	Projected				
	2021/22	2022/23	2023/24	2024/25	2025/26
Monthly Residential Sewer Charge	Projected \$175.00	Projected \$175.00	Projected \$175.00	Projected \$177.50	Projected \$180.00
Beginning Sewer Accounts	5,366	5,371	5,376	5,381	5,386
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Change in Billed Comm'l Sewer Use	0.0%	0.0%	0.0%	0.0%	0.0%
Sewer Development Impact Fee	\$5,250	\$5,360	\$5,470	\$5,580	\$5,690
Interest Earnings Rate	1.0%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves	\$4,477,000	\$4,609,000	\$5,439,000	\$6,029,000	\$6,591,000
REVENUES					
Sewer Service Charges	15,568,000	15,568,000	15,568,000	15,790,000	16,012,000
Development Impact Fees	26,000	27,000	27,000	28,000	28,000
Interest Earnings	48,000	49,000	57,000	63,000	69,000
Rental Income/Penalties/Other	54,000	55,000	56,000	57,000	58,000
Subtotal	15,696,000	15,699,000	15,708,000	15,938,000	16,167,000
Bond Proceeds: New WRP	2,000,000				
EXPENSES					
Operating & Maintenance					
Sewer Personnel	792,000	824,000	857,000	891,000	927,000
Supplies & Services	1,225,000	1,274,000	1,325,000	1,378,000	1,433,000
Wastewater Treatment Existing (1/2 year)	1,450,000	-	-	-	-
<i>Less Cayucos SD Share</i>	-	-	-	-	-
Wastewater Treatment New WRF	1,500,000	3,000,000	3,120,000	3,245,000	3,375,000
Wastewater Treatment Advanced	-	-	-	-	-
Subtotal	4,967,000	5,098,000	5,302,000	5,514,000	5,735,000
Debt Service					
Bond Financing for New WRF	8,269,000	8,269,000	8,269,000	8,269,000	8,269,000
Subtotal	8,269,000	8,269,000	8,269,000	8,269,000	8,269,000
Capital Improvements					
Demo of Existing WWTP	3,826,000	0	0	0	0
Existing WWTP Capital Needs	0	0	0	0	0
<i>Less Cayucos SD Share for Outfall</i>	(50,000)	(52,000)	(54,000)	(56,000)	(58,000)
Sewer CIP Projects: Cash Funded	500,000	1,500,000	1,545,000	1,591,000	1,639,000
HydroVac/Vehicle/Equip Replacement	52,000	54,000	56,000	58,000	60,000
Subtotal	4,328,000	1,502,000	1,547,000	1,593,000	1,641,000
Total Expenses	17,564,000	14,869,000	15,118,000	15,376,000	15,645,000
Revenues Less Expenses	132,000	830,000	590,000	562,000	522,000
Ending Fund Reserves	4,609,000	5,439,000	6,029,000	6,591,000	7,113,000
Ending SRF Debt Service Reserves	0	0	0	0	0
Debt Service Coverage	1.30	1.28	1.26	1.26	1.26

7.2. New WRF with Advanced Treatment & Recycled Water Project

Table 21 shows a summary of financial projections with the addition of Advanced Treatment and Recycled Water. Table 22 on the following page shows more-detailed projections. As previously discussed, the City’s water utility would be responsible for funding the incremental costs of advanced treatment and water recycling. With bond financing, the incremental cost allocated to the water utility totals roughly \$4 million per year.

Table 21 – Summary of Financial Projections: WRF with Recycling
 New WRF with Advanced Treatment & Recycled Water Project
 With Bond Financing

Fiscal Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Single Family Monthly Charge	Adopted 55.00	Adopted 62.50	Adopted 70.00	Adopted 77.00	Projected 175.00	Projected 175.00	Projected 175.00	Projected 175.00	Projected 175.00	Projected 177.50	Projected 180.00
Rate Increase %		13.6%	12.0%	10.0%	127.3%	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%
Beginning Fund Reserves	\$4.6	\$5.1	\$3.6	\$3.8	\$3.8	\$3.6	\$3.5	\$3.5	\$4.2	\$4.7	\$5.1
REVENUES											
Sewer Rate Revenues	4.9	5.6	6.2	6.9	15.6	15.6	15.6	15.7	15.7	15.9	16.2
Other Revenues	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Water Rate Contribution	0.0	0.0	0.0	0.0	3.2	3.2	3.9	4.0	4.0	4.0	4.0
Total	5.0	5.7	6.3	7.0	18.9	19.0	19.7	19.7	19.8	20.1	20.3
Bond Proceeds for WRF			4.0	7.0	76.0	78.5	1.5				
EXPENSES											
Operating Expenses	1.4	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4
WWTP Operations (City Share)	1.7	1.8	1.9	1.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4
Advanced Treatment/Recycling	-	-	-	-	-	-	0.7	0.7	0.8	0.8	0.8
New WRF Debt Service	-	-	-	-	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Base WRF Capital Costs	1.0	3.0	5.2	8.5	55.5	57.1	3.8	0.0	0.0	0.0	0.0
Adv Trtmnt & Recycling Project	0.0	0.0	0.0	1.1	23.2	23.9	0.0	0.0	0.0	0.0	0.0
Other Capital Improvements	1.1	0.7	1.5	0.7	0.7	0.7	0.5	2.0	2.1	2.1	2.2
Total	5.2	7.1	10.2	14.0	95.1	97.6	21.2	19.0	19.3	19.6	19.9
Revenues Less Expenses	(0.2)	(1.4)	0.1	(0.0)	(0.1)	(0.1)	(0.0)	0.7	0.5	0.4	0.4
Ending Sewer Fund Reserves	4.4	3.6	3.8	3.8	3.6	3.5	3.5	4.2	4.7	5.1	5.5
Debt Service Coverage	-	-	-	-	1.29	1.27	1.25	1.24	1.23	1.23	1.23

