

**CITY OF PACIFIC GROVE**

**10-YEAR SEWER COLLECTION SYSTEM  
FINANCIAL PLAN AND RATE STUDY**

**FEBRUARY 23, 2015**

*Public Finance*  
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FINANCIAL PLAN AND RATE STUDY**

**Prepared for**

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**Exhibit A:** Tables 1 through 4

**Exhibit B:** Financial Model

**Exhibit C:** MRWPCA Codified Ordinance for Sewer Service User Fee Rates and Capacity Charges dated July 1, 2014

## **I. INTRODUCTION**

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The City of Pacific Grove (the “City”) was incorporated and chartered as a city on July 16, 1889 and April 22, 1927, respectively. The City is located on the tip of the Monterey Peninsula of the Central California Coast, approximately 100 miles south of San Francisco. The City is responsible for the maintenance and operation of the sewer collection system within its boundaries. Figure I-1 below provides an aerial overview of the City’s boundaries.

**Figure I-1**  
**City of Pacific Grove and Sewer Service Area Boundaries**



The City provides sewer collection services for residences and commercial businesses over an area of approximately 1,414 acres with a population of approximately 15,040 residents. The City’s collection and conveyance system is comprised of approximately 58 miles of pipelines: 57 miles of gravity pipelines, which vary in diameter from 4-inch to 18-inch, and one mile of force mains. Maintenance access to the sewers is provided by 904 manholes and a number of structures, such as clean outs and inspection holes. There are nine sewer lift stations located in the City’s service area, seven of which are owned by the City, and two of which are owned by Monterey Regional Water Pollution Control Agency (“MRWPCA”). MRWPCA operates and maintains all nine lift stations. Collected sewage is conveyed via an interceptor pipeline to MRWPCA’s regional sewer treatment plant located north of the City of Marina.

The City’s sewer collection service is a self-sufficient enterprise fund. Revenues are generated from sewer rates, which fund the total cost of service on an annual basis.

In January 2013, the City engaged Wallace Group to prepare a comprehensive Sewer Master Plan. The scope of work includes: (i) updating the City’s existing Sewer System Management Plan (“SSMP”), including a comprehensive review of the City’s existing management plan, operations, and maintenance; (ii) updating the City’s existing Sewer System Asset Management Plan as required by the State Water Resources Control Board, (iii) updating the sewer system condition assessment; (iv) updating the sewer system capital improvement program and rates; and (v) conducting the required environmental review of the SSMP. Wallace Group engaged David Taussig & Associates, Inc. (“DTA”) as part of this effort, to develop a long-range sewer system financial plan and rate study.

This financial plan and rate study provides the background, cost of service analysis, and methodology to support the recommended rate structure provided herein. The recommended rate structure accomplishes the following objectives:

- Generates revenues to fund annual sewer collection system operating costs, debt service, capital costs and reserve requirements;
- Is equitable to all users, consistent with City policies, and compliant with all relevant laws.

The scope of services necessary to accomplish the objectives above is outlined below:

- Section II: Review current rate structure;
- Section III: Estimate annual revenue requirements for the City’s sewer enterprise;
- Section IV: Determine methodology to allocate costs to each land use based on Equivalent Dwelling Units (“EDUs”);
- Section V: Prepare a 10-year cash flow projection (“Financial Model”) incorporating reasonable estimates of future costs of service, including capital improvement projects;
- Sections VI and VII: Calculate sewer rates needed to fund all costs on a pay-as-you-go basis; and analyze and propose alternative rate structures.

