



Memorandum

TO: City of Mt. Shasta Staff

DATE: August 31, 2020

FROM: Paul Reuter, P.E. *PJR*

JOB NO.: 111.91

SUBJECT: **STATE-MANDATED WASTEWATER UTILITY RATE UPDATE
FINDINGS AND RECOMMENDATIONS**

BACKGROUND

The City of Mt. Shasta's (City's) current wastewater rates were established as part of a rate study adopted in spring 2017. A five-year financial plan and rate schedule was established based on City ratepayers paying the debt service components of the following three large capital improvement projects:

- State-Mandated WWTP Improvements Project
- Sewer Interceptor Improvements Project
- Downtown Collection System Improvements Project

It was anticipated there would be grant and loan components for each project. The Downtown Collection System Improvements Project received higher-than-anticipated grant funding through the USDA Rural Development, and construction was completed earlier this summer.

The State-Mandated WWTP Improvements Project was bid in September 2019. The low bid came in higher than anticipated, leaving the project with a \$3.7M funding shortfall at that time. City staff and PACE Engineering, Inc. (PACE) have been working with the State of California's Division of Financial Assistance (DFA) for the last 11 months to close the gap on the funding. On August 12, 2020, a conference call was held between City staff, DFA, Regional Water Quality Control Board (RWQCB), USDA, and PACE. The purpose of the phone conference was to hear DFA's funding proposal for allowing the City to proceed with the project. DFA proposed increasing the City's grant amount by \$2.0M and funding the remaining shortfall with zero-interest loan funds for 30 years.

The need to implement the Sewer Interceptor Improvements Project has also become a high-priority project given the recent lawsuit by California River Watch (CRW) and the Administrative Civil Liability (ACL) complaint filed by the RWQCB, associated with the raw sewage spill into Cold Creek in January 2017. It appears the City is near an executed settlement agreement for the ACL in the amount of \$166,988. Settlement of the CRW lawsuit is still in negotiations.

During the August 12, 2020 conference call, DFA was asked about additional grant funding for the Sewer Interceptor Improvements Project. With new changes to the State's Intended Use Plan (IUP), the City qualifies for up to \$10.0M in grant funding over a five-year period. With \$8.0M of the grant allocated for the State-Mandated WWTP Improvements Project, that leaves \$2.0M available for the Sewer Interceptor Improvements Project. However, this grant amount is reduced by the amount of planning grant funds the City has already received, which is \$500,000. So, the total additional grant available for the Sewer Interceptor Improvements Project is \$1.5M.

PROPOSED PROJECT FUNDING ALLOCATIONS

Funding for the State-Mandated WWTP Improvements Project and Sewer Interceptor Improvements Project has not been secured. Below are proposed grant and loan funding components for both projects.

Proposed project costs and funding allocations are based on re-bidding the State-Mandated WWTP Improvements Project in September 2020 and bidding the Sewer Interceptor Improvements Project in summer 2021. For the State-Mandated WWTP Improvements Project, we have assumed new bid costs will be about 6% higher than last year, based on recent trends we have observed in the industry.

State-Mandated WWTP Improvements

USDA Grant:	\$2,950,070
CWSRF Grant:	\$7,800,161
CWSRF Planning Grant:	\$199,839
City Cash:	\$263,070
USDA Loan (40 yrs. @ 1.75%):	\$9,209,000
CWSRF Loan (30 yrs. @ 0%):	<u>\$6,014,179</u>
TOTAL PROJECT COST:	\$26,436,319

This total project cost represents a \$6.94M increase over the original project cost estimate developed as part of the project feasibility study. Several factors have contributed to the overall project cost increase, including:

- General increase in construction costs due to considerable work for a limited number of qualified contractors.
- Cost of materials and equipment related to "supply chain" shortages.
- Inflationary impacts of re-bidding project one year after original bid – assumed to add 6%, or about \$1.2M to the construction cost.
- Re-advertising and re-bidding costs.

DFA required PACE to work with RWQCB staff to "value-engineer" the project and determine if any project components could be eliminated based on current and expected regulations pertaining to the City's discharge of treated wastewater. The results of this evaluation are

presented in a series of technical memos dated July 2020. As a result of this effort, RWQCB agreed the project needed to contain the elements as designed.