Table 22 - City of Morro Bay - Sewer Cash Flow Projections				New WRF with Recycling (Bonds)			
Years 1 - 5	Esc Factor	Estimated 2015/16	Budget 2016/17	2017/18	2018/19	2019/20	2020/21
Monthly Residential Sewer Charge		\$55.00	Adopted \$62.50	Adopted \$70.00	Adopted \$77.00	Projected \$175.00	Projected \$175.00
Beginning Sewer Accounts			5,346	5,346	5,351	5,356	5,361
Growth: Single Family Equivalents			-	5	5	5	5
Growth %			-	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	2%		\$4,750	\$4,850	\$4,950	\$5,050	\$5,150
Interest Earnings Rate			0.7%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves		\$4,565,000	\$5,071,000	\$3,644,000	\$3,751,000	\$3,750,000	\$3,638,000
REVENUES							
Sewer Service Charges		4,857,000	5,560,000	6,233,000	6,863,000	15,612,000	15,627,000
Development Impact Fees		107,000	30,000	24,000	25,000	25,000	26,000
Interest Earnings		41,000	35,000	36,000	38,000	38,000	36,000
Rental Income/Penalties/Other	2%	41,000	47,000	50,000	51,000	52,000	53,000
Subtotal		5,046,000	5,672,000	6,343,000	6,977,000	15,727,000	15,742,000
Bond Proceeds: New WRP				4,000,000	7,000,000	76,000,000	78,500,000
Water Fund Contribution							
Bond Debt Svc for Adv Trt & Recycling						3,222,000	3,222,000
Advanced Treatment & Recycling O&M							
EXPENSES							
Operating & Maintenance							
Sewer Personnel	4%	654,000	652,000	678,000	705,000	733,000	762,000
Supplies & Services	4%	778,000	1,007,000	1,047,000	1,089,000	1,133,000	1,178,000
Wastewater Treatment Existing	4%	2,236,000	2,387,000	2,482,000	2,581,000	2,684,000	2,791,000
Less Cayucos SD Reimbursements	4%	(559,000)	(597,000)	(621,000)	(645,000)	-	-
Wastewater Treatment New WRF	4%	-	-	-	-	-	-
Advanced Treatment & Recycling	4%	-	-	-	-	-	-
Subtotal		3,109,000	3,449,000	3,586,000	3,730,000	4,550,000	4,731,000
Debt Service							
Bonds for New WRF		0	0	0	0	11,189,000	11,189,000
Subtotal		0	0	0	0	11,189,000	11,189,000
Capital Improvements							
Base WRF Project		1,000,000	3,000,000	5,150,000	8,487,000	55,456,000	57,120,000
Advanced Treatment & Recycling			0	0	1,061,000	23,166,000	23,860,000
Existing WWTP Capital Needs		1,112,000	200,000	200,000	200,000	200,000	200,000
Less Cayucos SD Reimbursement	3%	(278,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Sewer CIP Projects: Cash Funded	3%	300,000	500,000	1,000,000	500,000	500,000	500,000
HydroVac/Vehicle/Equip Replacement	3%	0	0	350,000	50,000	50,000	50,000
Subtotal		2,134,000	3,650,000	6,650,000	10,248,000	79,322,000	81,680,000
Total Expenses		5,243,000	7,099,000	10,236,000	13,978,000	95,061,000	97,600,000
Revenues Less Expenses		(197,000)	(1,427,000)	107,000	(1,000)	(112,000)	(136,000)
Ending Fund Reserves		4,368,000	3,644,000	3,751,000	3,750,000	3,638,000	3,502,000
Debt Service Coverage		-	-	-	-	1.29	1.27

Table 22 - City of Morro Bay - Sewer Cash Flow Projections

New WRF with Recycling (Bonds)

Years 6 - 10	Projected				
	2021/22	2022/23	2023/24	2024/25	2025/26
Monthly Residential Sewer Charge	Projected \$175.00	Projected \$175.00	Projected \$175.00	Projected \$177.50	Projected \$180.00
Beginning Sewer Accounts	5,366	5,371	5,376	5,381	5,386
Growth: Single Family Equivalents	5	5	5	5	5
Growth %	0.1%	0.1%	0.1%	0.1%	0.1%
Sewer Development Impact Fee	\$5,250	\$5,360	\$5,470	\$5,580	\$5,690
Interest Earnings Rate	1.0%	1.0%	1.0%	1.0%	1.0%
Beginning Fund Reserves	\$3,502,000	\$3,500,000	\$4,210,000	\$4,679,000	\$5,120,000
REVENUES					
Sewer Service Charges	15,642,000	15,657,000	15,672,000	15,911,000	16,150,000
Development Impact Fees	26,000	27,000	27,000	28,000	28,000
Interest Earnings	38,000	38,000	45,000	50,000	54,000
Rental Income/Penalties/Other	54,000	55,000	56,000	57,000	58,000
Subtotal	15,760,000	15,777,000	15,800,000	16,046,000	16,290,000
Bond Proceeds: New WRP	1,500,000				
Water Fund Contribution					
Bond Debt Svc for Adv Trt & Recycling	3,222,000	3,222,000	3,222,000	3,222,000	3,222,000
Advanced Treatment & Recycling O&M	700,000	728,000	757,000	787,000	818,000
EXPENSES					
Operating & Maintenance					
Sewer Personnel	792,000	824,000	857,000	891,000	927,000
Supplies & Services	1,225,000	1,274,000	1,325,000	1,378,000	1,433,000
Wastewater Treatment Existing (1/2 year)	1,450,000	-	-	-	-
Less Cayucos SD Reimbursements	-	-	-	-	-
Wastewater Treatment New WRF	1,500,000	3,000,000	3,120,000	3,245,000	3,375,000
Advanced Treatment & Recycling	700,000	728,000	757,000	787,000	818,000
Subtotal	5,667,000	5,826,000	6,059,000	6,301,000	6,553,000
Debt Service					
Bonds for New WRF	11,189,000	11,189,000	11,189,000	11,189,000	11,189,000
Subtotal	11,189,000	11,189,000	11,189,000	11,189,000	11,189,000
Capital Improvements					
Demo of Existing WWTP	3,826,000	0	0	0	0
Advanced Treatment & Recycling	0	0	0	0	0
Existing WWTP Capital Needs	0	0	0	0	0
Less Cayucos SD Reimb for Outfall	(50,000)	(52,000)	(54,000)	(56,000)	(58,000)
Sewer CIP Projects: Cash Funded	500,000	2,000,000	2,060,000	2,122,000	2,186,000
HydroVac/Vehicle/Equip Replacement	52,000	54,000	56,000	58,000	60,000
Subtotal	4,328,000	2,002,000	2,062,000	2,124,000	2,188,000
Total Expenses	21,184,000	19,017,000	19,310,000	19,614,000	19,930,000
Revenues Less Expenses	(2,000)	710,000	469,000	441,000	400,000
Ending Fund Reserves	3,500,000	4,210,000	4,679,000	5,120,000	5,520,000
Debt Service Coverage	1.25	1.24	1.23	1.23	1.23

8. Rate Projections with Bond Financing

8.1. Base Project Cost: New WRF with Secondary Treatment & No Recycled Water

Table 23 shows projected rates for the base WRF Project with bond financing. With bond financing, the total amount of funds needed would be issued prior to project award.

