



WEST BAY SANITARY DISTRICT FY 2020-21 SEWER RATE STUDY



March 3, 2020 - Final Report
(revised April 23, 2020)



HF&H Consultants, LLC

West Bay Sanitary District

500 Laurel Street
Menlo Park, CA 94025



Sewer Rate Study

March 3, 2020
Final Report – revised April 23, 2020

HF&H Consultants, LLC

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April 23, 2020

Mr. Phil Scott
District Manager
West Bay Sanitary District
500 Laurel Street
Menlo Park, CA 94025

Subject: FY 2020-21 Sewer Rate Study - Final Report

Dear Mr. Scott:

HF&H Consultants (HF&H) is pleased to submit this final report to update the West Bay Sanitary District's (District's) FY 2020-21 sewer rates. The report summarizes the analysis that was conducted to develop the recommended rates. The analysis updates last year's projections to reflect the District's and Silicon Valley Clean Water's (SVCW) current operating and capital costs.

The overall increase in revenue will allow the District to:

- Fund inflationary increases in existing staff and sewer collection system operating and maintenance costs;
- Fund an additional Operator III in FY 2020-21 (whose costs will be split 50/50 with Sharon Heights) and an additional full-time Pump Mechanic in FY 2022-23 to support operations due to growth and additional treatment operations;
- Fund \$5.9 million in annual capital projects for the District-maintained collection system;
- Fully-fund the District's share of SVCW's projected operating and capital costs to operate the wastewater treatment plant which grows from \$13.3 million to \$18.7 million over the five-year study period;
- By FY 2024-25, fully fund a reserve for the District's OPEB/PERS unfunded liability obligation, estimated to be approximately \$5.8 million;
- By FY 2024-25, reach the targeted levels of the District's operating, capital, rate stabilization, and emergency reserve balances; and,
- Adapt to large, expected increases in SVCW debt service in subsequent years beyond FY 2024-25 without resorting to sharp increases in rates.
- Transfer \$2.6 million from Recycled Water Fund to help minimize annual rate increases and maintain positive cash flow.

* * * * *

A copy of the rate model is included in the appendix.

HF&H presented our final report (dated March 3, 2020) at the protest hearing, held on April 22, 2020, and the Board of Directors recommended expanding on the explanation of the nature and timing of the projected capital expenditures included in the study. This updated version reflects only the expanded explanation of capital expenditures (*see Section 2.2 – District Capital Expenses, Page 6*), as no other changes were made to the report.

Very truly yours,
HF&H CONSULTANTS, LLC

John W. Farnkopf, P.E.
Senior Vice President

Richard J. Simonson, CMC
Vice President

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ACRONYMS

FY	Fiscal Year
CCF or HCF	Hundred cubic feet of metered water sold; 748 gallons; a cube of water 4.6 feet on edge
BOD	Biochemical Oxygen Demand
COS	Cost of Service
EDU	Equivalent Dwelling Unit
FTE	Full-Time Equivalent
GPD	Gallons per Day
I&I	Inflow & Infiltration
MGL	Milligrams per Liter
O&M	Operations and Maintenance
PAYGo	Pay-As-You-Go, in reference to funding capital improvements from cash rather than from borrowed sources of revenue
SHGCC	Sharon Heights Golf & Country Club
SLAC	Stanford Linear Accelerator Center
SVCW	Silicon Valley Clean Water, a Joint Powers Authority that is responsible for regional conveyance and wastewater treatment for West Bay Sanitary District and the cities of Redwood City, San Carlos and Belmont.
STEP	Septic Tank Effluent Pumping systems
TSS	Total Suspended Solids

ACKNOWLEDGEMENTS

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REVISIONS

HF&H presented our final report (dated March 3, 2020) at the protest hearing, held on April 22, 2020, and the Board of Directors recommended expanding on the explanation of the nature and timing of the projected capital expenditures included in the study. This updated version reflects only the expanded explanation of capital expenditures (*see Section 2.2 – District Capital Expenses, Page 6*), as no other changes were made to the report.



Sewer Rate Study

1. BACKGROUND AND SUMMARY

1.1. Background

The District provides wastewater collection and conveyance services to approximately 32,000 residential, commercial, and industrial equivalent dwelling units (EDU) through a system of pipelines and pump stations that transport their wastewater to the Silicon Valley Clean Water (SVCW) facility for treatment and discharge into San Francisco Bay. SVCW is a Joint Powers Authority (JPA) that provides wastewater treatment services to the Cities of Redwood City, San Carlos, and Belmont as well as the District.

The District owns and operates wastewater collection system facilities serving portions of Menlo Park, Atherton, and Portola Valley. Wastewater from these communities is treated at the SVCW treatment plant, the cost for which is billed to the District and included in the District's sewer service charges. In addition, the District maintains the wastewater collection system operations for the Towns of Los Altos Hills and Woodside under service contracts. Wastewater from these communities is treated at the Palo Alto Regional Water Quality Control plant. Under the services contracts, the District is fully compensated by the towns. The towns are responsible for setting rates for their customers, which will cover the District's cost as well as the cost of treatment.

1.2. Five-Year Financial Plan

This report presents a financial plan for the District that incorporates the capital improvements identified in the District's Master Plan, as well as the latest available projections provided by SVCW in their January 2020 Long Range Financial Plan. The District's five-year financial plan comprises:

- Projected District operating and capital expenses to maintain the collection system;
- Projected SVCW operating and capital expenses to maintain and upgrade the sewer treatment plant;
- Projected reserve balances and targets;
- Projected revenues from the District's current and proposed sewer service charges; and,
- Projected growth within the District.

The results of the financial plan indicate the annual increases in sewer service charges that are projected to fund the District's expenses and maintain adequate reserves. Detailed spreadsheets comprising the five-year financial plan are included in Appendix A.

1.3 Recent Rate Increases

During the last five years, the District’s residential sewer service charges have increased as shown in **Figure 1-1**.

Figure 1-1. Recent Rates and Rate Increases

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Residential Sewer Service Charge	\$974	\$1,031	\$1,072	\$1,126	\$1,177
Annual Increase - \$ per Year		\$57	\$41	\$54	\$51
Percentage Increase		5.9%	4.0%	5.0%	4.5%

The increases during this period were primarily attributable to SVCW’s increasing debt service allocation to the District to fund treatment plant upgrades and, secondarily, to increases in the District’s reserves that was necessitated to bring them to the target levels.

1.4. Current Sewer Rates

The District charges sewer customers annually on the tax rolls, which is a common practice for billing for sewer service. Billing on the tax rolls is less expensive than it would be if the District issued its own bills while allowing the County to easily levy liens for nonpayment. Even though the District bills through the tax rolls, its sewer service charges are not a tax or assessment. Unlike taxes or assessments, which are based on land-related characteristics such as assessed value or parcel size, the District’s sewer charges are a form of service fee or charge that is proportionate to the cost of providing sewer service.

Residential customers are charged per dwelling unit. In addition, approximately 79 homes in the Portola Valley area (located within the On-Site Wastewater Disposal Zone) pay higher charges (currently \$320 per year) for the maintenance of the Septic Tank Effluent Pump (STEP) system or Grinder Sewer Collection Systems that they require.

Commercial customers pay charges based on their metered water use from the prior calendar year (measured in CCF or hundred cubic feet). Each non-residential charge is the product of the customer’s flow multiplied by the rate corresponding to the customer’s class.

Industrial customers are billed based on each customer’s annual flow and the strength of the customer’s wastewater based on sampling data.

Current rates for FY 2019-20 were adopted by the Board in May 2019, as follows:

Figure 1-2. Current Rates

	Current FY 2019-20
<u>Residential (charge per DU)</u>	
Single Family, Multi Family	\$1,177
On-site Wastewater Disposal Zone	\$1,497
<u>Commercial (charge per CCF)</u>	
Retail/Commercial	\$9.48
Institution/Public	\$8.89
Restaurants/Bakeries	\$19.98
Supermarkets with Grinders	\$20.20
Hospitals	\$9.81
Hotels with Dining Facilities	\$16.13
<u>Industrial (measured)</u>	
Flow Rate Charge per CCF	\$7.00
BOD Rate Charge per pound	\$1.23
TSS Rate Charge per pound	\$1.41

1.5. Findings and Recommendations

1.5.1 Projected Rate Increases During Five-Year Planning Period

Figure 1-3 indicates the annual revenue increases projected for the five-year planning period, beginning with FY 2020-21. The increases indicated below reflect updated assumptions and currently available information. Annual revenues are projected to increase by more than the recommended rate increases due to growth in the number of dwelling units. The five-year financial plan assumes 250 new dwelling units each year. Note: due to the District billing on the tax roll, the projected annual revenue increases reflect a one-year delay in the realization of the revenue from growth. For example, the growth which occurs in FY 2020-21 will first appear on the tax rolls in FY 2021-22.

Figure 1-3. Projected Rate and Revenue Increases

Fiscal Year	Projected Rate Increase	Projected Revenue Increase
2020-21	4%	4%
2021-22	3%	4%
2022-23	3%	4%
2023-24	2%	3%
2024-25	2%	3%

1.5.2 Recommended Rates for FY 2020-21

The following figure shows the current FY 2019-20 rates and the proposed FY 2020-21 rates, which reflect a 4% across-the-board increase to all customer classes. In addition, we are recommending an additional \$150 increase to those customers within the On-Site Wastewater Disposal Zone for the increases in costs to maintain the STEP or Grinder Sewer Collection Systems that they require¹.