Sewer Interceptor Improvements Project

CWSRF Grant:	\$1,500,000
CWSRF Planning Grants:	\$255,000
CWSRF Loan (30 yrs. @ 0%):	<u>\$4,135,000</u>
TOTAL PROJECT COST:	\$5,890,000

A construction funding application has been submitted to CWSRF DFA for several months. It is expected the City could receive a funding commitment in the next six to eight months and be in position to advertise for bids during summer 2021.

IMPACTS TO WASTEWATER RATES

The City's current wastewater rates were established as part of the April 2017 Wastewater Utility Rate Study, with the first new rate going into effect July 1, 2017. On July 1, 2020, the fourth increase went into effect. The fifth, and final rate increase, is scheduled to go into effect July 1, 2021 at \$61 per month.

To afford the loan allocations described for each project described above, the City will need to consider a series of additional increases beginning July 1, 2022. Using the revenue projection model from the 2017 study and updating revenue and expense projections to reflect actual received and incurred numbers, we determined needed rate increases to accommodate financing needs for the two projects described above. In addition, actual expenditures have increased at a rate of about 4.5% per year since 2017, which is 2% higher than the assumed inflation at that time. There are a number of reasons for the higher-than-expected inflation, the most significant of which are as follows:

- Employee-related costs, including the need to absorb the substantial unfunded liability associated with the PERS program. Workers' Compensation and Health Insurance have also increased more than anticipated.
- Maintenance costs associated with heavy equipment, vehicles, buildings, and wastewater treatment plant have increased more than anticipated in 2017.
- Administrative overhead costs have increased more than anticipated due in part to the considerable effort required by City staff to administer funding procurement and the administration of several large capital projects.

Going forward, we do not anticipate expenditures maintaining the high upward trend; however, we expect more than 2.5%/year inflation. Therefore, we are basing the proposed financial plan on a 3.5% annual inflation rate.

Table 1 presents a summary of proposed wastewater rates as well as other key financial parameters. For more details of actual and projected expenditures, as well as the proposed financial plan, refer to Tables 2 and 3, attached.

Table 1 - Summary of Proposed Wastewater Rates & Financial Plan

Description	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Proposed Wastewater Rate, \$/EDU:	\$61.00	\$66.00	\$71.25	\$73.00	\$75.00	\$78.00
Debt Coverage Ratio:	3.75	3.50	1.22	1.22	1.24	1.29
Wastewater Improvement Fund:	\$1,125,608	\$338,503	\$258,117	\$205,586	\$159,077	\$150,665
Projected Expenditures:	\$1,174,245	\$1,410,313	\$1,463,393	\$1,518,331	\$1,575,192	\$1,634,043
Projected Debt, Debt Reserve, SLA:	\$425,759	\$430,437	\$1,067,825	\$1,072,288	\$1,077,901	\$1,083,166
Projected Income (from rates):	\$2,134,476	\$2,305,662	\$2,485,408	\$2,545,323	\$2,613,798	\$2,716,510

As indicated, the planned wastewater rates through end of FY21-22 (June 30, 2022) will remain unchanged. However, on July 1, 2022, the wastewater rate will need to increase to \$66.00 per month, with annual increases over the subsequent five years to \$78.00 per month on July 1, 2026. The proposed rates, shown in Table 1, are based on the five-year financial plan containing the following elements:

- The debt coverage ratio for all years is greater than 1.2.
- The O&M Reserve is maintained at 25% of Expenditures.
- The City is to make a \$1.8M cash contribution toward the State-Mandated WWTP Improvements Project.
- A positive balance is maintained in the Wastewater Improvement Fund, ranging from about \$151K to about \$338K, depending on the year.
- The annual debt service and electrical power savings from the City-wide solar project is reflected.
- All debt coverage and debt service reserve requirements for the planned capital improvements projects are included.
- An allowance is provided to account for anticipated additional operating costs associated with the new wastewater treatment plant. This was factored into the 2017 rate study as well.
- Reflects payment of the \$166,988 payment to the State Water Resources Control Board in FY20-21, reflecting settlement of the ACL claim resulting from the Cold Creek raw sewage spill.

Attached Figure 1 shows a comparison of wastewater rates for other agencies that treat wastewater for discharge into a water body.