With bonds, debt service is typically funded on a semi-annual basis, with interest payments due every 6 months and a principal payment due once each year. The first debt service payment would typically be due approximately 6 months after bond issuance. Although bonds typically are structured with level annual debt service payments, the City would have some flexibility to phase in debt repayment. However, any reduction in near-term debt payments would result in an increase in annual debt service in future years.

With bonds, the City would generally need to begin raising rates sooner than with SRF financing unless the City wanted to structure the bonds with reduced near term payments to allow more time to phase in rate increases.

Table 23 – Sewer Rate Projections: Base WRF
New WRF with Secondary Treatment & No Recycled Water
With Bond Financing

	Current 2016/17	Adopted 2017/18	Adopted 2018/19	Projected 2019/20	Projected Max Rate
<u>PROJECTED SEWER RATES</u>					
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family	\$62.50	\$70.00	\$77.00	\$170.00	\$175.00
Multi-Family/Condo	50.00	56.00	61.60	66.40	140.00
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength	\$7.95	\$9.37	\$10.57	\$11.40	\$11.73
Class B - Domestic Strength	9.65	11.29	12.67	13.61	14.01
Class C - Moderate Strength	11.86	13.50	14.89	15.82	16.29
Class D - Mod-High Strength	14.18	15.78	17.13	18.03	18.56
Class E - High Strength	17.84	19.75	21.36	22.46	23.12
Minimum Monthly Charge	50.00	56.00	61.60	66.40	68.35

Note: 1 hcf = 100 cubic feet = approximately 748 gallons

8.2. New WRF with Advanced Treatment & Recycled Water Project

The projected maximum sewer rates would be the same under the full project alternative with water recycling. However, since the incremental costs would need to be recovered from the City’s water utility, the incremental difference in funding needs would also require increases to the City’s water rates. Table 24 shows WRF Project funding sources including a breakdown of funding requirement from water vs. sewer rates.

Table 24 – Maximum Water Rate Surcharges with Bonds [PRELIMINARY]

WATER RATE SURCHARGES			
Residential			
<i>Monthly charge per dwelling unit</i>			
Single Family			\$45.00
Multi-Family/Condo	80%		36.00
Commercial/Non-Residential			
<i>Charge per hcf of metered water use</i>			
Charge per hcf			\$8.60

9. Summary of Maximum Rate Scenarios

Table 25 compares total future maximum water and sewer rates under the base WRF Project and full project with recycling, and under both SRF and bond financing scenarios.

Table 25 –Maximum Water & Sewer Rates Under Project & Financing Alternatives

	SRF/WIFIA		Bonds	
	Base WRF	With Recycling	Base WRF	With Recycling
PROJECT COSTS (\$ MILLIONS)				
WRF Project Cost	\$124	\$167	\$124	\$167
With 3% Escalation	136	184	136	184
Recycling O&M (starts 2021/22)	-	0.7	-	0.7
PROJECTED MAXIMUM MONTHLY RATES				
SEWER				
Wastewater Operations & Ongoing Capital	\$73.52	\$73.52	\$82.05	\$82.05
New WRF Financing Cost Recovery	66.48	66.48	92.95	92.95
Subtotal	140.00	140.00	175.00	175.00
WATER				
Typical Single Family Base Water Bill (5 hcf, FY2019/20)	67.00	67.00	67.00	67.00
Max Single Family Water Rate Surcharge	-	34.00	-	45.00
Subtotal	67.00	101.00	67.00	112.00
COMBINED TOTAL MAX BILL	207.00	241.00	242.00	287.00

10. Rate & Billing Options

10.1. Faster Phase-In Toward Maximum Sewer Rates

The rate projections previously shown assume the City continues moving forward its previously-adopted sewer rates through 2018/19, then implements large sewer rate increases over the following year or two to the maximum rates proposed. One alternative would be implementing a faster phase-in toward the maximum rates. This would result in higher rates over the next few years but would also enable the City to generate more annual funding for the WRF Project. The additional funding generated could be used to cash-fund some of the WRF Project costs resulting in a reduction in debt financing needs, slightly lower debt service, and slightly lower future rate increases.

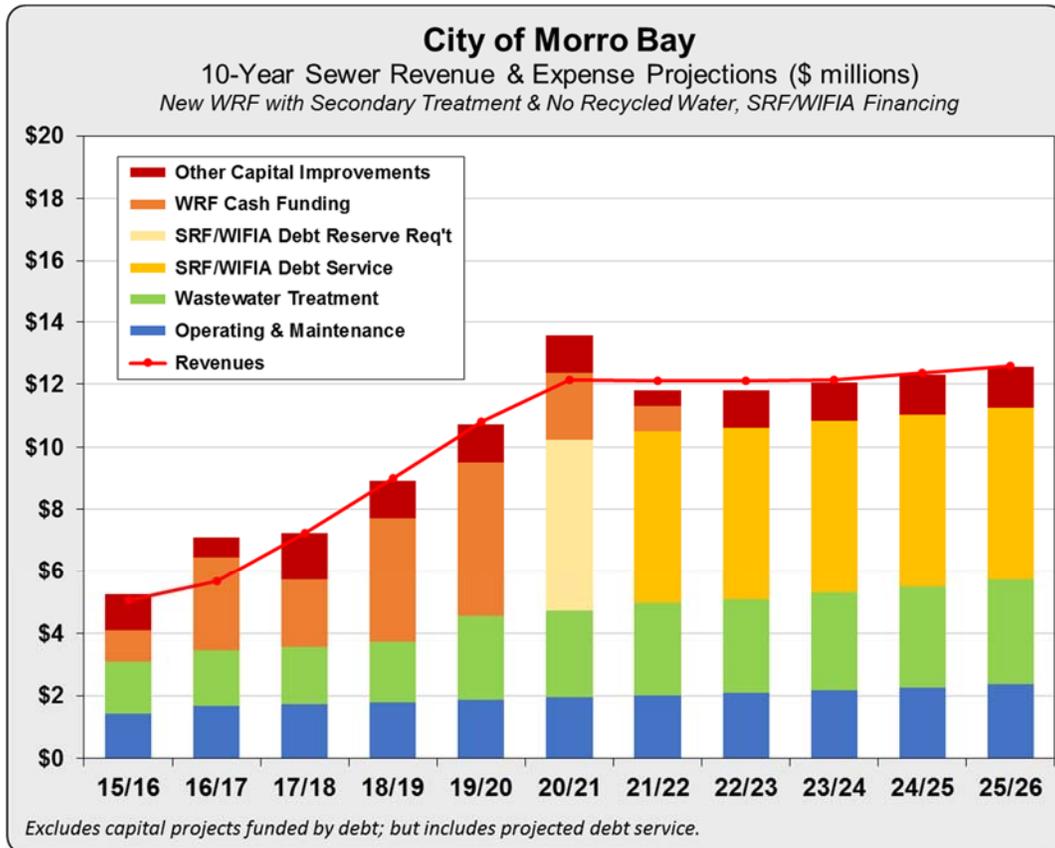
BWA developed alternative financial projections under a faster rate phase-in scenario assuming low-interest rate SRF financing. However, the net impact on rates was fairly minimal. Table 20 shows an example of a faster phase-in of sewer rate increases. The faster phase-in results in a potentially lower maximum rate in the \$135 per month range, about \$5 lower than with the base case rate scenario shown on Table 12.