Figure 1-4. Current and Proposed FY 2020-21 Rates

	Current FY 2019-20	Proposed FY 2020-21	\$ Chg	% Chg
<u>Residential (charge per DU per year)</u>				
Single Family, Multi Family	\$1,177	\$1,224	\$47	4.0%
On-site Wastewater Disposal Zone ¹	\$1,497	\$1,694	\$197	13.2%
<u>Commercial (charge per CCF)</u>				
Retail/Commercial	\$9.48	\$9.86	\$0.38	4.0%
Institution/Public	\$8.89	\$9.24	\$0.36	4.0%
Restaurants/Bakeries	\$19.98	\$20.78	\$0.80	4.0%
Supermarkets with Grinders	\$20.20	\$21.01	\$0.81	4.0%
Hospitals	\$9.81	\$10.20	\$0.39	4.0%
Hotels with Dining Facilities	\$16.13	\$16.78	\$0.65	4.0%
<u>Industrial (measured)</u>				
Flow Rate Charge per CCF	\$7.00	\$7.28	\$0.28	4.0%
BOD Rate Charge per pound	\$1.23	\$1.28	\$0.05	4.0%
TSS Rate Charge per pound	\$1.41	\$1.46	\$0.06	4.0%

¹ Section 3 of this report provides details of the larger percentage increase recommended for those customers within the On-site Wastewater Disposal Zone

2. REVENUE REQUIREMENT PROJECTIONS

A spreadsheet model was developed to derive revenue requirements for a five-year planning period, FY 2020-21 through FY 2024-25. The revenue requirements represent the costs that must be covered by revenue from rates and other sources. The District’s Operations & Maintenance (O&M) budget for FY 2019-20 served as the starting point for projecting the District’s expenses and revenues. The 2020 Long Range Financial Plan produced by SVCW was used to project all future SVCW expenses. The escalation factors summarized in **Figure 2-1** were incorporated in the model for projecting expenses and revenues.

Figure 2-1. Key Modeling Assumptions

Assumptions		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
(1) General Inflation	Per Budget		3.0%	3.0%	3.0%	3.0%	3.0%
(2) Utilities	Per Budget		5.0%	5.0%	5.0%	5.0%	5.0%
(3) Salaries & Benefits	Per Budget		4.0%	4.0%	4.0%	4.0%	4.0%
(4) PERS Unfunded Accrued Liability	Per Budget		12.4%	13.4%	15.0%	9.9%	10.0%
(5) SVCW O&M Expenses Increase %	Per Budget		2.1%	0.7%	-0.1%	2.9%	2.9%
(6) Interest on Earnings		0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
(7) Misc	Per Budget		1.0%	1.0%	1.0%	1.0%	1.0%
(8) Los Altos Hills, Woodside Revenue Change	Per Budget		3.0%	3.0%	3.0%	3.0%	3.0%
(9) Construction Cost Inflation	Per Budget		3.0%	3.0%	3.0%	3.0%	3.0%
(10) Increase in Annual Residential Customers	Per District		250	250	250	250	250
(11) Number of Total Customer Accounts	Per District		19,000	19,250	19,500	19,750	20,000
(12) Annual Percentage in Account Growth	Per District		1.3%	1.3%	1.3%	1.3%	1.3%
(13) Annual Increase in Salaries for OT due to Growth	Per District		0.5%	0.5%	0.5%	0.5%	0.5%

The application of these assumptions to the O&M and capital expenses is described below and summarized in **Figure 2-2** and **Figure 2-3**.

2.1. District O&M Expenses

The District’s net O&M expenses (summarized by category in **Figure 2-2**) are projected to increase from approximately \$8.1 million to \$11.1 million over the five-year planning period. The District’s expenses are increasing more rapidly than the rate of inflation due to future staffing level additions, the end of approximately \$400,000 in annual non-operating revenue from the flow equalization cost sharing agreement (eff. FY 2024-25), and increases in operating expenses due to a growing customer base. With the regional focus on residential development, the District projects an annual increase of 250 accounts per year, with a total of 1,250 accounts added by the end of the planning period.

Figure 2-2. District O&M Expense Summary

	Current Year	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Salaries	\$3,638,882	\$3,915,094	\$4,240,672	\$4,424,127	\$4,621,812	\$4,828,337
Benefits	\$2,609,186	\$2,713,553	\$2,822,096	\$2,934,979	\$3,052,379	\$3,174,474
PERS Unfunded Accrued Liability	\$346,648	\$389,500	\$441,800	\$508,070	\$558,562	\$614,418
Contractual/Professional Services	\$1,008,720	\$1,052,254	\$1,097,487	\$1,144,482	\$1,193,304	\$1,244,019
Other O&M	\$1,488,255	\$1,624,831	\$1,624,166	\$1,766,375	\$1,771,579	\$1,919,901
Non-Operating Revenue	(\$958,177)	(\$981,782)	(\$1,006,043)	(\$1,030,980)	(\$1,056,613)	(\$675,896)
Net District Operating Costs	\$8,133,514	\$8,713,451	\$9,220,178	\$9,747,054	\$10,141,022	\$11,105,253
		7.1%	5.8%	5.7%	4.0%	9.5%

2.2. District Capital Expenses

The District’s capital expenses are summarized by category in **Figure 2-3**. The District’s annual budgeted capital expenditures range from a low of \$3.9 million (in FY 2023-24) to \$7.2 million (in FY 2020-21), during the five-year planning period. On average, the District expects to spend approximately \$5.9 million annually on these projects (during the five-year planning period FY 2020-21 to FY 2024-25).

The FY 2020-21 budgets for Collection Facilities and Underground Pipes/Subsurface categories vary by more than \$1 million each from the FY 2019-20 values. The FY 2019-20 Collection Facilities budget included one-time projects, such as the Metal Storage Building and the Bayfront Resource Recovery Environmental Impact Report. The District does not plan to repeat these projects, resulting in a lower budget for Collection Facilities in future fiscal years. In FY 2019-20, the District reduced its normal volume of Underground Pipes/Subsurface projects to use available cash to complete the \$13 million SCVW debt buy-down. In FY 2020-21 and beyond, the District will return to priority scheduling projects so that Underground Pipes/Subsurface projects budget targets between \$6 million to \$7 million.

Figure 2-3. CIP Summary

	Current Year	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Administration	\$275,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Collection Facilities	\$2,662,050	\$1,509,500	\$1,509,500	\$509,500	\$509,500	\$509,500
Underground Pipes/subsurface	\$3,727,000	\$5,599,080	\$5,596,248	\$7,321,271	\$4,502,035	\$6,373,109
Construction Proj. Environ Review	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Manhole Raising	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Allow. For Unanticipated Cap Exp	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Vehicles and Equipment	\$350,000	\$247,200	\$254,616	\$262,254	\$270,122	\$278,226
Subtotal Capital Expenses	\$7,224,050	\$7,690,780	\$6,470,364	\$7,203,025	\$4,391,657	\$6,270,835
Less: Connection Fee Revenue	(\$500,000)	(\$500,000)	(\$1,725,000)	(\$1,725,000)	(\$1,725,000)	(\$1,725,000)
Net Capital Expenses	\$6,724,050	\$7,190,780	\$5,970,364	\$6,703,025	\$3,891,657	\$5,770,835
		7%	-17%	12%	-42%	48%

The District plans to fund these capital improvements from connection fee revenue and sewer service charge revenue on a pay-as-you-go (PAYGo) basis without issuing debt, which continues the District’s historical practice.

2.3. District Reserves

In addition to covering annual expenses, sewer service charges need to generate revenue to maintain adequate operations and capital reserves. To determine what constitutes adequate reserve amounts, the reserve balance was subdivided into Operations, Capital, Rate Stabilization, Recycled Water Project, Emergency Reserves, and an OPEB/PERS Retirement Liability Reserve Fund. In this way, it is possible to set recommended target balances for each purpose.

2.3.1. Operations Reserve Minimum Balance

The Operations Reserve provides working capital for monthly O&M expenses. There is a nine-month lag between sewer service charge payments from the County tax assessor; therefore, the minimum Operations Reserve balance is set equal to five months of O&M expenses to provide adequate cash flow. If this minimum balance is maintained, the District should be able to fund its monthly operations cash flow over this extended period without relying on the Capital Reserve for a short-term loan. Maintaining the minimum balance for the Operations Reserve is recommended as the highest priority for the District’s three reserves.

2.3.2. Emergency Reserve Target Balance

The target balances for the Operations and Capital Reserves are sufficient to provide working capital on an ongoing basis, but do not provide for unforeseen contingencies such as emergencies. Should an emergency strike (e.g., earthquake), the District cannot suddenly raise rates to generate additional funds due to state law requirements for such rate increases (e.g., Proposition 218). Moreover, the District bills annually on the tax rolls. Therefore, the District has set a target for the Emergency Reserve of \$5.0 million. With such a reserve, the District would have funds on hand to take immediate remedial steps without waiting to procure a loan or issue bonds.

Maintaining the target balance for the Emergency Reserve is recommended as the second highest priority after meeting the minimum balance for the Operations Reserve. The Emergency Reserve can be used for funding capital projects at times when the Capital Reserve is not fully funded.

2.3.3. Capital Reserve Target Balance

The Capital Reserve provides liquidity to fund construction for projects that are funded on a PAYGo basis (as opposed to those that are funded from debt). With adequate capital reserves, the District is able to pay contractors without encroaching on the Operations or Emergency Reserves. Historically, the initial target reserve balance was \$3.5 million. However, construction cost escalation, averaging 15% annually over the last four years,

has raised the costs to perform capital improvements. Rising costs correlate to increases in replacement of underground pipelines, as evidenced in **Figure 2-3**. In light of rising costs, the Board revised the target balance to \$6.0 million. Maintaining the target balance for the Capital Reserve is recommended after meeting the minimum balances for the Operations and Emergency Reserves.