Enclosures

TABLE 2
City of Mt. Shasta -- Wastewater Enterprise Fund
Projected Expenditures and Transfers

	Inflation Factor	Actual (FY 15-16)	Actual (FY 16-17)	Actual (FY 17-18)	Actual (FY 18-19)	Actual (FY 19-20)	Budgeted (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)	
O&M Expenses (Fund 45, Dept 250)												
6001	Salaries - Regular	3.5%	\$105,885	\$134,720	\$139,435	\$144,315	\$165,485	\$173,901	\$179,988	\$186,287	\$192,807	\$199,555
6003	Salaries - OT	3.5%	\$17,589	\$24,500	\$25,358	\$26,245	\$30,763	\$10,000	\$10,350	\$10,712	\$11,087	\$11,475
6005	Compensated Absences Earned	3.5%	-\$1,018	\$0	\$0	\$0	\$1,384	\$0	\$0	\$0	\$0	\$0
6009	Misc Labor Cost	3.5%	\$2,083	\$0	\$0	\$0	\$9,277	\$0	\$0	\$0	\$0	\$0
6010	FICA	3.5%	\$10,486	\$12,017	\$12,438	\$12,873	\$16,534	\$15,217	\$15,750	\$16,301	\$16,871	\$17,462
6015	PERS	3.5%	\$8,177	\$10,434	\$10,799	\$11,177	\$28,499	\$32,993	\$34,148	\$35,343	\$36,580	\$37,860
6020	Workers Comp Insurance	3.5%	\$31,124	\$30,825	\$31,904	\$33,021	\$38,069	\$41,554	\$43,008	\$44,514	\$46,072	\$47,684
6025	Health Insurance	3.5%	\$35,323	\$46,188	\$47,805	\$49,478	\$53,185	\$57,167	\$59,168	\$61,239	\$63,382	\$65,600
6240	Physical Examinations	3.5%	\$419	\$100	\$104	\$107	\$250	\$250	\$259	\$268	\$277	\$287
6245	Employee Recruitment Expenses	3.5%	\$791	\$100	\$104	\$107	\$0	\$0	\$0	\$0	\$0	\$0
6250	Employee Training (Non-reimbursible)	3.5%	\$1,795	\$4,500	\$4,658	\$4,821	\$4,771	\$3,000	\$3,105	\$3,214	\$3,326	\$3,443
6275	Dues and Publications	3.5%	\$1,385	\$600	\$621	\$643	\$1,412	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
6280	Employee Travel and Conference	3.5%	\$554	\$1,500	\$1,553	\$1,607	\$491	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7100	Professional Services	3.5%	\$5,233	\$15,900	\$16,457	\$17,032	\$6,623	\$7,000	\$7,245	\$7,499	\$7,761	\$8,033
7110	Contract Services	3.5%	\$14,201	\$16,000	\$16,560	\$17,140	\$2,608	\$3,000	\$3,105	\$3,214	\$3,326	\$3,443
7115	Engineering Consultant Services	3.5%	\$184,686	\$1,000	\$1,035	\$1,071	\$17,431	\$10,000	\$10,350	\$10,712	\$11,087	\$11,475
7140	City Attorney - Contract	3.5%	\$890	\$1,000	\$1,035	\$1,071	\$0	\$1,000	\$1,035	\$1,071	\$1,109	\$1,148
7143	City Attorney - Non-Routine	3.5%	\$37,610	\$25,000	\$25,875	\$26,781	\$28,719	\$25,000	\$25,875	\$26,781	\$27,718	\$28,688
7145	Legal Consultation Services	3.5%	\$2,160	\$1,000	\$1,035	\$1,071	\$2,887	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7165	Police Dept Security Services	3.5%	\$6,824	\$6,825	\$7,064	\$7,311	\$6,824	\$6,800	\$7,038	\$7,284	\$7,539	\$7,803
7180	Contract Laboratory Analysis	3.5%	\$42,616	\$50,000	\$51,750	\$53,561	\$35,410	\$40,000	\$41,400	\$42,849	\$44,349	\$45,901
7200	Public Liability Insurance - SCORE	3.5%	\$23,143	\$11,430	\$11,830	\$12,244	\$26,149	\$35,578	\$36,823	\$38,112	\$39,446	\$40,827
7245	Self-Insured Deductible Losses	3.5%	\$0	\$1,000	\$1,035	\$1,071	\$1,776	\$1,000	\$1,035	\$1,071	\$1,109	\$1,148
7250	Permits and License	3.5%	\$13,678	\$16,000	\$16,560	\$17,140	\$18,658	\$20,300	\$21,011	\$21,746	\$22,507	\$23,295
7280	County Property Taxes	3.5%	\$981	\$975	\$1,009	\$1,044	\$868	\$1,000	\$1,035	\$1,071	\$1,109	\$1,148