Table 26 – Sample Alternative Phase-In of Sewer Rate Increases
Base WRF Project with SRF/WIFIA Financing

	Current 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected Max Rate
PROJECTED SEWER RATES					
RESIDENTIAL					
<i>Charge per residential dwelling unit</i>					
Single Family	\$62.50	\$80.00	\$100.00	\$120.00	\$135.00
Multi-Family/Condo	50.00	56.00	61.60	66.40	108.00
NON-RESIDENTIAL					
<i>Rate per hcf of metered water use</i>					
Class A - Low Strength	\$7.95	\$9.37	\$10.57	\$11.40	\$12.82
Class B - Domestic Strength	9.65	11.29	12.67	13.61	15.31
Class C - Moderate Strength	11.86	13.50	14.89	15.82	17.80
Class D - Mod-High Strength	14.18	15.78	17.13	18.03	20.29
Class E - High Strength	17.84	19.75	21.36	22.46	25.27
Minimum Monthly Charge	50.00	56.00	61.60	66.40	74.70

Note: 1 hcf = 100 cubic feet = approximately 748 gallons

The following chart graphically shows a breakdown of projected expenses with a faster phase-in of rate increases. The orange section on the chart shows higher levels of pay-as-you-go cash funding for the WRF Project, which results in less debt financing, lower debt service, and a slightly lower maximum sewer rate.



10.2. Collect All or a Portion of Charges on the County Property Tax Rolls

The City currently bills monthly via a combined utility bill for water and sewer service. With the projected rate increases required for the new WRF, the City's monthly service charges would increase substantially, increasing the monthly burden on ratepayers and potentially resulting in higher delinquencies.

One billing alternative used by many sewer agencies is recovering charges via the County property tax rolls. The City could opt to recover all or portion of its sewer bills, and potentially a portion of its water bills, on the property tax rolls. This would result in a change in payment responsibility from some tenant ratepayers to property owners. Although not technically legal, many property owners include the full amounts collected on their property tax bills as tax write-offs, resulting in a potential reduction in the impact of the charge.

San Luis Obispo County is on the Teeter Plan and pays agencies for 100% of assessments or charges placed on the property tax rolls for collection, regardless of actual delinquencies. BWA contacted the County to confirm this practice. The County noted that if delinquencies exceed 3%, then the County retains the authority to end the Teeter Plan practice and instead provide only actual amounts collected. However, the County has never done this in the past.

Collecting sewer charges on the property tax rolls also results in a change in timing of receiving revenues. The County generally sends agencies payments twice per year (in December and April) based on actual tax collections. Subsequently, at the end of the fiscal year, the County does a true-up and would send the City the remainder of amounts billed on the tax rolls regardless of delinquencies. The County subsequently deals with the delinquencies and keeps any funds recovered from the delinquent properties including any penalties.

Due to the change in timing of revenues, the City may need to maintain a higher level of fund reserves in order to ensure adequate cash flow for meeting funding obligations. At the same time, this may not be necessary if charges could be recovered from the property tax rolls before funding is needed, such as for an annual SRF debt service payment or a semi-annual bond debt service payment.

The City would need to follow the process identified in the California Health and Safety Code Section 5470 – 5474, attached as an appendix to this report. The process is similar to the Proposition 218 process required for increasing utility rates and could be done concurrently when the City goes through the Proposition 218 rate increase process for potential water and sewer rate increases.

As an example, Table 27 shows a breakdown of charges assuming the City opted to recover the share of monthly utility charges associated with funding the new WRF Project via the property tax rolls.

Table 27 – Sample Alternative Phase-In of Sewer Rate Increases

	SRF/WIFIA		Bonds	
	Base WRF	With Recycling	Base WRF	With Recycling
PROJECTED MAXIMUM MONTHLY BILLS				
SEWER				
<i>Maximum Single Family Sewer Rate</i>				
Monthly Sewer Utility Bill	\$73.52	\$73.52	\$82.05	\$82.05
Property Tax Rolls (WRF Portion)	66.48	66.48	92.95	92.95
Subtotal	140.00	140.00	175.00	175.00
WATER				
<i>Single Family Bill with Max Surcharge (5 hcf, FY2019/20)</i>				
Monthly Water Utility Bill	67.00	67.00	67.00	67.00
Property Tax Rolls (WRF Portion) <i>If Legally Allowable</i>	-	34.00	-	45.00
Subtotal	67.00	101.00	67.00	112.00
COMBINED CHARGES				
<i>Single Family Home with 5 hcf Water Use (125 gpd)</i>				
Combined Monthly Water & Sewer Bill	140.52	140.52	149.05	149.05
Total Property Tax Roll Assessment	66.48	100.48	92.95	137.95
Total	207.00	241.00	242.00	287.00

Appendix A

Summary of Morro Bay Draft Master Water Reclamation Plan (March 2017)



Summary of Morro Bay Draft Master Water Reclamation Plan (March 2017)

The Draft Master Water Reclamation Plan (MWRP), paid in part by a State grant, was developed to consider recycled water opportunities in light of the adopted Community goals for the new WRF and to identify and evaluate the feasible recycled water projects. The MWRP used relevant information from previous reports and current hydrogeological studies and permitting evaluations; refreshed previous recycled water market assessments through outreach to the community and potential users; and developed updated cost opinions for the feasible alternatives.