2.3.4. Rate Stabilization Reserve Fund

The Board established a rate stabilization fund to allow a margin of safety for the uncertainty of the timing and amount of SVCW capital expenditures to upgrade the wastewater treatment facility (as discussed in **Section 2.4** below). The funds could be used to minimize future rates increases and/or to reduce interest expenses by buying down the amount of debt to be issued by SVCW to fund the upgrades. For example, over the last two years the District has utilized this reserve to remove a \$13.0 million debt obligation. The District anticipates future debt obligations and is building this reserve to buy down future debt.

2.3.5. Recycled Water Project Reserve Fund

In late 2016, the Board established an \$8 million reserve fund for future capital expenditures to help reduce potable water use by constructing a satellite recycled water treatment facility at the SHGCC to use recycled water to irrigate the golf course and also to serve water to the Stanford Linear Accelerator Center (SLAC) for irrigation and industrial uses such as for cooling towers. These funds have been set aside to fund design and construction costs that will be incurred prior to receiving funding from the State Water Resources Control Board (SWRCB). The SWRCB has begun remitting payments to the District as construction has neared completion. The District intends to infuse these funds back into operating reserves when necessary for cash-flow purposes.

2.3.6. OPEB/PERS Retirement Liability Reserve Fund

In February 2018, the Board established a reserve fund to help meet the District's unfunded pension liability and deferred outflows/inflows of resources related to pensions and pension expenses. Currently, the District's unfunded liability is estimated at \$5.8 million. As of June 30, 2019, the District's fund balance was \$1,300,623. Going forward, the District plans to continue making transfers of up to \$1 million each year until the estimated \$5.8 million unfunded liability amount is reached. Our analysis shows the full liability of \$5.8 million will be met by the end of June 30, 2025.

2.4. SVCW Expenses

In FY 2020-21, SVCW's treatment charge is 42.6% of the District's total revenue requirement, and is the District's single largest expense, which will increase to 52.3% of the District's total revenue requirement by FY 2024-25. The District's treatment charge is allocated in proportion to the number of its EDUs compared with the other SVCW member agencies, currently 26.84%. As shown in **Figure 2-4**, SVCW's cost has recently increased significantly to fund the debt service on a series of bonds and SRF loans, that

has been issued to fund the rehabilitation of its interceptors, pump stations, and wastewater treatment plant.

Figure 2-4. SVCW O&M and Debt Service Revenue Requirement

	Current Year	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
SVCW Projected Expenses						
Net Operating Expense	\$6,930,000	\$7,169,265	\$7,311,294	\$7,393,979	\$7,695,926	\$8,004,730
Revenue-Funded Capital (PAYGo)	\$452,073	\$402,600	\$402,600	\$402,600	\$402,600	\$402,600
<u>Debt Service</u>						
Existing Bonds	\$4,904,068	\$4,593,692	\$4,599,521	\$4,588,067	\$4,587,775	\$4,594,502
Existing SRF Loans	\$970,000	\$726,843	\$726,843	\$726,843	\$912,039	\$912,039
New bonds	\$0	\$0	\$1,527,792	\$1,527,792	\$1,800,282	\$1,800,282
New SRF Loans	\$0	\$0	\$0	\$0	\$2,080,997	\$2,080,997
New WIFIA Loan	\$0	\$0	\$0	\$0	\$0	\$0
Debt Reserves	\$282,513	\$402,600	\$536,800	\$671,000	\$805,200	\$939,400
Subtotal SVCW Debt Service	\$6,156,581	\$5,723,135	\$7,390,955	\$7,513,702	\$10,186,293	\$10,327,220
Subtotal, SVCW	\$13,538,654	\$13,295,000	\$15,104,850	\$15,310,281	\$18,284,819	\$18,734,550

2.5. Total Revenue Requirements

The foregoing modeling assumptions lead to the projected revenue requirements shown in Figure 2-5.

Figure 2-5. Projected Revenue Requirements

	Current Year	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
SVCW Operating Expenses	\$7,382,073	\$7,571,865	\$7,713,894	\$7,796,579	\$8,098,526	\$8,407,330
SVCW Debt Service	\$6,156,581	\$5,723,135	\$7,390,955	\$7,513,702	\$10,186,293	\$10,327,220
WBSD Capital Imp. Program	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332
WBSD Operating Expenses	\$8,133,514	\$8,713,451	\$9,220,178	\$9,747,054	\$10,141,022	\$11,105,253
Contribution To/(From) Reserves	\$2,399,039	\$3,273,667	\$2,219,409	\$2,797,891	\$448,354	\$80,098
Total Projected Revenue Req't.	\$29,976,539	\$31,187,450	\$32,449,769	\$33,760,558	\$34,779,528	\$35,825,233

Highlights of the District’s projected revenue requirements are as follows:

- The District will fund an average of \$7.2 million annually in SVCW operating expenses, including PAYGo Capital projects and increased costs due to a growing customer base
- The District will fund an average of \$8.2 million annually in SVCW debt service
- There are 6.4% average annual increases in District O&M costs
- \$5.9 million annually in District PAYGo capital projects

- The District plans to continue making annual transfers to the District’s OPEB/PERS unfunded liability reserve and will meet the full liability amount by FY 2024-25.
- All Operating, Capital, Rate Stabilization, OPEB/PERS, and Emergency reserve levels will be funded to their respective target levels by FY 2024-25.

2.6. Revenue Increases

The District’s revenue requirements increase over the next five years. Current rates cannot support the projected revenue requirements shown in **Figure 2-5**. As stated previously, the District projects 1.3% annual growth in customer accounts which will provide an additional \$2.9 million in additional revenue. Revenue derived from growth helps to offset rate increases required to generate additional revenue. As a result, the increases in annual revenue will be greater than the increases in rate revenue. **Figure 2-6** summarizes the annual increase in revenue requirement and the recommended rate revenue increases.

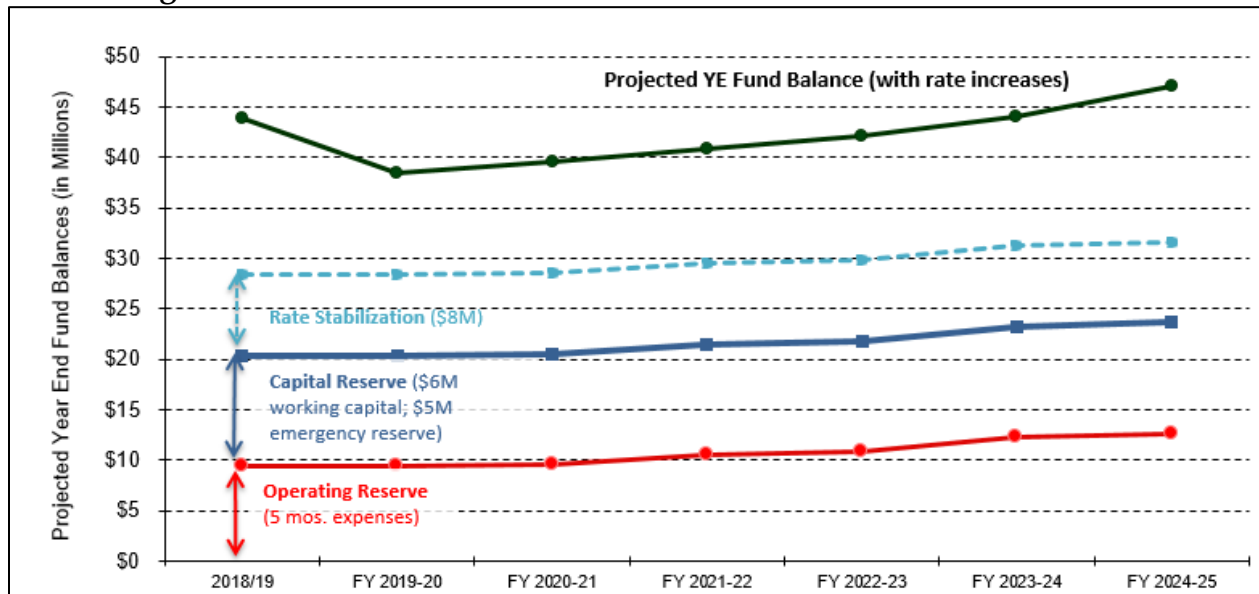
Figure 2-6. Annual Revenue Increases

	Five-Year Planning Period				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Proposed Rate Revenue Increases	4%	3%	3%	2%	2%
Revenue Increased due to Growth	0%	1%	1%	1%	1%
Annual Revenue Increase	4%	4%	4%	3%	3%

2.7. Fund Balance

Figure 2-7 shows the projected annual fund balances with the rate revenue increases recommended in **Figure 2-6** (solid green line). Although the projections show straight lines between years, the fund balance will be drawn down substantially during each year. In other words, the reserves are actively drawn on at all times during the year but only periodically added to when payments are received from the County. The reserves are not simply accumulated without being used. The recommended revenue increases will maintain a fund balance above the target during the five-year planning period. This strong position will allow the District to adapt to large, expected increases in SVCW debt service in subsequent years beyond FY 2024-25, without resorting to sharp increases in future rates.

Figure 2-7. Fund Balance With and Without Increased Rate Revenue



2.7.1 Minimum Fund Balance

The minimum balance (red line) is the balance that is required to meet the District’s operating expenses during the year. The balance is large because the District bills annually on the tax rolls and receives reimbursement from the County twice each year. As a result, there are several months over which the District must rely heavily on its operating reserve to meet its monthly cash flow requirements. Because of the lag between payments from the County, the minimum Operations Reserve balance is set equal to five months of SVCW and District operating expenses.