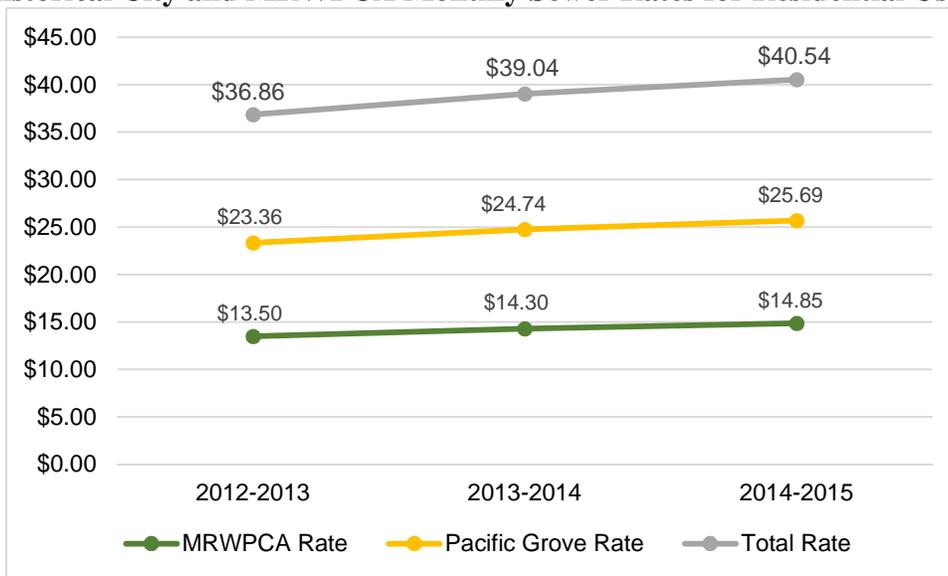
Each of these tasks is addressed in the Table of Contents of this report.

## II. CURRENT RATE STRUCTURE

As sewer services are provided by two agencies, MRWPCA and the City, there are two components to the total sewer rate as shown on MRWPCA’s sewer bills, which are mailed to users every two months. The first component, set by MRWPCA, represents MRWPCA’s cost of pumping and treating sewage, and constructing and maintaining force mains. The second component, set by the City, represents the City’s cost of operating and maintaining its sewer collection system.

The City’s component of the total sewer rate is currently charged as a percentage add-on to MRWPCA’s component. The current (FY 2014-15) City sewer rate is equal to 173% of the MRWPCA rate as shown in Table 1 of Exhibit A. For residential users, this equates to \$25.69 per month. Figure II-1 and Table II-1 below show the historical City and MRWPCA sewer rates for residential users, and the current combined sewer rate for residential uses.

**Figure II-1**  
**Historical City and MRWPCA Monthly Sewer Rates for Residential Users**



**Table II-1**  
**Total FY 2014-2015 Monthly Sewer Rate for a Residential Unit**

Rate for MRWPCA	\$14.85
Rate for City	\$25.69
Total Rate	\$40.54

### **III. REVENUE REQUIREMENTS AND COSTS OF SERVICE**

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The City’s sewer collection service enterprise is self-sufficient; its revenues and expenditures are segregated from other City governmental activities, and tracked and reported separately. Currently, the enterprise maintains an operations fund and capital improvement fund, out of which it pays for the annual costs of service.

Under City policy, the use of sewer enterprise funds is restricted to what is necessary to fund the annual costs of service. In addition, the annual revenue requirement must meet the requirements of Article XIII D, Section 6 of the California Constitution (“Proposition 218”), which include:

1. Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service;
2. Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

Expected costs of service include (i) operating and maintenance of the sewer collection system, (ii) capital replacement, (iii) reserve requirements, and (iv) sewer loan debt service. Each of the expected expenditures is described in more detail below.

#### **Operating and Maintenance Expenses**

Annual operating expenses are grouped into two categories: (i) City employee labor and materials allocated to sewer operations, and (ii) outside services. City sewer operations includes annual cleaning of all sewer lines, maintenance of weekly hot spots, attendance to root intrusion, and repairs to broken mains. These costs are approximately \$405,000 in fiscal year 2015-16. The annual sewer operations budget for fiscal years 2015-16 through 2018-19 is based on information from the City of Pacific Grove Sewer Collection System Master Plan dated February 2014 (the “Master Plan”). DTA has assumed that the sewer operating expenses will increase each year thereafter by 3%.

Outside sewer services consist of video inspections; sewer system management plan; public outreach; Fats, Oils and Grease (“FOG”) program; Geographic Information System (“GIS”) mapping, Lift Station (“LS”) maintenance and Pacific Gas and Electric (“PG&E”) costs. Although long-term pipe replacement is shown under outside services for consistency with the Master Plan, the amount budgeted serves as an operating reserve, as described in more detail under Reserve Requirements below. In addition, the City pays MRWCPA for pump station maintenance costs, which is reflected in the LS maintenance line item. These outside services costs total approximately \$180,000 in fiscal year 2015-16. The budget for fiscal years 2015-16 through 2018-19 is based on information from the Master Plan. DTA has assumed that such costs, other than the sewer system management plan, will then increase each year thereafter by 3% each year. Annual costs for the sewer system management plan for fiscal years 2015-16 through 2024-25 were provided by Wallace Group. Table III-1 below summarizes the expected operating and maintenance expenses for fiscal year 2015-16.