7310	Utilities-Elect and Heating Oil	3.5%	\$89,708	\$82,750	\$85,646	\$88,644	\$84,683	\$100,200	\$103,707	\$107,337	\$111,094	\$114,982
	Solar Savings	-	\$0	\$0	\$0	\$0	\$0	(\$102,892)	(\$106,263)	(\$106,263)	(\$106,263)	(\$106,263)
7311	Utilities-Security Alarms	3.5%	\$987	\$978	\$1,012	\$1,048	\$978	\$1,000	\$1,035	\$1,071	\$1,109	\$1,148
7320	Telephone Expenses	3.5%	\$1,982	\$1,550	\$1,604	\$1,660	\$7,110	\$8,000	\$8,280	\$8,570	\$8,870	\$9,180
7321	Internet Access	3.5%	\$1,229	\$1,200	\$1,242	\$1,285	\$0	\$7,200	\$7,452	\$7,713	\$7,983	\$8,262
7410	Heavy Equip Maintenance	3.5%	\$12,418	\$5,500	\$5,693	\$5,892	\$12,386	\$10,500	\$10,868	\$11,248	\$11,642	\$12,049
7420	Shop Equip Maintenance	3.5%	\$993	\$2,000	\$2,070	\$2,142	\$1,508	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7430	Vehicle Maintenance	3.5%	\$3,355	\$2,000	\$2,070	\$2,142	\$6,699	\$3,000	\$3,105	\$3,214	\$3,326	\$3,443
7435	Tires and Chains Maintenance	3.5%	\$1,951	\$700	\$725	\$750	\$2,781	\$3,000	\$3,105	\$3,214	\$3,326	\$3,443
7440	Fuel and Oil Maintenance	3.5%	\$4,668	\$7,000	\$7,245	\$7,499	\$8,150	\$7,500	\$7,763	\$8,034	\$8,315	\$8,606
7470	Building Maintenance	3.5%	\$2,457	\$1,500	\$1,553	\$1,607	\$4,889	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7475	Grounds Maintenance	3.5%	\$410	\$1,000	\$1,035	\$1,071	\$975	\$1,000	\$1,035	\$1,071	\$1,109	\$1,148
7510	Plant Repairs and Maintenance	3.5%	\$29,618	\$20,000	\$20,700	\$21,425	\$15,704	\$10,000	\$10,350	\$10,712	\$11,087	\$11,475
7511	DAF Repairs and Maintenance	3.5%	\$1,506	\$10,000	\$10,350	\$10,712	\$3,186	\$5,000	\$5,175	\$5,356	\$5,544	\$5,738
7520	System Repairs and Maintenance	3.5%	\$2,784	\$45,000	\$46,575	\$48,205	\$11,416	\$15,000	\$15,525	\$16,068	\$16,631	\$17,213
7550	New Connections Expense	3.5%	\$148	\$2,000	\$2,070	\$2,142	\$0	\$0	\$0	\$0	\$0	\$0
7560	Additional O&M on Proposed WWTP	3.5%	\$0	\$0	\$0	\$0	\$0	\$250,000	\$450,000	\$465,750	\$482,051	
7710	Office Supplies	3.5%	\$1,594	\$1,000	\$1,035	\$1,071	\$2,540	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7740	Laboratory Supplies/Equipment	3.5%	\$11,533	\$14,000	\$14,490	\$14,997	\$22,070	\$18,000	\$18,630	\$19,282	\$19,957	\$20,655
7745	Plant Treatment Chemicals	3.5%	\$22,963	\$30,000	\$31,050	\$32,137	\$32,392	\$35,000	\$36,225	\$37,493	\$38,805	\$40,163
7750	Roadway Maintenance Materials	3.5%	\$3,666	\$6,000	\$6,210	\$6,427	\$2,717	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
7770	Janitorial and Cleaning Supplies	3.5%	\$23	\$100	\$104	\$107	\$331	\$300	\$311	\$321	\$333	\$344
7790	Miscellaneous Supplies	3.5%	\$82	\$700	\$725	\$750	\$419	\$600	\$621	\$643	\$665	\$689
7810	Expensed Equipment <\$1,000	3.5%	\$3,049	\$1,300	\$1,346	\$1,393	\$854	\$1,500	\$1,553	\$1,607	\$1,663	\$1,721
7815	Equipment Rentals	3.5%	\$510	\$200	\$207	\$214	\$2,020	\$200	\$207	\$214	\$222	\$230
7820	Safety Equipment	3.5%	\$1,128	\$2,100	\$2,174	\$2,250	\$615	\$3,000	\$3,105	\$3,214	\$3,326	\$3,443
7825	Personal Safety Clothing and Maintenance	3.5%	\$4,547	\$2,500	\$2,588	\$2,678	\$3,291	\$3,200	\$3,312	\$3,428	\$3,548	\$3,672