Major components of the MWRP include the following:

- Review of existing and future water demands, wastewater flows and loadings, and proposed WRF treatment technology to achieve recycled water suitable for project alternatives
- Identification and investigation of recycled water opportunities in the community, determination of treatment requirements for reuse, and assessment of potential user requirements
- Analysis of project alternatives, including quantitative and qualitative benefits, facilities needed for each project, and comparative preliminary cost estimates
- Evaluation of recommended project for environmental considerations, and for potential legal and institutional issues
- Construction financing plan

Alternatives Analysis

The recycled water opportunities include various methods of substituting recycled water for potable water where possible, including irrigation for parks, commercial reuse, and agricultural irrigation, and using recycled water to recharge the City's groundwater supply. Recycled water project alternatives were developed based on groupings of recycled water opportunities and water quality requirements. The City performed screening-level hydrogeological investigations to help determine feasibility of several of the alternatives.

The following five recycled water project alternatives were determined feasible and evaluated based on the community goals for the project:

- Alternative 0: No Recycled Water Project
- Alternative 1: Urban Reuse
- Alternative 2: Agricultural Exchange
- Alternative 3: Indirect Potable Reuse – East
- Alternative 4: Indirection Potable Reuse – West

Evaluation criteria included capital and operating costs, treatment requirements, pipeline lengths, regulatory requirements, legal or institutional issues, project schedule, and the potential to provide a water supply benefit to the City. The main conclusions are as follows:

- The highest water supply benefit would be realized through indirect potable reuse (IPR) (Alternatives 3 and 4). Based on preliminary modeling, it appears Alternative 4 could support most or all of the City's current water demand with an estimated water supply benefit of over 1100 AFY.
- The least expensive alternative is no recycled water project (Alternative 0), which does not meet the Community project goals of producing reclaimed water and provides no water supply benefit, followed by urban reuse (Alternative 1), which could provide an estimated 45.4 AFY benefit.
- The capital costs for agricultural exchange (Alternative 2) and IPR (Alternatives 3 and 4) are similar, but IPR has significantly higher water supply benefit if a higher exchange rate is not possible for Alternative 2. Agricultural exchange relies on successful contract negotiations with landowners, adding some uncertainty.

Recommendations and Program Cost Estimates

Based on the analyses presented in the Draft MWRP, the recommended recycled water project is IPR, Alternative 3 or 4, with the main difference consisting of the general locations for injection and extraction wells.

This alternative best fulfills the community project goals of producing reclaimed water and provides the highest and most reliable potential water supply benefit. Supplementing the potable water supply with highly treated recycled water will allow the City to reduce or eliminate reliance on imported water. A conceptual plan for two potential injection well areas and the corresponding recycled water pipeline alignments alternatives is shown to the right.

The City is planning to construct the new WRF within the next five years. If a recycled water project is pursued, significant savings could be realized by completing the construction at the same time. The estimated total program capital costs for Alternatives 0 through 4 are summarized in **Table 2**. The total program costs include the total cost for the WRF as presented in the Draft FMP¹, plus additional estimated program costs including decommissioning of the existing WWTP, property acquisition for the WRF, permitting and environmental mitigation, construction management and estimated recycled water project costs as presented earlier in this section.

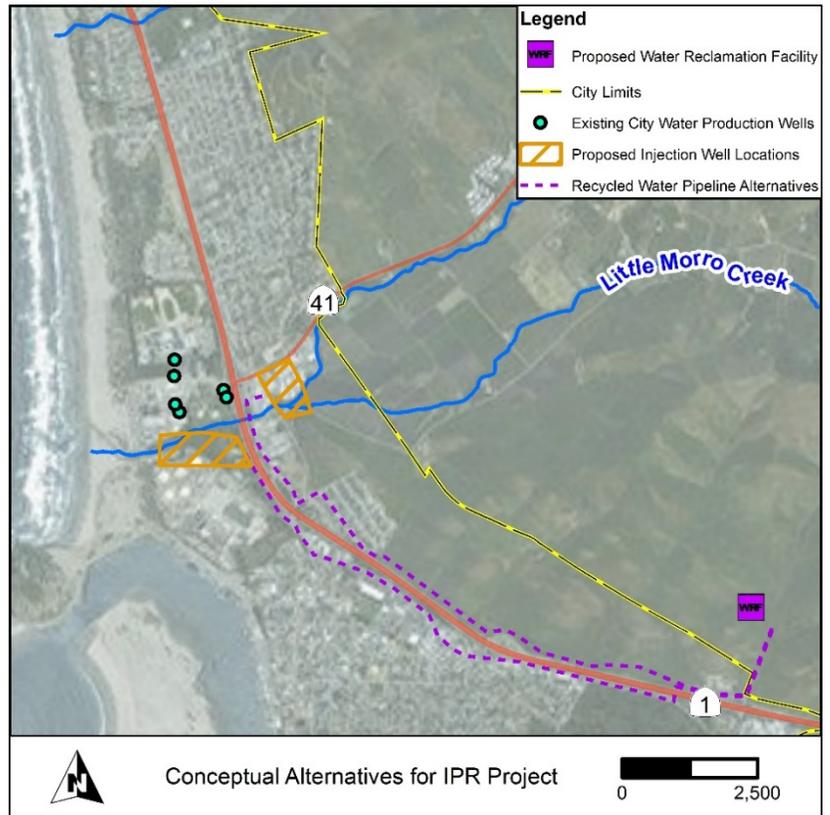


Table 2: Comparison of Total Estimated Program Costs

	Alternative 0	Alternative 1	Alternative 2	Alternative 3	Alternative 4
	No Recycled Water Project (Secondary only)	Urban Reuse	Agricultural Exchange	IPR East	IPR West
Estimated Program Capital Cost Opinion	\$104,200,000	\$128,900,000	\$141,700,000	\$140,400,000	\$140,700,000
Construction Contingency	\$19,320,000	\$24,040,000	\$26,370,000	\$26,220,000	\$26,290,000
Total Program Capital Cost Opinion	\$123,520,000	\$152,940,000	\$167,570,000	\$166,620,000	\$166,990,000

Notes:

- 1) Estimated Program Capital Cost Opinion includes engineering/design, procurement, construction management and project administration, permitting, monitoring, mitigation, existing WWTP demolition, property acquisition, the complete WRF Project (lift station, pipelines, and treatment plant), and recycled water components. Costs based on Draft FMP aside from construction contingency and engineering/design, which were estimated separately to include the entire project.
- 2) Cost assumptions for Alternative 0 are based on a WRF with secondary disinfection only. Alternative 0 does not fulfill the community project goals to produce tertiary disinfected wastewater or to produce reclaimed water.
- 3) Construction contingency consists of 25% of construction cost subtotal.

Alternative 0 (No Recycled Water Project) presents a WRF that produces secondary disinfected effluent which is discharged to the ocean for an estimated total program cost of approximately \$124 million. Alternatives 3 and 4, the recommended recycled water project, consist of a WRF and full IPR recycled water program for an estimated total cost of approximately \$167 million.