**Table III-1  
FY 2015-2016 Expected Operating and Maintenance Expenses**

<b>Category</b>	<b>Expense</b>	<b>Expected Amount</b>
City Labor & Materials	Sewer Operations	\$404,988
Outside Services	Video Inspection	\$32,176
	Sewer System Management Plan	\$25,000
	Public Outreach	\$1,447
	Operating Reserve/Long-Term Pipe Replacement	\$36,059
	FOG Program	\$11,119
	GIS Maintenance/Mapping	\$33,743
	LS Maintenance	\$37,917
	PG&E	\$2,835
<b>Total</b>		<b>\$585,283</b>

**Sewer Loan Debt Service**

The City pays annual debt service due on the Series 2013 Loan according to the loan payment schedule in the Wastewater Loan Agreement (the “Loan Agreement”) dated April 1, 2013. The annual debt service payment is approximately \$87,000 per year, and the last payment is due on October 1, 2031. The Loan Agreement also requires that the debt service coverage on the loan (defined as expected rate revenue net of operating expenses, divided by the loan debt service) exceed 120% in every year.

**Reserve Requirements**

Currently, the City does not have a formal reserve policy for the sewer collection enterprise. It is recommended that the City maintain sufficient balances within the sewer enterprise funds to cover three components of reserves: rate stabilization, operating expenses and long-term pipe replacement, and capital repairs and replacement.

The purpose of a rate stabilization reserve is to provide adequate financial cushion for annual revenue and expense fluctuations, and emergencies. In DTA’s analysis, contributions from net operating revenue to the operating rate stabilization reserves are assumed to equal 15% of operational expenses on an annual basis until the balance reaches a maximum of \$350,000, or approximately 11% of annual revenues. Subsequent to reaching this maximum, all net rate revenue would be contributed to the capital replacement fund.

The purpose of an operating reserve is to provide liquidity and funding for operations and maintenance needs throughout the year. In DTA’s analysis, for fiscal year 2015-16, the amount budgeted for the operating reserve is equal to 25% of annual operating expenses. For fiscal year 2016-17 and each year thereafter, the amount budgeted annually for the operating reserve has been set at the level required for long-term pipe maintenance and replacement, as estimated by Wallace Group.

The purpose of a capital repairs and replacement component of the reserve is to provide funding for repair and replacement of existing capital facilities and equipment. In DTA’s analysis, the reserve is set as a minimum balance in the capital replacement fund of \$500,000, which is sufficient to cover smaller emergency projects, if needed.

**Capital Replacement Program**

The City intends to use sewer rates from existing customers to fund all projects to meet existing deficiencies (identified as “Near-Term Projects” in the Master Plan) over a 10-year period. The cost of these projects totals \$13,937,000 (2014 dollars, unescalated), as shown in Table III-2 below. The sewer rates will not contribute to the Long-Term Project in the Master Plan, as this project is expected to be funded in full by future development. Capital costs are assumed to increase by 3% each year to the year constructed.

**Table III-2  
Capital Projects**

Master Plan Project Number	Title	Description	2014 Construction Cost	Allocation to Existing Users	Costs Allocated to Existing Users	Accumulated
<b>Near-Term Projects</b>						
1	17 Mile	Upgrade sewer main due to capacity deficiency	\$1,624,000	100%	\$1,624,000	\$1,624,000
2	Ocean View & Mermaid	Replace sewer mains due to age & condition	\$4,443,000	100%	\$4,443,000	\$6,067,000
3	Asilomar	Upgrade sewer main due to capacity deficiency (Increase Slope)	\$1,500,000	100%	\$1,500,000	\$7,567,000
4	Crocker & Asilomar	Replace manholes due to hydrogen sulfide deterioration	\$1,207,000	100%	\$1,207,000	\$8,774,000
5	14 <sup>th</sup> . Sinex to Junipero	Consolidate multiple sewer mains; Abandon existing sewer main and tie-over to new sewer main	\$1,027,000	100%	\$1,027,000	\$9,801,000
6	Hillcrest	Replace sewer mains due to root intrusion	\$2,525,000	100%	\$2,525,000	\$12,326,000
7	14 <sup>th</sup> . Lighthouse to Ocean View	Consolidate multiple sewer mains	\$448,000	100%	\$448,000	\$12,774,000
8	Carmel	Replace sewer main to eliminate sags	\$1,104,000	100%	\$1,104,000	\$13,878,000
9	Hwy 68	Protect exposed pipe from damage	\$59,000	100%	\$59,000	\$13,937,000
<b>Long-Term Project</b>						
10	Sunset & Crocker	Upgrade sewer main due to capacity deficiency	\$517,000	0%	\$0	\$13,937,000
<b>Total</b>			<b>\$14,454,000</b>		<b>\$13,937,000</b>	