TABLE 2
City of Mt. Shasta -- Wastewater Enterprise Fund
Projected Expenditures and Transfers

	Inflation Factor	Actual (FY 15-16)	Actual (FY 16-17)	Actual (FY 17-18)	Actual (FY 18-19)	Actual (FY 19-20)	Budgeted (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)
7990 Special Department Expense ACL Settlement Expense	3.5%	\$2,310	\$2,391	\$2,475	\$2,561	\$0	\$0	\$0	\$0	\$0	\$0
8190 Depreciation (Not Accounted for in rate determination)	3.5%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9801 Capital-Administrative Overhead Allocation	3.5%	\$0	\$117,400	\$121,509	\$125,762	\$158,244	\$263,700	\$272,930	\$282,482	\$292,369	\$302,602
9930 Bond Issuance Expense	3.5%	\$0	\$0	\$0	\$0	\$165,157	\$0	\$0	\$0	\$0	\$0
Subtotal		\$752,234	\$772,483	\$799,520	\$827,503	\$1,049,188	\$1,059,756	\$1,174,245	\$1,410,313	\$1,463,393	\$1,518,331
Debt Service and Debt Service Reserve											
Existing 2007 Sewer Replacement Project											
Principal and Interest (\$1.75M I-Bank, 30 yr @ 3.25%/annum, 2038)		\$74,714	\$73,411	\$73,288	\$73,162	\$73,029	\$0	\$0	\$0	\$0	\$0
2019 Solar Project											
Principal and Interest						\$31,629	\$207,927	\$215,929	\$215,929	\$215,929	\$215,929
State-Mandated WWTP Improvements											
Principal and Interest (\$9.209M USDA & \$7.295M CWSRF)										\$462,531	\$462,531
Debt Service Reserve										\$32,206	\$32,206
Interceptor Sewer Replacement Project											
Principal and Interest (\$4.1M CWSRF, 30 yr @ 0%/annum)										\$137,833	\$137,833
Debt Service Reserve										\$0	\$0
Downtown Sewer Replacement Project, incl. Old McCloud Sewer											
Principal and Interest (\$2.917M USDA, 40 yr @ 2.125%/annum)						\$32,993	\$48,907	\$48,907	\$48,907	\$48,907	\$48,907
Debt Service Reserve						\$4,892	\$4,891	\$4,981	\$4,981	\$4,981	\$4,981
Subtotal		\$74,714	\$73,411	\$73,288	\$73,162	\$142,543	\$261,724	\$269,817	\$269,817	\$902,386	\$902,386
TRANSFER TO WATER CAPITAL PROJECTS FUND											
CWSRF Proposition 1 Grant-Funded Projects											
State-Mandated WWTP Improvements											
Planning and Design Activities (100% Grant Reimbursable) plus Cash		\$180,000	\$20,000	\$174,460	\$1,155,997	\$27,523					
CITY CASH CONTRIBUTION								\$800,000	\$1,000,000		
Interceptor Replacement Project											
Planning and Design Activities (100% Grant Reimbursable)			\$200,000	\$55,000		\$150,000					
Downtown Sewer Replacement Project											
Planning and Design Activities (100% Grant Reimbursable)			\$200,000	\$45,000							
Infiltration and Inflow Repairs & Misc		\$25,000	\$25,000	\$25,000	\$25,000	\$98,416	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Building and Grounds Maintenance (One-time Cost)							\$19,000				
Master Sewer Plan Update									\$125,000		
Subtotal		\$205,000	\$445,000	\$299,460	\$1,180,997	\$275,939	\$44,000	\$825,000	\$1,150,000	\$25,000	\$25,000
Total Expenditures, Debt Service, and Transfers		\$957,234	\$1,290,894	\$1,172,268	\$2,081,662	\$1,467,670	\$1,365,480	\$2,269,062	\$2,830,130	\$2,390,779	\$2,445,717