2.7.2 Target Fund Balance

The target balance is the sum of the minimum balance for operations (red line) plus an allowance for capital projects (\$6.0 million), emergency capital reserves (\$5.0 million), and rate stabilization reserves (\$8.0 million). The capital allowance provides working capital to maintain sufficient funds in order to pay contractors so that work can proceed without delay. Emergency reserves help manage risks associated with sudden asset failures caused by emergencies such as natural disasters or human error. Emergency reserves are a form of capital reserve that can provide a measure of self-insurance so that immediate funding is available for disaster recovery until loans can be arranged.

In addition, the District has established a rate stabilization reserve to help manage the risk of unexpected costs at the SVCW treatment plant, which is outside the District’s control.

3. PROJECTED RATE INCREASES

Current rates cannot support the projected revenue requirements shown in **Figure 2-5**. The projected rate increases, and corresponding residential sewer service charges, are summarized in **Figure 3-1 (Residential)** and **Figure 3-2 (Commercial and Industrial)**.

Figure 3-1. Projected Rates - Residential

	ADOPTED	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Base Service Charge	\$1,177	\$1,224	\$1,261	\$1,299	\$1,325	\$1,351
<i>Annual Increase in Charge</i>		\$47	\$37	\$38	\$26	\$26
<i>Annual Increase</i>		4.0%	3.0%	3.0%	2.0%	2.0%

Figure 3-2. Projected Rates - Commercial and Industrial

	Adopted	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<i>Annual Increase</i>		4%	3%	3%	2%	2%
Commercial (charge per CCF)						
Retail/Commercial	\$9.48	\$9.86	\$10.15	\$10.46	\$10.67	\$10.88
Institution/Public	\$8.89	\$9.24	\$9.52	\$9.80	\$10.00	\$10.20
Restaurants/Bakeries	\$19.98	\$20.78	\$21.40	\$22.05	\$22.49	\$22.94
Supermarkets with Grinders	\$20.20	\$21.01	\$21.64	\$22.29	\$22.74	\$23.19
Hospitals	\$9.81	\$10.20	\$10.51	\$10.82	\$11.04	\$11.26
Hotels with Dining Facilities	\$16.13	\$16.78	\$17.28	\$17.80	\$18.16	\$18.52
Industrial (measured)						
Flow Rate Charge per CCF	\$7.00	\$7.28	\$7.50	\$7.73	\$7.88	\$8.04
BOD Rate Charge per pound	\$1.23	\$1.28	\$1.32	\$1.36	\$1.39	\$1.41
TSS Rate Charge per pound	\$1.41	\$1.46	\$1.51	\$1.55	\$1.58	\$1.62

3.1. STEP/Grinder Charges

The District has approximately 79 single family residential customers located in the On-Site Wastewater Disposal Zone who require either Septic Tank Effluent Pumping systems (STEP) or Grinder Pumping systems. These customers are currently charged an additional \$320 annually for the services the District provides these customers to service and replace their pumps and appurtenances.

Since FY 2013-14, the Board has elected to increase the STEP/Grinder charges by the same percentage as the sewer service charges in order to continue to recover the majority of the costs associated with providing this service. This year, the District re-examined the service costs specific to these customers and found the revenues collected have not been keeping pace with the annual rate increases. **Figure 3-3** details the current cost to provide STEP/grinder system maintenance for these customers.

Figure 3-3. Annual STEP/Grinder System Costs

Private Pump System Maintenance	Annual Costs
1. Labor Cost	
STEP System Bi-Annual Pump Maint.	\$5,099
STEP System Bi-Annual Pump Maint. - Facility Supv.	\$8,798
Grinder System Bi-Annual Pump Maint.	\$5,099
Grinder System Bi-Annual Pump Maint. - Facility Supv.	\$8,798
STEP pump replacement	\$2,779
Grinder pump replacement	\$4,343
Private pump station repairs	\$4,169
Coordination with phone utility companies	\$1,020
Subtotal Labor Costs	\$40,105
2. Material Costs	
Signa Mechanical Open Purchase Order	\$7,000
Envirozyme - Fog Digester	\$3,000
ISAC Controllers/Modem	\$2,500
Private Pump and Panel Replacement	\$20,000
Subtotal Material Costs	\$32,500
 Total Costs For Private Pump Systems	 \$72,605
 Number of Private Units	 79
Total Cost per Private Pump Site	\$919

As shown in **Figure 3-4**, the current charge of \$320 is insufficient to cover the \$919 annual cost of service per account. Rather than increase the STEP/Grinder charge to meet the cost of service in one year, the increases will be phased in over five fiscal years. This phasing will avoid rate shock and will allow the District to recoup the cost of service by FY 2024-25. **Figure 3-4** calculates the increase for this additional service over the next five years.

Figure 3-4. On-Site Wastewater Disposal Zone Cost of Service

Private Pump System Cost of Service Analysis	
Current Cost per Private Pump Site	(\$919)
Escalated FY 2024-25 cost @ 3%/yr for 5 years	(\$1,065)
Existing Charge per Private Pump Site	\$320
Difference between cost and existing charge	(\$745)
Difference spread over 5 fiscal years for rates	5
Proposed Annual Increase over 5 years	\$150

Figure 3-5 summarizes the proposed annual STEP/Grinder charge over the next five fiscal years, assuming an annual increase of \$150 per account.

Figure 3-5. Projected STEP/Grinder System Cost Increases

	ADOPTED	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Annual STEP/Grinder Charge	\$320	\$470	\$620	\$770	\$920	\$1,070
<i>\$ Increase</i>		\$150	\$150	\$150	\$150	\$150

Figure 3-6 summarizes the total annual charge for those customers with a STEP/Grinder System. Such customers are charge the base service charge and the additional costs to maintain the STEP/Grinder System.

Figure 3-6. Total Projected Annual Charges – Customers with STEP/Grinder Systems

	ADOPTED	Five-Year Planning Period				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Base Service Charge	\$1,177	\$1,224	\$1,261	\$1,299	\$1,325	\$1,351
Annual STEP/Grinder Charge	\$320	\$470	\$620	\$770	\$920	\$1,070
Annual Bill	\$1,497	\$1,694	\$1,881	\$2,069	\$2,245	\$2,421
<i>\$ Increase</i>		\$197	\$187	\$188	\$176	\$176

3.2. Summary of Proposed Rates for FY 2020-21

Figure 3-7 provides a schedule of proposed FY 2020-21 rates for all customer types, as discussed above.

Figure 3-7. FY 2020-21 Proposed Rates

	Current	FY 2020-21 Proposed		
	FY 2019-20	Rate	\$ Chg	% Chg
<u>Residential (charge per DU per year)</u>				
Single Family, Multi Family	\$1,177	\$1,224	\$47	4.0%
On-site Wastewater Disposal Zone	\$1,497	\$1,694	\$197	13.2%
<u>Commercial (charge per CCF)</u>				
Retail/Commercial	\$9.48	\$9.86	\$0.38	4.0%
Institution/Public	\$8.89	\$9.24	\$0.36	4.0%
Restaurants/Bakeries	\$19.98	\$20.78	\$0.80	4.0%
Supermarkets with Grinders	\$20.20	\$21.01	\$0.81	4.0%
Hospitals	\$9.81	\$10.20	\$0.39	4.0%
Hotels with Dining Facilities	\$16.13	\$16.78	\$0.65	4.0%
<u>Industrial (measured)</u>				
Flow Rate Charge per CCF	\$7.00	\$7.28	\$0.28	4.0%
BOD Rate Charge per pound	\$1.23	\$1.28	\$0.05	4.0%
TSS Rate Charge per pound	\$1.41	\$1.46	\$0.06	4.0%

Revenue increases for subsequent years have been projected in this financial plan and are based on a number of assumptions and information that will require review prior to adopting any future rate increases. **Figure 3-8** summarizes projected rates over the entire five-year financial planning period.