Next Steps: Rate study update; environmental review; consult with regulatory agencies; siting study, pilot study, updated modeling, water treatment plant optimization, and design. For more information: <http://morrobaywrf.com>

¹ The Draft Water Reclamation Facility Master Plan (FMP) prepared by Black & Veatch, dated November 2016, is available on the project website <http://morrobaywrf.com>

Appendix B

California Health & Safety Code
Sections 5470 - 5474



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HEALTH AND SAFETY CODE - HSC

DIVISION 5. SANITATION [4600 - 6127] (*Division 5 enacted by Stats. 1939, Ch. 60.*)

PART 3. COMMUNITY FACILITIES [4600 - 6127] (*Heading of Part 3 amended by Stats. 1970, Ch. 420.*)

CHAPTER 6. General Provisions with Respect to Sewers [5400 - 5474.10] (*Chapter 6 enacted by Stats. 1939, Ch. 60.*)

ARTICLE 4. Sanitation and Sewerage Systems [5470 - 5474.10] (*Article 4 added by Stats. 1945, Ch. 979.*)

5470. The following words wherever used in this article shall be construed as defined in this section, unless from the context a different meaning is intended, or unless a different meaning is specifically defined and more particularly directed to the use of such words:

- (a) Assessment Roll. "Assessment roll" refers to the assessment roll upon which general taxes of the entity are collected.
- (b) Auditor. "Auditor" means the financial officer of the entity.
- (c) Clerk. "Clerk" means the clerk of the legislative body or secretary of the entity.
- (d) Chambers. "Chambers" refers to the place where the regular meetings of the legislative body of the entity are held.
- (e) Entity. "Entity" means and includes counties, cities and counties, cities, sanitary districts, county sanitation districts, county service areas, sewer maintenance districts, and other public corporations and districts authorized to acquire, construct, maintain and operate sanitary sewers and sewerage systems.
- (f) Rates or Charges. "Rates or charges" shall mean fees, tolls, rates, rentals, or other charges for services and facilities furnished by an entity in connection with its sanitation or sewerage systems, including garbage and refuse collection.
- (g) Real Estate. "Real estate" includes:
 - (1) The possession of, claim to, ownership of, or right to possession of land; and
 - (2) Improvements on land.
- (h) Tax Collector. "Tax collector" means the officer who collects general taxes for the entity.

The amendment of this section made by the 1972 Regular Session of the Legislature does not constitute a change in, but is declaratory of, the preexisting law.

(Amended by Stats. 2015, Ch. 269, Sec. 18. Effective January 1, 2016.)

5471. (a) In addition to the powers granted in the principal act, any entity shall have power, by an ordinance approved by a two-thirds vote of the members of the legislative body thereof, to prescribe, revise and collect, fees, tolls, rates, rentals, or other charges for services and facilities furnished by it, either within or without its territorial limits, in connection with its water, sanitation, storm drainage, or sewerage system.

(b) In addition to the powers granted in the principal act, any entity shall have power, pursuant to the notice, protest, and hearing procedures in Section 53753 of the Government Code, to prescribe, revise, and collect water, sewer, or water and sewer standby or immediate availability charges for services and facilities furnished by it, either within or without its territorial limits, in connection with its water, sanitation, storm drainage, or sewerage system.

(c) The entity may provide that the charge for the service shall be collected with the rates, tolls, and charges for any other utility, and that any or all of these charges may be billed upon the same bill. Where the charge is to be collected with the charges for any other utility service furnished by a department or agency of the entity and over which its legislative body does not exercise control, the consent of the department or agency shall be obtained

prior to collecting water, sanitation, storm drainage, or sewerage charges with the charges for any other utility. Revenues derived under the provisions in this section, shall be used only for the acquisition, construction, reconstruction, maintenance, and operation of water systems and sanitation, storm drainage, or sewerage facilities, to repay principal and interest on bonds issued for the construction or reconstruction of these water systems and sanitary, storm drainage, or sewerage facilities and to repay federal or state loans or advances made to the entity for the construction or reconstruction of water systems and sanitary, storm drainage, or sewerage facilities. However, the revenue shall not be used for the acquisition or construction of new local street sewers or laterals as distinguished from main trunk, interceptor and outfall sewers.

(d) If the procedures set forth in this section as it read at the time a standby charge was established were followed, the entity may, by ordinance adopted by a two-thirds vote of the members of the legislative body thereof, continue the charge pursuant to this section in successive years at the same rate. If new, increased, or extended assessments are proposed, the entity shall comply with the notice, protest, and hearing procedures in Section 53753 of the Government Code.

(Amended by Stats. 2007, Ch. 27, Sec. 11. Effective January 1, 2008.)

5472. After fees, rates, tolls, rentals or other charges are fixed pursuant to this article, any person may pay such fees, rates, tolls, rentals or other charges under protest and bring an action against the city or city and county in the superior court to recover any money which the legislative body refuses to refund. Payments made and actions brought under this section, shall be made and brought in the manner provided for payment of taxes under protest and actions for refund thereof in Article 2, Chapter 5, Part 9, of Division 1 of the Revenue and Taxation Code, insofar as those provisions are applicable.

(Added by Stats. 1949, Ch. 865.)

5472.5. The rates may be collected with the rates for any other utility service furnished by a department or agency of that entity over which the legislative body thereof does not exercise control, or with a publicly or privately owned public utility, with the written consent and agreement of that department or agency or public utility owner, which agreement shall establish the terms and conditions upon which the collections shall be made. The agreement, in the discretion of the department or agency or public utility owner making the collections, also may provide that those rates shall be itemized, billed upon the same bill, and collected as one item, together with, and not separately from, the other utility service charge.

(Added by renumbering Section 5472 (as amended by Stats. 1953, Ch. 862) by Stats. 1981, Ch. 714.)

5473. Any entity which has adopted an ordinance pursuant to this article or an order pursuant to Section 6520.5 may, by such ordinance or by separate ordinances or resolutions approved by a two-thirds vote of the members of the legislative body thereof, elect to have such charges collected on the tax roll in the same manner, by the same persons, and at the same time as, together with and not separately from, its general taxes. In such event, it shall cause a written report to be prepared each year and filed with the clerk, which shall contain a description of each parcel of real property receiving such services and facilities and the amount of the charge for each parcel for the year, computed in conformity with the charges prescribed by the ordinance or resolution.

Any ordinance or resolution adopted pursuant to this section authorizing the collection of charges on the tax roll shall remain in effect for the time specified in the ordinance or resolution or, if no time is specified in the ordinance or resolution, until repealed or until a change is made in the rates charged by the entity.