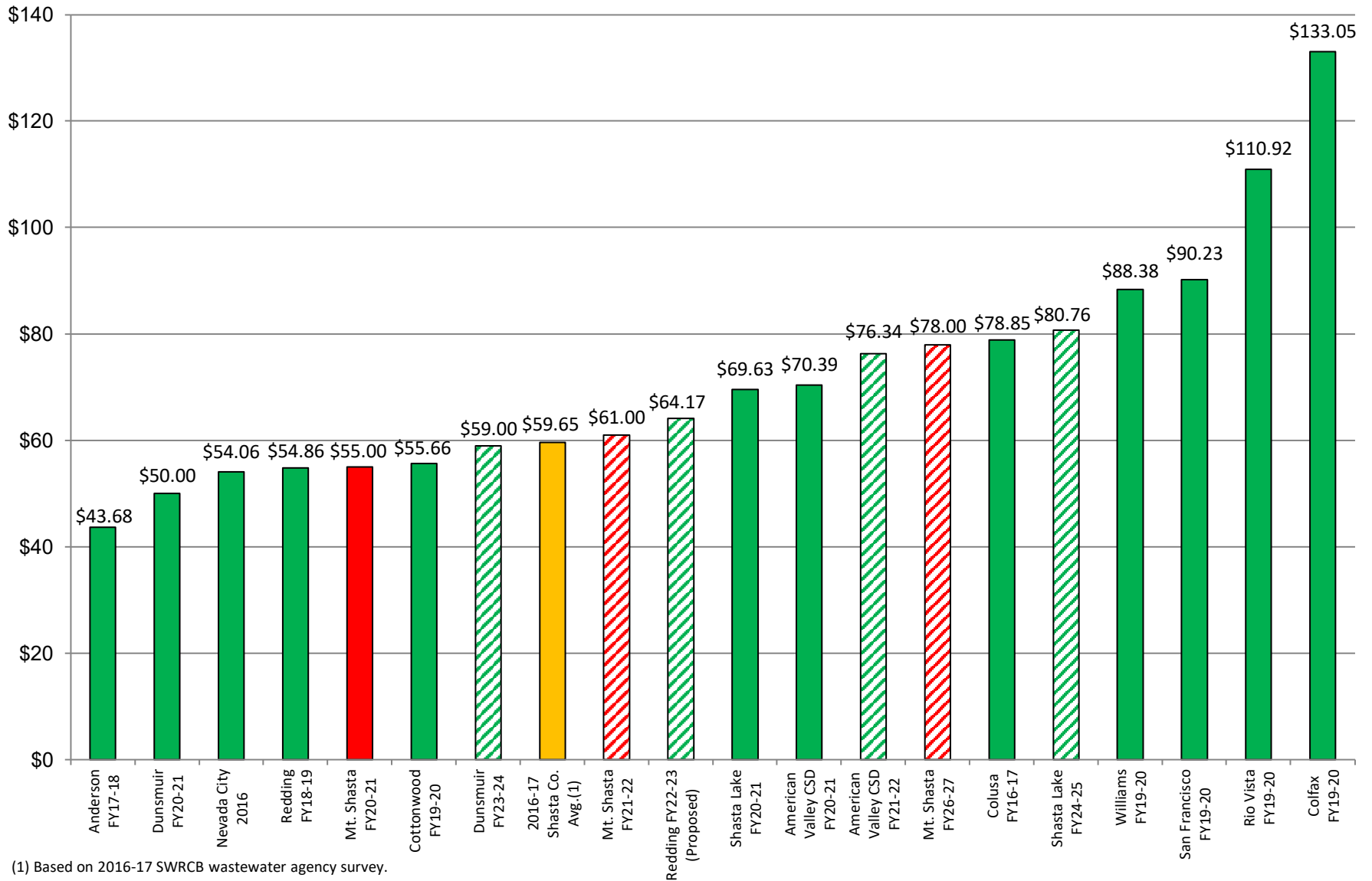
TABLE 3

**City of Mt. Shasta -- Wastewater Enterprise Fund
Summary of Enterprise Fund Financial Plan**

	Actual (FY 15-16)	Actual (FY 16-17)	Actual (FY 17-18)	Actual (FY 18-19)	Actual (FY 19-20)	Budgeted (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)	Projected (FY 25-26)	Projected (FY 26-27)
ASSUMPTIONS USED												
Estimated New Equivalent Dwelling Units (EDUs)	0	0	0	0	0	0	0	0	0	0	0	0
Annual Single-Family Wastewater Rate Increase	-	0.0%	25.3%	23.3%	21.6%	22.2%	10.9%	8.2%	8.3%	2.8%	2.7%	3.3%
WASTEWATER RATES USED												
Single-Family User Rate (\$/EDU)	\$23.95	\$23.95	\$30.00	\$37.00	\$45.00	\$55.00	\$61.00	\$66.00	\$71.50	\$73.50	\$75.50	\$78.00
Percentage of MHI @ \$33,320/Household/Year	0.86%	0.86%	1.08%	1.33%	1.62%	1.98%	2.20%	2.38%	2.58%	2.65%	2.72%	2.81%
BEGINNING FUNDS AVAILABLE BALANCE (1)												
Operations and Maintenance Fund	-\$353,027	-\$112,042	-\$96,521	\$147,363	-\$204,777	\$262,297	\$264,939	\$293,561	\$352,578	\$365,848	\$379,583	\$393,798
CWSRF Debt Service Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$100,000	\$175,000	\$250,000	\$281,639	\$281,639	\$281,639
Wastewater Improvement Fund	\$491,909	\$422,963	\$323,582	\$244,541	\$0	\$1,058,349	\$1,486,758	\$1,225,608	\$438,503	\$360,009	\$321,264	\$288,540
Total Beginning Funds Balance	\$138,882	\$310,921	\$227,061	\$391,904	-\$204,777	\$1,320,646	\$1,851,697	\$1,694,169	\$1,041,082	\$1,007,497	\$982,486	\$963,977
REVENUES												
LAIF Interest Earnings	\$782	\$400	\$400	\$2,090	\$500	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Late Penalties & Interest	\$6,580	\$7,000	\$7,000	\$7,000	\$10,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Monthly Service Charges (Using 33.5% Price Elasticity)	\$772,172	\$838,215	\$1,073,025	\$1,306,661	\$1,586,679	\$1,929,052	\$2,134,476	\$2,305,662	\$2,493,967	\$2,562,442	\$2,630,917	\$2,716,510
Laboratory Service Charges	\$2,233	\$2,500	\$2,500	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Utility Service Charge	\$272,005	\$300	\$300	\$300	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