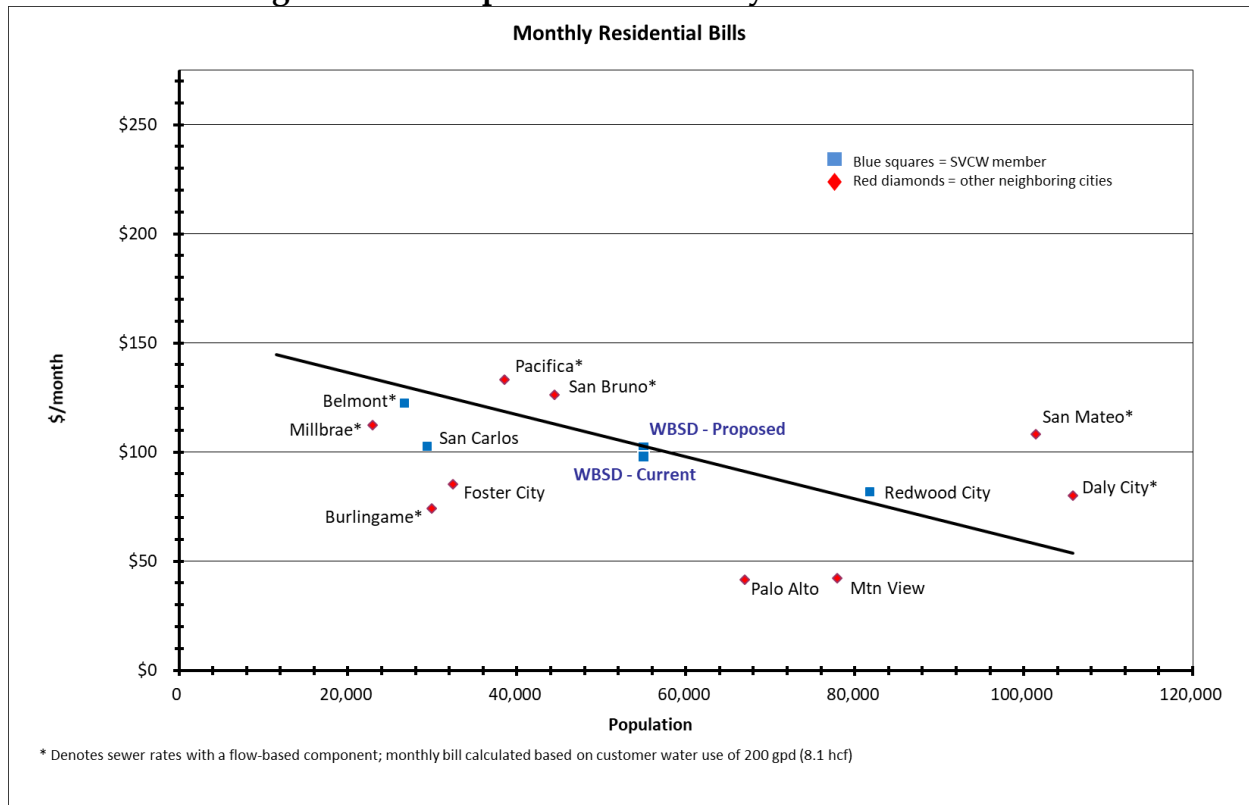
Figure 3-8. Projected Rates (FY 2020-21 through FY 2024-25)

	Adopted	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Residential (charge per DU per year)						
Single Family, Multi Family	\$1,177	\$1,224	\$1,261	\$1,299	\$1,325	\$1,351
On-site Wastewater Disposal Zone	\$1,497	\$1,694	\$1,881	\$2,069	\$2,245	\$2,421
Commercial (charge per CCF)						
Retail/Commercial	\$9.48	\$9.86	\$10.15	\$10.46	\$10.67	\$10.88
Institution/Public	\$8.89	\$9.24	\$9.52	\$9.80	\$10.00	\$10.20
Restaurants/Bakeries	\$19.98	\$20.78	\$21.40	\$22.05	\$22.49	\$22.94
Supermarkets with Grinders	\$20.20	\$21.01	\$21.64	\$22.29	\$22.74	\$23.19
Hospitals	\$9.81	\$10.20	\$10.51	\$10.82	\$11.04	\$11.26
Hotels with Dining Facilities	\$16.13	\$16.78	\$17.28	\$17.80	\$18.16	\$18.52
Industrial (measured)						
Flow Rate Charge per CCF	\$7.00	\$7.28	\$7.50	\$7.73	\$7.88	\$8.04
BOD Rate Charge per pound	\$1.23	\$1.28	\$1.32	\$1.36	\$1.39	\$1.41
TSS Rate Charge per pound	\$1.41	\$1.46	\$1.51	\$1.55	\$1.58	\$1.62

3.3. Residential Sewer Charge Comparison

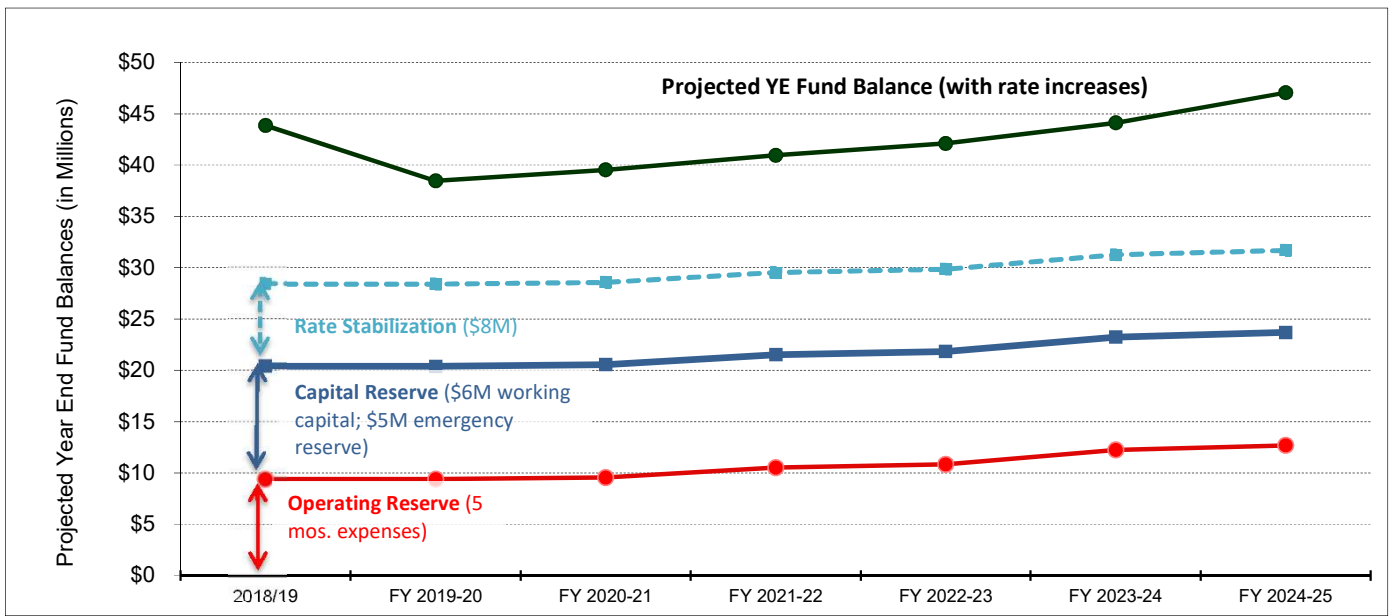
Based on available sources, **Figure 3-9** shows the recent charges for sewer service among various San Mateo and Santa Clara County agencies. Larger agencies tend to have lower rates because they can take advantage of economies of scale and have a larger base of customers over which to distribute fixed costs. **Figure 3-9** shows the District’s current and proposed sewer rates along with the other SVCW member agencies (identified with blue squares in the figure below). It should be noted that the other SVCW member agencies also face similar additional costs. It is expected that these agencies will be required to increase their rates substantially to cover their share of SVCW costs. Even with the projected rate increases, we would not expect the District’s relative position among its neighbors to change significantly.

Figure 3-9. Comparison of Monthly Residential Bills



APPENDIX A. SEWER RATE MODEL

	B	C	D	E	F	G	H	I
1	West Bay Sanitary District							
2	Sewer Rate Study							
3	Table 1A. Summary							
4								
5		Adopted						
6		<i>Fiscal Year:</i>						
7		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
8	Base Service Charges	4.5%	4.0%	3.0%	3.0%	2.0%	2.0%	To Tables 3, 4
9	<i>Cumulative Increase</i>		4.0%	7.1%	10.3%	12.5%	14.8%	
10	\$ Increase		\$47	\$37	\$38	\$26	\$26	
11	Residential Bill (annual)	\$1,177	\$1,224	\$1,261	\$1,299	\$1,325	\$1,351	
12	<i>% incr</i>		4.0%	3.0%	3.0%	2.0%	2.0%	
13								
14	Annual STEP/Grinder Charge	\$320	\$320	\$470	\$620	\$770	\$920	
15	Proposed Annual Increases (\$)		\$150	\$150	\$150	\$150	\$150	To Table 3
16	Total Annual STEP/Grinder Charge	\$320	\$470	\$620	\$770	\$920	\$1,070	
17								
18	Base Service Charge	\$1,177	\$1,224	\$1,261	\$1,299	\$1,325	\$1,351	
19	Total Annual Bill (Base + STEP/Grinder)	\$1,497	\$1,694	\$1,881	\$2,069	\$2,245	\$2,421	
20			13.2%	11.0%	10.0%	8.5%	7.9%	



	A	B	C	D	E	F	G	H	I	J
1	West Bay Sanitary District									
2	Sewer Rate Study									
3	Table 1B. General									
4										
5	List of Model Worksheets									
6	Table 1A. Summary									
7	Table 1B. General									
8	Table 2. Revenue Requirement									
9	Table 3. Revenue Increases									
10	Table 4. Reserves									
11	Table 5. Master Plan Capital Projects									
12	Table 6. WBSD Debt Service Schedule									
13										
14										
15	Assumptions		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes	
17	(1)	General Inflation	Per Budget	3.0%	3.0%	3.0%	3.0%	3.0%	To Table 2	
18	(2)	Utilities	Per Budget	5.0%	5.0%	5.0%	5.0%	5.0%	To Table 2	
19	(3)	Salaries & Benefits	Per Budget	4.0%	4.0%	4.0%	4.0%	4.0%	To Table 2	
20	(4)	PERS Unfunded Accrued Liability	Per Budget	12.4%	13.4%	15.0%	9.9%	10.0%	To Table 2	
21	(5)	SVCW O&M Expenses Increase %	Per Budget	2.1%	0.7%	-0.1%	2.9%	2.9%	To Table 2	
22	(6)	Interest on Earnings		0.25%	0.25%	0.25%	0.25%	0.25%	To Table 4	
23	(7)	Misc	Per Budget	1.0%	1.0%	1.0%	1.0%	1.0%	To Table 2	
24	(8)	Los Altos Hills, Woodside Revenue Change	Per Budget	3.0%	3.0%	3.0%	3.0%	3.0%	To Table 2	
25	(9)	Construction Cost Inflation	Per Budget	3.0%	3.0%	3.0%	3.0%	3.0%	To Table 5	
26	(10)	Change in # of Equivalent Dwelling Units (Growth)	Per District	250	250	250	250	250	To Table 3	
27	(11)	Number of Total Customer Accounts	Per District	19,000	19,250	19,500	19,750	20,000		
28	(12)	Annual Percentage in Account Growth	Per District	1.3%	1.3%	1.3%	1.3%	1.3%	To Table 2	
29	(13)	Annual Increase in Salaries for OT due to Growth	Per District	0.5%	0.5%	0.5%	0.5%	0.5%	to Table 2	
30										
31	Target Fund Balances									
32	<u>Operating Fund</u>									
33	Purpose		For O&M cash flow during the year							
34	Minimum balance		Cannot go negative							
35	Target balance		Five months of operating expenses							
36			(to accommodate biannual receipt of fees from County tax roll)							
37	<u>Capital Asset Fund</u>									
38	Purpose		To be used for replacement of Equipment/ Facilities							
39	Minimum balance		Cannot go negative							
40	Target balance		\$6,000,000							
41										
42	<u>Emergency Capital Fund</u>									
43	Purpose		To be used for sewer emergencies							
44	Minimum balance		Cannot go negative							
45	Target balance		\$5,000,000							
46										
47	<u>Rate Stabilization Fund</u>									
48	Purpose		Allow a margin of safety for the uncertainty of SVCW capital costs							
49	Minimum balance		Cannot go negative							
50	Target balance		\$8,000,000							