The powers authorized by this section shall be alternative to all other powers of any entity, and alternative to other procedures adopted by the legislative body thereof for the collection of such charges.

The real property may be described by reference to maps prepared in accordance with Section 327, Revenue and Taxation Code, and on file in the office of the county assessor or by reference to plats or maps on file in the office of the clerk.

(Amended by Stats. 1983, Ch. 321, Sec. 1.)

5473a. Any entity may make the election specified in Section 5473 with respect only to delinquent charges and may do so by preparing and filing the written report, giving notice and holding the hearing therein required only as to such delinquencies.

(Added by Stats. 1953, Ch. 1259.)

5473.1. The clerk shall cause notice of the filing of said report and of a time and place of hearing thereon to be

published pursuant to Section 6066 of the Government Code prior to the date set for hearing, in a newspaper of general circulation printed and published within the entity if there is one and if not then in such paper printed and published in the county within which the greater part of such district is located.

Before any entity may have such charges collected on the tax roll for the first time following the effective date of this section, the clerk shall cause a notice in writing of the filing of said report proposing to have such charges for the forthcoming fiscal year collected on the tax roll and of the time and place of hearing thereon, to be mailed to each person to whom any parcel or parcels of real property described in said report is assessed in the last equalized assessment roll available on the date said report is prepared, at the address shown on said assessment roll or as known to said clerk. If the legislative body adopts the report, then the requirements for notice in writing to the persons to whom parcels of real property are assessed shall not apply to hearings on reports prepared in subsequent fiscal years but notice by publication as herein provided shall be adequate.

(Amended by Stats. 1957, Ch. 357.)

5473.2. At the time stated in the notice, the legislative body shall hear and consider all objections or protests, if any, to said report referred to in said notice and may continue the hearing from time to time. If the legislative body finds that protest is made by the owners of a majority of separate parcels of property described in the report, then the report shall not be adopted and the charges shall be collected separately from the tax roll and shall not constitute a lien against any parcel or parcels of land.

(Amended by Stats. 1953, Ch. 862.)

5473.3. Upon the conclusion of the hearing, the legislative body may adopt, revise, change, reduce or modify any charge or overrule any or all objections and shall make its determination upon each charge as described in said report which determination shall be final.

(Amended by Stats. 1953, Ch. 862.)

5473.4. On or before August 10 of each year following the final determination upon each charge, the clerk shall file with the county auditor a copy of the report prepared pursuant to Section 5473 with a statement endorsed on the report over his or her signature that the report has been finally adopted by the legislative body of the entity and the county auditor shall enter the amounts of the charges against the respective lots or parcels of land as they appear on the current assessment roll. Where any of the parcels are outside the boundaries of the entity they shall be added to the assessment roll of the entity for the purpose of collecting the charges. If the property is not described on the roll, the county auditor may enter the description on the roll together with the amounts of the charges, as shown in the report.

(Amended by Stats. 2015, Ch. 269, Sec. 19. Effective January 1, 2016.)

5473.5. Except as provided in Section 5473.8, the amount of the charges shall constitute a lien against the lot or parcel of land against which the charge has been imposed as of noon on the first Monday in March immediately preceding the date of levy.

(Amended by Stats. 1973, Ch. 861.)

5473.6. The tax collector shall include the amount of the charges on bills for taxes levied against the respective lots and parcels of land.

(Added by renumbering Section 5473.5 by Stats. 1953, Ch. 862.)

5473.7. Thereafter the amount of the charges shall be collected at the same time and in the same manner and by the same persons as, together with and not separately from, the general taxes for the entity, and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties.

(Added by renumbering Section 5473.6 by Stats. 1953, Ch. 862.)

5473.8. All laws applicable to the levy, collection, and enforcement of general taxes of the entity, including, but not limited to, those pertaining to the matters of delinquency, correction, cancellation, refund, and redemption, are applicable to the charges authorized pursuant to this article, except that if any real property to which these charges relate has been transferred or conveyed to a bona fide purchaser for value or a lien of a bona fide encumbrancer for value has been created and attaches thereon during the year prior to the date on which the first installment of the general taxes that include the charges appears on the assessment roll, then the lien which

would otherwise be imposed by Section 5473.5 shall not attach to the real property and the charges relating to that property shall be transferred to the unsecured roll of collection.

(Amended by Stats. 2012, Ch. 330, Sec. 17. Effective January 1, 2013.)

5473.9. The tax collector may, in his discretion, issue separate bills for such charges and separate receipts for collection on account of such charges. The county shall be compensated for services rendered in connection with the levy, collection and enforcement of such charges for an entity other than the county in an amount to be fixed by agreement between the board of supervisors and the legislative body of the entity. The compensation shall not exceed five dollars (\$5) for each account handled, or 1 percent of all money collected, whichever is greater. The compensation shall be paid into the county salary fund.

(Amended by Stats. 1969, Ch. 318.)

5473.10. The entity may provide for a basic penalty of not more than 10 percent for nonpayment of the charges within the time and in the manner prescribed by it, and in addition may provide for a penalty of not exceeding 1 and one-half percent per month for nonpayment of the charges and basic penalty. It may provide for collection of the penalties herein provided for.

(Amended by Stats. 1985, Ch. 341, Sec. 1.)

5473.11. (a) An entity shall notify the assessee shown on the latest equalized assessment roll whenever delinquent and unpaid charges for services which would become a lien on the property pursuant to subdivision (b) remain delinquent and unpaid for 60 days.

(b) The amount of the unpaid charges may, in the discretion of the entity, be secured at any time by filing for record in the office of the county recorder of any county, a certificate specifying the amount of the unpaid charges and the name and address of the person liable for those unpaid charges. From the time of recordation of the certificate, the amount required to be paid together with interest and penalty constitutes a lien upon all real property in the county owned by the person or afterwards, and before the lien expires, acquired by him or her. The lien shall have the force, priority, and effect of a judgment lien and shall continue for 10 years from the date of the filing of the certificate unless sooner released or otherwise discharged. The lien may, within 10 years from the filing of the certificate or within 10 years from the date of the last extension of the lien in the manner herein provided, be extended by filing for record a new certificate in the office of the county recorder of any county and from the time of this filing the lien shall be extended to the real property in this county for 10 years unless sooner released or otherwise discharged.

(Amended by Stats. 2012, Ch. 330, Sec. 18. Effective January 1, 2013.)