County Reimbursements	\$14,161	\$13,000	\$13,000	\$13,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Misc Income	\$0	\$0	\$6,141	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grant Reimbursement Revenue:												
State-Mandated WWTP Improvements	\$0	\$103,791	\$96,209	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interceptor Sewer Replacement Project	\$0	\$0	\$141,685	\$113,315	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown Sewer Replacement Project	\$0	\$0	\$131,685	\$113,315	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Misc Grant Revenue	\$0	\$132,850	\$106,209	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Connection Charges (@\$2,000/EDU)	\$8,197	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Connection Capacity Charges (@ \$14,500/EDU)	\$9,690	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$1,085,820	\$1,128,056	\$1,578,154	\$1,558,181	\$1,612,179	\$1,962,052	\$2,167,476	\$2,337,662	\$2,525,967	\$2,594,442	\$2,662,917	\$2,748,510
EXPENDITURES												
Wastewater Enterprise	\$752,234	\$772,483	\$779,053	\$896,445	\$1,049,188	\$1,059,756	\$1,174,245	\$1,410,313	\$1,463,393	\$1,518,331	\$1,575,192	\$1,634,043
Total Expenditures	\$752,234	\$772,483	\$779,053	\$896,445	\$1,049,188	\$1,059,756	\$1,174,245	\$1,410,313	\$1,463,393	\$1,518,331	\$1,575,192	\$1,634,043
DEBT SERVICE & DEBT SERVICE RESERVE												
Existing 2007 Sewer Replacement Project	\$74,714	\$73,411	\$73,288	\$73,162	\$73,029	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2019 Solar Project	\$0	\$0	\$0	\$0	\$31,629	\$207,927	\$215,929	\$215,929	\$215,929	\$215,929	\$215,929	\$215,929
State-Mandated WWTP Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$498,070	\$498,070	\$498,070	\$498,070
Interceptor Sewer Replacement Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$137,833	\$137,833	\$137,833	\$137,833
Downtown Sewer Replacement Project, incl. Old McCloud Sewer	\$0	\$0	\$0	\$0	\$37,885	\$53,797	\$53,888	\$53,888	\$53,888	\$53,888	\$53,888	\$53,888
Short-Lived Asset Reserve	\$0	\$0	\$0	\$0	\$82,459	\$84,520	\$155,942	\$160,620	\$165,439	\$170,402	\$175,514	\$180,780