	A	B	C	D	E	F	G	H	I
1	West Bay Sanitary District								
2	Sewer Rate Study								
3	Table 2. Revenue Requirement								
4									
5									
6		Tbl. 1B	Budgeted	Projected					
7			FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
8	SVCW Projected Expenses								
9	Operating Expense		\$6,930,000	\$7,076,158	\$7,125,646	\$7,117,086	\$7,326,295	\$7,540,839	Source: SVCW Long Range Financial Plan 2020 (unless otherwise noted)
10	Operating Expenses due to growth	(12)	\$93,107	\$185,648	\$276,893	\$369,631	\$463,891	\$463,891	HF&H and District estimates
11	Revenue-Funded Capital (PAYGo)		\$452,073	\$402,600	\$402,600	\$402,600	\$402,600	\$402,600	
12	Debt Service								
13	Existing Bonds		\$4,904,068	\$4,593,692	\$4,599,521	\$4,588,067	\$4,587,775	\$4,594,502	
14	Existing SRF Loans		\$970,000	\$726,843	\$726,843	\$726,843	\$912,039	\$912,039	
15	New Bonds		\$0	\$0	\$1,527,792	\$1,527,792	\$1,800,282	\$1,800,282	
16	New SRF Loans		\$0	\$0	\$0	\$0	\$2,080,997	\$2,080,997	
17	New WIFIA Loan		\$0	\$0	\$0	\$0	\$0	\$0	
18	Cash Reserves (SRF / CIP)		\$282,513	\$402,600	\$536,800	\$671,000	\$805,200	\$939,400	
19	Subtotal SVCW Debt Service		\$6,156,581	\$5,723,135	\$7,390,955	\$7,513,702	\$10,186,293	\$10,327,220	
20		Subtotal, SVCW	\$13,538,654	\$13,295,000	\$15,104,850	\$15,310,281	\$18,284,819	\$18,734,550	
21		<i>Annual Change</i>		-1.8%	13.6%	1.4%	19.4%	2.5%	
22	Operating Expenses								
23	Salaries	(3),(13)	\$3,631,382	\$3,794,794	\$3,965,560	\$4,144,010	\$4,330,491	\$4,525,363	Source: District's FY 2019/20 published budget & annual inflation per Table 1B
24	Salary Increase for Water Quality Manager	(3)	\$7,500	\$15,300	\$15,912	\$16,548	\$17,210	\$17,899	(unless otherwise noted)
25	Salary & Benefits for new Operator III	(3)	\$0	\$105,000	\$109,200	\$113,568	\$118,111	\$122,835	budget adjustment by District
26	Salary & Benefits for New FTE - Pump Stations	(3)	\$0	\$0	\$150,000	\$150,000	\$156,000	\$162,240	budget adjustment by District
27	Employee Benefits	(3)	\$2,609,186	\$2,713,553	\$2,822,096	\$2,934,979	\$3,052,379	\$3,174,474	
28	PERS Unfunded Accrued Liability	(4)	\$346,648	\$389,500	\$441,800	\$508,070	\$558,562	\$614,418	PERS projections by District
29	Director's Fees	(1)	\$40,260	\$41,468	\$42,712	\$43,993	\$45,313	\$46,672	
30	Election Expense		\$0	\$70,000	\$0	\$70,000	\$0	\$70,000	
31	Gasoline, Oil and Fuel	(1),(12)	\$70,000	\$73,021	\$76,160	\$79,421	\$82,809	\$86,329	
32	Insurance	(1),(12)	\$114,000	\$118,920	\$124,032	\$129,343	\$134,861	\$140,592	
33	Memberships	(1),(12)	\$51,450	\$53,670	\$55,978	\$58,375	\$60,865	\$63,452	
34	Office Expense	(1),(12)	\$35,500	\$37,032	\$38,624	\$40,278	\$41,996	\$43,781	
35	Operating Supplies	(1),(12)	\$363,095	\$378,765	\$395,047	\$411,964	\$429,537	\$447,793	
36	Contractual Services	(1),(12)	\$463,500	\$483,504	\$504,288	\$525,882	\$548,315	\$571,619	
37	Professional Services	(1),(12)	\$545,220	\$568,751	\$593,199	\$618,601	\$644,989	\$672,401	
38	Printing and Publications	(1),(12)	\$62,500	\$65,197	\$68,000	\$70,912	\$73,937	\$77,079	
39	Rents and Leases	(1),(12)	\$40,000	\$41,726	\$43,520	\$45,384	\$47,320	\$49,331	
40	Repairs and Maintenance	(1),(12)	\$287,000	\$299,386	\$312,256	\$325,627	\$339,518	\$353,947	
41	Research and Monitoring	(1),(12)	\$33,000	\$34,424	\$35,904	\$37,441	\$39,039	\$40,698	
42	Travel and Meetings	(1)	\$69,200	\$71,276	\$73,414	\$75,617	\$77,885	\$80,222	
43	Utilities	(2),(12)	\$183,250	\$194,824	\$207,095	\$220,105	\$233,896	\$248,515	
44	Other Operating Expense	(1)	\$179,000	\$184,370	\$189,901	\$195,598	\$201,466	\$207,510	
45	Transf. from Solid Waste Fund to cover alloc. exp.		(\$65,000)	(\$65,000)	(\$65,000)	(\$65,000)	(\$65,000)	(\$65,000)	
46	Total Operating Expenditures		\$9,066,691	\$9,669,483	\$10,199,698	\$10,750,716	\$11,169,497	\$11,752,167	
47		<i>Annual Change</i>		6.6%	5.5%	5.4%	3.9%	5.2%	
48	Non-Operating Expenditures								
49	Non-Operating Expense	(1)	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	
50	Contrib. to LAFCo	(1)	\$19,000	\$19,570	\$20,157	\$20,762	\$21,385	\$22,026	
51	Subtotal, Non-Operating Expenditures		\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982	
52		<i>Annual Change</i>		3.0%	3.0%	3.0%	3.0%	3.0%	
53									
54	Total Expenses		\$22,630,345	\$22,990,232	\$25,331,071	\$26,088,314	\$29,482,454	\$30,515,699	
55		<i>Annual Change</i>		1.6%	10.2%	3.0%	13.0%	3.5%	

	A	B	C	D	E	F	G	H	I
1	West Bay Sanitary District								
2	Sewer Rate Study								
3	Table 2. Revenue Requirement								
4									
5			Budgeted	Projected					
6		Tbl. 1B	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
56									
57	Non-Operating Revenues								
58	Flow Equalization Cost Sharing	(1)	(\$351,138)	(\$361,672)	(\$372,522)	(\$383,698)	(\$395,209)	\$0	Flow equalization cost sharing ends FY 2023-24 per District
59	Permit & Inspection Fees	(7)	(\$100,000)	(\$101,000)	(\$102,010)	(\$103,030)	(\$104,060)	(\$105,101)	
60	Other Operating Revenue (Los Altos Hills, Woodside	(8)	(\$350,000)	(\$360,500)	(\$371,315)	(\$382,454)	(\$393,928)	(\$405,746)	
61	Other Non-Operating Income	(7)	(\$157,039)	(\$158,609)	(\$160,195)	(\$161,797)	(\$163,415)	(\$165,050)	
62	Subtotal, Non-Operating Income		(\$958,177)	(\$981,782)	(\$1,006,043)	(\$1,030,980)	(\$1,056,613)	(\$675,896)	
63				2.5%	2.5%	2.5%	2.5%	-36.0%	
64	Other Transfers to/(from)								
65	Operating (General) Fund		\$2,399,039	\$3,273,667	\$2,219,409	\$2,797,891	\$448,354	\$80,098	From Table 4
66	Operating Reserve		\$0	\$0	\$0	\$0	\$0	\$0	From Table 4
67	Capital Projects Fund (for PAYGo projects)		\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	From Table 4
68	Emergency Capital Reserves		\$0	\$0	\$0	\$0	\$0	\$0	From Table 4
69	Total Transfers		\$8,304,371	\$9,179,000	\$8,124,741	\$8,703,223	\$6,353,686	\$5,985,430	
70				10.5%	-11.5%	7.1%	-27.0%	-5.8%	
71	Total Revenue Requirement		\$29,976,539	\$31,187,450	\$32,449,769	\$33,760,558	\$34,779,528	\$35,825,233	To Table 3
72	<i>Annual Change</i>			4.0%	4.0%	4.0%	3.0%	3.0%	
73	<i>Cumulative Change</i>			4.0%	8.3%	12.6%	16.0%	19.5%	
74									
75	Source: West Bay Sanitary District FY 2020/21 Budget								