5474. An entity shall have the power by ordinance approved by two-thirds vote of the members of the legislative body thereof to fix fees or charges for the privilege of connecting to its sanitation or sewerage facilities and improvements constructed by the entity pursuant to Sections 5463 and 5464, to fix the time or times at which the fees or charges shall become due, to provide for the payment of the fees or charges prior to connection or in installments over a period of not to exceed 30 years, to provide the rate of interest, not to exceed 12 percent per annum, to be charged on the unpaid balance of the fees or charges, and to provide that the amount of the fees or charges and the interest thereon shall constitute a lien against the respective lots or parcels of land to which the facilities are connected at the time and in the manner specified in Sections 5473.5 and 5473.8. Prior to making the fees or charges a lien against the land, the legislative body shall give notice to the owners of the lots or parcels of land affected, and the notice shall set forth all of the following:

(a) The schedule of fees or charges to be imposed by the entity.

(b) A description of the property subject to the fees or charges, which description may be by reference to a plat or diagram on file in the office of the clerk of the legislative body, or to maps prepared in accordance with Section 327 of the Revenue and Taxation Code, and on file in the office of the county assessor.

(c) The time or times at which the fees or charges shall become due.

(d) The number of installments in which the fees or charges shall be payable.

(e) The rate of interest, not to exceed 12 percent per annum, to be charged on the unpaid balance of the fees or charges.

(f) That it is proposed that the fees or charges and interest thereon shall constitute a lien against the lots or parcels of land to which the facilities are furnished.

(g) The time and place at which the legislative body will hold a hearing at which persons may appear and present any and all objections they may have to the imposition of the fees or charges as a lien against the land.

(Amended by Stats. 2008, Ch. 709, Sec. 15. Effective January 1, 2009.)

5474.1. The notice shall be published pursuant to Section 6063 of the Government Code prior to the date set for hearing. At least 10 days prior to the date of hearing written notice thereof shall be mailed to all persons owning land subject to such fees or charges, whose names and addresses appear on the last equalized assessment roll.

(Amended by Stats. 1961, Ch. 754.)

5474.2. At the time stated in the notice the legislative body shall hear and consider all objections or protests, if any, to the imposition of the fees or charges as set forth in said notice and may continue the hearing from time to time.

(Added by Stats. 1953, Ch. 578.)

5474.3. Upon the conclusion of the hearing, the legislative body may adopt, revise, change, reduce or modify the fees or charges or may overrule any or all objections and make its determination, which determination shall be final.

(Added by Stats. 1953, Ch. 578.)

5474.4. On or before August 10 of each year following the final determination, the legislative body shall certify to the county auditor a list of the lots or parcels of land, as they appear on the current assessment roll, subject to any fees or charges and the amounts of the installments of those fees or charges and interest to be entered against the lots or parcels on the assessment roll. In the event a lot or parcel connected to the facilities is subsequently divided into two or more lots or parcels as shown on the current assessment roll, the legislative body shall designate the lot or parcel that remains connected to the facilities and against which the installments of the fees or charges and interest are to be entered.

(Amended by Stats. 2015, Ch. 269, Sec. 20. Effective January 1, 2016.)

5474.5. The county auditor shall enter on the current assessment roll the amounts of the installments of any fees or charges and interest and, except as provided in Section 5474.6, the amounts thereof shall constitute a lien against the lot or parcel of land against which levied as of noon on the first Monday in March immediately preceding the date of entry.

(Amended by Stats. 2015, Ch. 269, Sec. 21. Effective January 1, 2016.)

5474.6. (a) The tax collector shall include the amounts of the installments of fees or charges and the interest on bills for taxes levied against the respective lots and parcels of land. Thereafter, all laws applicable to the levy, collection and enforcement of taxes of the entity, including penalties and interest thereon and cancellation or refund thereof, shall be applicable to those installments of fees or charges and interest, except that, if any real property to which the fees or charges relate has been transferred or conveyed to a bona fide purchaser for value or a lien of a bona fide encumbrancer for value has been created and attaches thereon during the year prior to the date on which the first installment of the general taxes that include the fees or charges appears on the assessment roll, then the lien which would otherwise be imposed by Section 5474.5 shall not attach to the real property and the fees or charges and interest shall be transferred to the unsecured roll for collection.

(b) The amount of the unpaid installments of fees or charges and interest may, in the discretion of the entity, be secured at any time by filing for record in the office of the county recorder of any county, a certificate specifying the amount of the fees or charges and interest and the name and address of the person liable therefor. From the time of recordation of the certificate, the amount required to be paid together with interest and penalty constitutes a lien upon all real property in the county owned by the person or afterwards, and before the lien expires, acquired by him or her. The lien shall have the force, priority, and effect of a judgment lien and shall continue for 10 years from the date of the filing of the certificate unless sooner released or otherwise discharged. The lien may, within 10 years from the filing of the certificate or within 10 years from the date of the last extension of the lien in the manner herein provided, be extended by filing for record a new certificate in the office of the county recorder of any county and from the time of this filing the lien shall be extended to the real property in this county for 10 years unless sooner released or otherwise discharged.

(Amended by Stats. 2012, Ch. 330, Sec. 19. Effective January 1, 2013.)

5474.7. The tax collector may, in his discretion, issue separate bills for such installments of fees or charges and interest. The county shall be compensated for services, if any, rendered in connection with the levy, collection and enforcement of such installments of fees or charges and interest in an amount to be fixed by agreement between the board of supervisors and the legislative body of the entity. The compensation shall not exceed 1 percent of all money collected for the entity.

(Amended by Stats. 1961, Ch. 754.)

5474.8. Fees or charges imposed by an entity by ordinance adopted pursuant to Section 5474 may differ in amount or method of computation from fees or charges imposed by any other ordinance of such entity adopted pursuant to said Section 5474.

(Amended by Stats. 1961, Ch. 754.)

5474.9. Revenues derived from fees or charges imposed pursuant to Section 5474 shall be used only for the acquisition, construction, reconstruction, maintenance and operation of sanitation or sewerage facilities, to pay municipalities for sewer service collection charges, to repay principal and interest on bonds issued for construction or reconstruction of such sanitation or sewerage facilities and to repay federal or state loans or advances made to entities for the construction or reconstruction of sanitation or sewerage facilities; provided, however, that such revenue shall not be used for the acquisition or construction of new local street sewers or laterals as distinguished from main trunk, interceptor and outfall sewers.

(Amended by Stats. 1961, Ch. 754.)

5474.10. The authority for the imposition of fees or charges by entities pursuant to Section 5474 shall be in addition to the authority granted to such entities by any other law authorizing such entities to establish fees, tolls, rates, rentals or other charges.

(Amended by Stats. 1961, Ch. 754.)