Source: Master Plan

Each year, the portion of annual rate revenues not pledged to operations and maintenance, debt service, or rate stabilization reserve, is allocated to the capital replacement fund. Facilities are funded as sufficient rate revenues are accumulated. The cash balance in the capital replacement fund was projected to be \$5,421,496 (before any new contributions are made from rates) as of July 1, 2015, based on the balance as of July 1, 2014, as provided by the City. The sewer rates have been calculated in order to fund the Near-Term and Mid-Term Capital Projects identified in Table III-2 by year 10 on a pay-as-you-go basis.

## **IV. COST ALLOCATION**

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As described in Section II, the City's current sewer rates are charged as a percentage add-on to the rates charged by MRWPCA. MRWPCA is a sewage treatment agency, so its cost of service includes operations, maintenance and capital improvement costs required to provide sewage collection and treatment to its customers. MRWPCA's rates are based on three cost factors related to flow and treatment: i) contributing sewage flow, measured in gallons per day; ii) sewage strength measured in milligrams per liter ("mg/l") of biochemical oxygen demand; and iii) suspended solids, measured in parts per million ("ppm").

As described in Section I, the City provides sewer collection services and delivers sewage to MRWPCA for treatment. Therefore, the City's cost of service is related solely to quantity of flow. A cost allocation that is not tied to MRWPCA rates, but that is based on estimated sewage flow would allocate costs equitably to users. Such a cost allocation would also meet a requirement of Proposition 218, which provides that: "The amount of fee or charge imposed on any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to that parcel."

The annual costs of services will be allocated by, and sewer rates will be based on, an Equivalent Dwelling Unit ("EDU") methodology, where sewer flow will serve as the unit of comparison. The estimated sewer flow for each land use is compared as a ratio of that value to the flow for a residential dwelling unit. This ratio is defined as the EDU factor. Average flow rates by land use were taken from the MRWPCA Codified Ordinance for Sewer Service User Fee Rates and Capacity Charges dated July 1, 2014 (See Exhibit C). MRWPCA's flow rates are agency-wide averages and are not specific to the City; however, based on discussions with Wallace Group, DTA has used MRWPCA's average flow rates because they are a reasonable approximation of the City's flow rates.

The estimated flow rate for a residential dwelling unit (1.00 EDU), as provided by MRWPCA for the MRWPCA service area, is 189 gallons per day ("GPD"). The EDUs for each land use class represent the relative flow rate for such land use class, as compared to the flow rate for the residential dwelling unit. For example, a motel/hotel room with estimated flow of 82 GPD, as compared to a residential dwelling unit with 189 GPD, would be expressed as 0.434 EDUs (82 GPD divided by 189 GPD) as shown in Table 2 of Exhibit A. Consequently, the sewer rate charged per motel/hotel room would be 0.434 times the amount charged for a residential unit. Please note that certain customers considered "special users" which are not classified under MRWPCA's standard land use classes, are charged by MRWPCA annually based on actual water usage, which is considered a proxy for sewer flow rate.

Based on discussions with MRWPCA, MRWPCA reviews their parcel land uses once per year, but only updates the land use information for specific parcels if the City provides new information for said parcels.

## **V. FINANCIAL MODEL**

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DTA has developed a Financial Model (see Exhibit B, the Financial Model has two alternatives described in Section VI) that forecasts revenues and operational and maintenance costs, as described in Section III, over a 10 year period. Based on the Financial Model, the net revenue (revenue less operational expenses) will fund a capital replacement program and rate stabilization reserve. A 10 year projected time period (fiscal years 2015-16 through 2024–25) was chosen in order to match the timing of capital replacement projects as described in Section III.