	A	B	C	D	E	F	G	H
1	West Bay Sanitary District							
2	Sewer Rate Study							
3	Table 3. Revenue Increases							
4								
5								
6		Estimated	Projected					
7		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
8	Rate Revenue @ Current Rates							
9	Current Customer Base	\$29,976,539	\$29,976,539	\$29,976,539	\$29,976,539	\$29,976,539	\$29,976,539	FY 2019/20 Revenue per Budget
10	Additional Revenue from Growth		0	294,250	588,500	882,750	1,177,000	
11	Total Rate Revenue @ Current Rates		\$29,976,539	\$30,270,789	\$30,565,039	\$30,859,289	\$31,153,539	To Below
12								
13	Revenue Requirement	(\$29,976,539)	(\$31,187,450)	(\$32,449,769)	(\$33,760,558)	(\$34,779,528)	(\$35,825,233)	From Table 2
14	To/(From) operations before Rate Incr.	\$0	(\$1,210,912)	(\$2,178,980)	(\$3,195,519)	(\$3,920,239)	(\$4,671,694)	To Table 4
15								
16								
17	Increase in Rate Revenue		4.0%	3.0%	3.0%	2.0%	2.0%	From Table 1B
18	Cumulative Increase in Rate Revenue		4.0%	7.1%	10.3%	12.5%	14.8%	To Table 1A
19	Revenue from Rate Increases							
20			\$1,199,062	\$1,210,832	\$1,222,602	\$1,234,372	\$1,246,142	
21	FY 2020-21 (eff. July 1, 2019)							
22	FY 2021-22 (eff. July 1, 2020)			\$944,449	\$953,629	\$962,810	\$971,990	
23	FY 2022-23 (eff. July 1, 2021)				\$982,238	\$991,694	\$1,001,150	
24	FY 2023-24 (eff. July 1, 2022)					\$680,963	\$687,456	
25	FY 2024-25 (eff. July 1, 2023)						\$701,206	
26	Total Revenue from Rate Increases	\$0	\$1,199,062	\$2,155,280	\$3,158,469	\$3,869,839	\$4,607,944	
27	Total Current Revenue	\$29,976,539	\$29,976,539	\$30,270,789	\$30,565,039	\$30,859,289	\$31,153,539	From Above
28	Subtotal Revenue	\$29,976,539	\$31,175,600	\$32,426,069	\$33,723,508	\$34,729,128	\$35,761,483	To Line 39
29	STEP System Additional Charge		\$150	\$150	\$150	\$150	\$150	From Table 1B
30	Current STEP System Customers		79	79	79	79	79	
31	Cumulative Additional STEP System Customers				10	10	10	
32	Subtotal		79	79	89	89	89	
33								
34	Revenue from Additional STEP System Charge Increases							
35	FY 2020-21 (eff. July 1, 2019)		\$11,850	\$11,850	\$11,850	\$11,850	\$11,850	
36	FY 2021-22 (eff. July 1, 2020)			\$11,850	\$11,850	\$11,850	\$11,850	
37	FY 2022-23 (eff. July 1, 2021)				\$13,350	\$13,350	\$13,350	
38	FY 2023-24 (eff. July 1, 2022)					\$13,350	\$13,350	
39	FY 2024-25 (eff. July 1, 2023)						\$13,350	
40	Total Revenue from STEP System Rate Increases		\$11,850	\$23,700	\$37,050	\$50,400	\$63,750	
41	Subtotal Revenue	\$29,976,539	\$31,175,600	\$32,426,069	\$33,723,508	\$34,729,128	\$35,761,483	From Line 27
42		\$29,976,539	\$31,187,450	\$32,449,769	\$33,760,558	\$34,779,528	\$35,825,233	
43	Revenue Requirement	(\$29,976,539)	(\$31,187,450)	(\$32,449,769)	(\$33,760,558)	(\$34,779,528)	(\$35,825,233)	From Above
44	To/(From) operations after Rate Incr.	\$0	\$0	\$0	\$0	\$0	\$0	To Table 4

	A	B	C	D	E	F	G	H	I	J	K
1	West Bay Sanitary District										
2	Sewer Rate Study										
3	Table 4. Reserves										
4											
5			Tbl.	Actual	Budgeted						
6			1B	2018/19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
7											
8	OPERATING (GENERAL) FUND										
9	Revenue Increases										
10				4.5%	4.0%	3.0%	3.0%	2.0%	2.0%		From Table 1A
10				\$23,610,794	\$21,649,294	\$21,634,413	\$20,001,200	\$18,843,583	\$15,688,560		
11				\$0	\$0	\$0	\$0	\$0	\$0	\$0	From Table 3
12	Transfers (To)/From										
13				\$2,399,039	\$3,273,667	\$2,219,409	\$2,797,891	\$448,354	\$80,098		To Table 2
14				(\$2,462,027)	\$0	(\$710,000)	(\$710,000)	(\$750,000)	(\$704,000)		(To)/From Below
15				(\$683,500)	(\$683,500)	(\$683,500)	(\$683,500)	(\$683,500)	(\$683,500)		(To)/From Below
16				(\$104,000)	(\$104,000)	(\$104,000)	(\$104,000)	(\$104,000)	(\$104,000)		(To)/From Below
17				(\$500,000)	(\$1,555,000)	(\$1,555,000)	(\$1,555,000)	(\$1,555,000)	(\$1,555,000)		(To)/From Below
18				\$0	\$0	\$0	\$0	\$0	\$2,600,000		
19				(\$665,000)	(\$1,000,000)	(\$850,000)	(\$950,000)	(\$550,000)	\$0		(To)/From Below
20				(\$2,015,488)	(\$68,833)	(\$1,683,091)	(\$1,204,609)	(\$3,194,146)	(\$366,402)		
21				\$21,595,306	\$21,580,461	\$19,951,322	\$18,796,591	\$15,649,437	\$15,322,158		all remaining cash after reserves
22				\$53,988	\$53,951	\$49,878	\$46,991	\$39,124	\$38,305		
23				Ending Balance	\$23,610,794	\$21,649,294	\$21,634,413	\$20,001,200	\$18,843,583	\$15,688,560	\$15,360,464
24											
25	OPERATING RESERVE										
26				\$ 7,191,676	\$ 9,677,837	\$ 9,702,032	\$ 10,438,062	\$ 11,175,932	\$ 11,955,747		
27	Transfers (To)/From										
28				\$2,462,027	\$0	\$710,000	\$710,000	\$750,000	\$704,000		
29											
30				\$2,462,027	\$0	\$710,000	\$710,000	\$750,000	\$704,000		
31				\$ 9,653,703	\$ 9,677,837	\$ 10,412,032	\$ 11,148,062	\$ 11,925,932	\$ 12,659,747		
32				\$24,134	\$24,195	\$26,030	\$27,870	\$29,815	\$31,649		
33				Ending Balance	\$7,191,676	\$9,677,837	\$9,702,032	\$10,438,062	\$11,175,932	\$11,955,747	\$12,691,396
34				<i>Minimum Balance (5 mo. operations)</i>	<i>\$9,402,227</i>	<i>\$9,552,180</i>	<i>\$10,527,529</i>	<i>\$10,843,048</i>	<i>\$12,257,273</i>	<i>\$12,687,791</i>	
35											