Total Debt Service & Debt Service Reserve	\$74,714	\$73,411	\$73,288	\$73,162	\$225,002	\$346,245	\$425,759	\$430,437	\$1,071,159	\$1,076,122	\$1,081,234	\$1,086,499
CAPITAL PROJECT FUNDING												
State-Mandated WWTP - \$1.6M City Cash Contribution	\$43,946	\$102,559	\$174,460	\$1,155,997	\$27,523	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CITY CASH CONTRIBUTION	\$0	\$0	\$0	\$0	\$0	\$0	\$700,000	\$1,000,000	\$0	\$0	\$0	\$0
Interceptor Replacement Project	\$0	\$112,819	\$127,923	\$14,258	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown Sewer Replacement Project	\$0	\$115,000	\$115,000	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Infiltration and Inflow Repairs & Misc	\$25,000	\$25,000	\$25,000	\$0	\$98,416	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Misc Capital Improvements	\$0	\$10,644	\$118,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Master Sewer Plan Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$125,000	\$0	\$0	\$0	\$0
Total Capital Project Funding	\$68,946	\$366,022	\$560,970	\$1,185,255	\$275,939	\$25,000	\$725,000	\$1,150,000	\$25,000	\$25,000	\$25,000	\$25,000
RESERVES												
OPERATING RESERVE OF ANNUAL EXPENDITURES (Goal=25%)	-\$112,042	-\$96,521	\$147,363	-\$204,777	\$262,297	\$264,939	\$293,561	\$352,578	\$365,848	\$379,583	\$393,798	\$408,511
WASTEWATER IMPROVEMENT FUND	\$422,963	\$323,582	\$244,541	\$0	\$1,058,349	\$1,486,758	\$1,225,608	\$438,503	\$360,009	\$321,264	\$288,540	\$276,796
CWSRF DEBT SERVICE RESERVE	\$0	\$0	\$0	\$0	\$0	\$100,000	\$175,000	\$250,000	\$281,639	\$281,639	\$281,639	\$281,639
YEAR-END OPERATING RESERVE	-15%	-12%	19%	-23%	25%	25%	25%	25%	25%	25%	25%	25%
Net Income-to-Debt Ratio (Must be higher than 1.1) (2)	4.46	4.84	10.90	9.04	8.71	3.51	3.75	3.50	1.22	1.24	1.25	1.28

NOTES:
 1. Beginning Cash based on unrestricted cash balance on June 30, 2021
 2. The City's Solar Project bond financing requires a net income-to-debt ratio requirement of 1.1.

**CITY OF MT. SHASTA
WASTEWATER UTILITY RATE UPDATE
COMPARISON OF OTHER AGENCY WASTEWATER RATES**



(1) Based on 2016-17 SWRCB wastewater agency survey.