	A	B	C	D	E	F	G	H	I	J	K
1	West Bay Sanitary District										
2	Sewer Rate Study										
3	Table 4. Reserves										
4											
5			Tbl.	Actual	Budgeted						
6		1B	2018/19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes	
36	CAPITAL ASSET FUND (includes Capital Project Reserve and Vehicle/Equipment Replacement)										
37	Beginning Balance			\$2,666,749	\$2,537,860	\$1,940,752	\$2,565,619	\$2,457,555	\$5,167,616		
38	Revenues										
39	Connection Charges			\$500,000	\$500,000	\$1,725,000	\$1,725,000	\$1,725,000	\$1,725,000	From Table 5	
40	Capital Projects										
41	Administration			(\$275,000)	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)	From Table 5	
42	Collection Facilities			(\$2,662,050)	(\$1,509,500)	(\$1,509,500)	(\$509,500)	(\$509,500)	(\$509,500)	From Table 5	
43	Underground Pipes/subsurface			(\$3,727,000)	(\$5,599,080)	(\$5,596,248)	(\$7,321,271)	(\$4,502,035)	(\$6,373,109)	From Table 5	
44	Environmental Review			(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	From Table 5	
45	Manhole Raising			(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	From Table 5	
46	Allow for Unanticipated Cap Exp			(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	From Table 5	
47	Vehicles & Equipment			(\$350,000)	(\$247,200)	(\$254,616)	(\$262,254)	(\$270,122)	(\$278,226)	From Table 5	
48	Subtotal Expenses			(\$7,224,050)	(\$7,690,780)	(\$7,695,364)	(\$8,428,025)	(\$5,616,657)	(\$7,495,835)		
49											
50	Payment to SVCW (to reduce debt obligation)			\$0	\$0	\$0	\$0	\$0	\$0		
51											
52	Net Capital Expenditures to be paid by Rates			(\$6,724,050)	(\$7,190,780)	(\$5,970,364)	(\$6,703,025)	(\$3,891,657)	(\$5,770,835)		
53											
54	Transfers (To)/From										
55	Revenue Requirement- PayGo Capital			\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	\$5,905,332	To Table 2	
56	Operating General Fund			\$683,500	\$683,500	\$683,500	\$683,500	\$683,500	\$683,500	From Above	
57	Rate Stabilization Fund			\$0	\$0	\$0	\$0	\$0	\$0	From Below	
58	Subtotal Transfers			\$6,588,832	\$6,588,832	\$6,588,832	\$6,588,832	\$6,588,832	\$6,588,832		
59	Fund Subtotal			\$2,531,531	\$1,935,912	\$2,559,221	\$2,451,426	\$5,154,729	\$5,985,613		
60	Estimated Interest Earnings (6)			\$6,329	\$4,840	\$6,398	\$6,129	\$12,887	\$14,964		
61	Ending Balance			\$2,666,749	\$2,537,860	\$1,940,752	\$2,565,619	\$2,457,555	\$5,167,616	\$6,000,577	
62	<i>Target Balance</i>			<i>\$6,000,000</i>	<i>\$6,000,000</i>	<i>\$6,000,000</i>	<i>\$6,000,000</i>	<i>\$6,000,000</i>	<i>\$6,000,000</i>	From Table 1B	
63											
64	EMERGENCY CAPITAL RESERVES										
65	Beginning Balance			\$4,308,686	\$4,423,718	\$4,539,037	\$4,654,645	\$4,770,541	\$4,886,728		
66	Transfers (To)/From										
67	Revenue Requirements			\$0	\$0	\$0	\$0	\$0	\$0	To Table 2	
68	Operating General Fund			\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	To Above	
69	Subtotal Transfers			\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000		
70	Fund Subtotal			\$4,412,686	\$4,527,718	\$4,643,037	\$4,758,645	\$4,874,541	\$4,990,728		
71	Estimated Interest Earnings (6)			\$11,032	\$11,319	\$11,608	\$11,897	\$12,186	\$12,477		
72	Ending Balance			\$4,308,686	\$4,423,718	\$4,539,037	\$4,654,645	\$4,770,541	\$4,886,728	\$5,003,204	
73	<i>Minimum Balance</i>			<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>		
74	<i>Target Balance</i>			<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>	<i>\$5,000,000</i>		

	A	B	C	D	E	F	G	H	I	J	K
1	West Bay Sanitary District										
2	Sewer Rate Study										
3	Table 4. Reserves										
4											
5			Tbl.	Actual	Budgeted						
6			1B	2018/19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
75	RATE STABILIZATION FUND										
76	RATE STABILIZATION FUND										
77	Beginning Balance			\$6,081,980	\$166,393	\$1,725,696	\$3,288,898	\$4,856,008	\$6,427,035		
78	Payment to SVCW			(\$6,416,002)	\$0	\$0	\$0	\$0	\$0	\$0	
79	Transfers (To)/From										
80	Operating General Fund			\$500,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	To Table 2
81	Recycled Water Project Fund			\$0	\$0	\$0	\$0	\$0	\$0	\$0	
82	Capital Fund			\$0	\$0	\$0	\$0	\$0	\$0	\$0	To Above
83	Subtotal Transfers			\$500,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	\$1,555,000	
84	Fund Subtotal			\$165,978	\$1,721,393	\$3,280,696	\$4,843,898	\$6,411,008	\$7,982,035		
85	Estimated Interest Earnings (6)			\$415	\$4,303	\$8,202	\$12,110	\$16,028	\$19,955		
86	Ending Balance			\$6,081,980	\$166,393	\$1,725,696	\$3,288,898	\$4,856,008	\$6,427,035	\$8,001,991	
87	<i>Target Balance</i>				\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	
88											
89	RECYCLED WATER PROJECT FUND (not included in Fund Balance graph)										
90	Beginning Balance			\$8,000,000	\$8,020,000	\$8,040,050	\$8,060,150	\$8,080,301	\$8,100,501		
91											
92	SRF Reimbursement Expenditures										
93	SRF Reimbursement Expenditures										
94											
95	Transfers (To)/From										
96	Revenue Requirements			\$0	\$0	\$0	\$0	\$0	\$0	\$0	
97	Operating Fund			\$0	\$0	\$0	\$0	\$0	\$0	(\$2,600,000)	
98	Rate Stabilization Reserve			\$0	\$0	\$0	\$0	\$0	\$0	\$0	
99	Capital Asset Fund			\$0	\$0	\$0	\$0	\$0	\$0	\$0	From Above
100	Subtotal Transfers			\$0	\$0	\$0	\$0	\$0	\$0	(\$2,600,000)	
101	Fund Subtotal			\$8,000,000	\$8,020,000	\$8,040,050	\$8,060,150	\$8,080,301	\$8,100,501	\$5,500,501	
102	Estimated Interest Earnings (6)			\$20,000	\$20,050	\$20,100	\$20,150	\$20,201	\$20,201	\$13,751	
103	Ending Balance			\$8,000,000	\$8,020,000	\$8,040,050	\$8,060,150	\$8,080,301	\$8,100,501	\$5,514,253	
104											
105	OPEB/PERS Unfunded Liabilities (not included in Fund Balance graph)										
106	Beginning Balance			\$1,300,623	\$2,004,935	\$3,065,034	\$3,993,335	\$5,042,202	\$5,704,046		
107	Transfers (To)/From										
108	Revenue Requirements			\$0	\$0	\$0	\$0	\$0	\$0	\$0	From Table 2
109	Operating Fund			\$665,000	\$1,000,000	\$850,000	\$950,000	\$550,000	\$550,000	\$0	From Above
110	Subtotal Transfers			\$665,000	\$1,000,000	\$850,000	\$950,000	\$550,000	\$550,000	\$0	
111	Fund Subtotal			\$1,965,623	\$3,004,935	\$3,915,034	\$4,943,335	\$5,592,202	\$5,704,046		
112	Estimated Interest Earnings			\$39,312	\$60,099	\$78,301	\$98,867	\$111,844	\$114,081		2% earnings per year (District)
113	Ending Balance			\$1,300,623	\$2,004,935	\$3,065,034	\$3,993,335	\$5,042,202	\$5,704,046	\$5,818,126	
114	<i>Unfunded Liability + OPEB Target</i>				\$5,800,000	\$5,800,000	\$5,800,000	\$5,800,000	\$5,800,000	\$5,800,000	Per District
115											
116											
117				2018/19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	
118	Total Reserves Without Increase			\$43,859,885	\$38,455,102	\$38,327,991	\$37,547,022	\$35,490,206	\$33,565,701	\$31,787,873	
119	Total Reserves with Increase			\$43,859,885	\$38,455,102	\$39,541,930	\$40,948,423	\$42,103,618	\$44,125,686	\$47,057,632	
120	Ops Reserves			\$9,402,227	\$9,402,227	\$9,552,180	\$10,527,529	\$10,843,048	\$12,257,273	\$12,687,791	5mos. Total Expenses (operating fund)
121	Ops + Capital			\$20,402,227	\$20,402,227	\$20,552,180	\$21,527,529	\$21,843,048	\$23,257,273	\$23,687,791	
122	Ops + Capital + Rate Stabilization			\$28,402,227	\$28,402,227	\$28,552,180	\$29,527,529	\$29,843,048	\$31,257,273	\$31,687,791	

	A	B	C	D	E	F	G	H
1	West Bay Sanitary District							
2	Sewer Rate Study							
3	Table 5. Master Plan Capital Projects							
4								
5					Projected			
6		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Notes
7	Capital Expenses							
8	Underground Pipes/subsurface	\$3,727,000	\$5,436,000	\$5,275,000	\$6,700,000	\$4,000,000	\$5,497,500	Provided by District
9	Inflationary Index		3.00%	6.09%	9.27%	12.55%	15.93%	From Table 1B
10	Underground Pipes/subsurface Total	\$3,727,000	\$5,599,080	\$5,596,248	\$7,321,271	\$4,502,035	\$6,373,109	To Line 14
11								
12	Administration	\$275,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	Provided by District
13	Collection Facilities	\$2,662,050	\$1,509,500	\$1,509,500	\$509,500	\$509,500	\$509,500	Provided by District
14	Underground Pipes/subsurface	\$3,727,000	\$5,599,080	\$5,596,248	\$7,321,271	\$4,502,035	\$6,373,109	From Line 10
15	Environmental Review	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	Provided by District
16	Manhole Raising	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	Provided by District
17	Allow for Unanticipated Cap Exp	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	Provided by District
18	Vehicles & Equipment	\$350,000	\$247,200	\$254,616	\$262,254	\$270,122	\$278,226	Provided by District
19	Total Capital Expenses	\$7,224,050	\$7,690,780	\$7,695,364	\$8,428,025	\$5,616,657	\$7,495,835	Provided by District
20	Less: Connection Fee Revenue	(\$500,000)	(\$500,000)	(\$1,725,000)	(\$1,725,000)	(\$1,725,000)	(\$1,725,000)	Provided by District
21	Net Capital Expenses	\$6,724,050	\$7,190,780	\$5,970,364	\$6,703,025	\$3,891,657	\$5,770,835	To Table 4

	A	B	C	D	E	F	G	H
1	West Bay Sanitary District							
2	Sewer Rate Study							
3	Table 6. WBSD Debt Service Schedule							
4								
5					<u>Projected</u>			
6		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	<u>Notes</u>
7								
8								
9	No debt has been issued by WBSD, SVCW debt only (see Table 2)							
10								
11								
12								
13								