As discussed in Section IV, existing average sewer flow data and average flow by land use utilized in the Financial Model were provided by MRWPCA and Wallace Group. As discussed in Section III, information on revenues and debt service on outstanding obligations was provided by the City. Operating and maintenance expenses and capital improvement projects were based on information in the Master Plan.

The key Financial Model assumptions are as follows:

- Rate revenues are attributable only to existing sewer users.
- As discussed in Section III, the majority of the sewer operation and maintenance expenses through FY 2018-19 are from the Master Plan. Such costs escalate at 3% per year.
- As discussed in Section III, the sewer system management plan and operating reserve/long-term pipe replacement expenses were provided by Wallace Group.
- As discussed in Section III, approximately \$14 million in capital improvements from the Master Plan are required to be funded over the next 10 years from rate revenues; such capital improvement projects are phased in as needed and as funding allows.
- As discussed in Section III, capital costs from the Master Plan escalate at 3% per year to the year constructed.
- As discussed in Section III, rate stabilization reserve fund is capped at \$350,000.

## **VI. ALTERNATIVE RATE STRUCTURES**

Applying the current residential rate to the new EDU structure (as shown in Exhibit A), DTA has determined that the current rates, if maintained and not increased, would provide insufficient revenue for necessary capital improvements outlined in Section III. In addition, the current rate would generate insufficient revenues to cover annual operating expenses, since such costs are increasing, as further discussed in Section III.

Therefore, in order to meet revenue requirements as projected over the next ten years, increases in the sewer rate per EDU are needed. Because the magnitude and timing of sewer rate increases impact sewer users and determine the capital projects that can be funded on a pay-as-you-go basis, the City wanted to explore different options regarding the increases. At the request of the City, DTA developed two rate alternatives:

- Alternative A reflects a larger increase in rates in the first two years followed by a smaller level increase in each of the remaining years;
- Alternative B reflects a constant level increase in each of the ten years.

The proposed sewer rates under each alternative are summarized in Tables VI-1 and VI-2.

**Table VI-1**  
**Alternative A: Monthly Sewer Rate Per EDU & Annual Change**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Rate per month per EDU	\$26.98	\$28.32	\$29.07	\$29.83	\$30.61	\$31.41	\$32.23	\$33.06	\$33.94	\$34.83
Annual Change in Rate	5.00%	5.00%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%

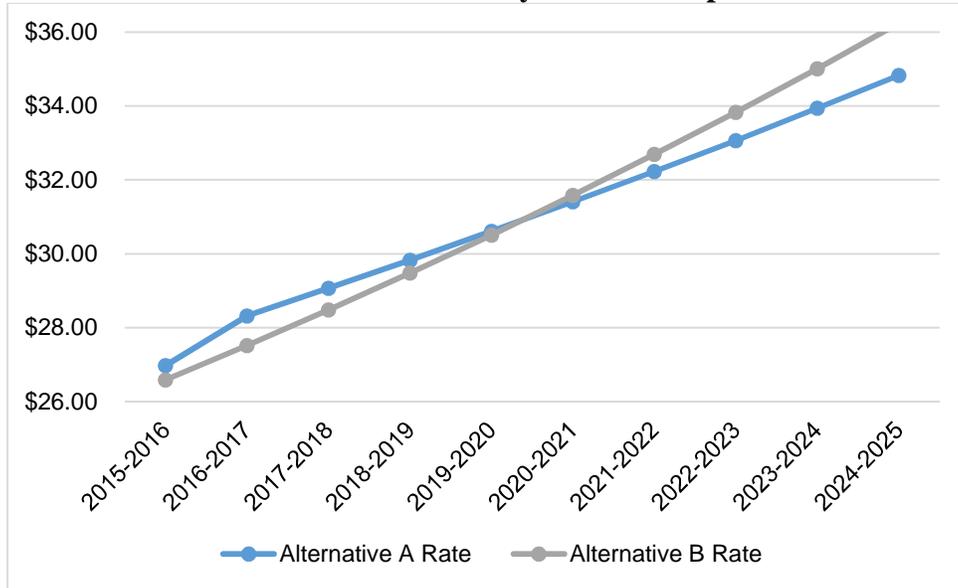
**Table VI-2**  
**Alternative B: Monthly Sewer Rate Per EDU & Annual Change**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Rate per month per EDU	\$26.59	\$27.52	\$28.48	\$29.48	\$30.51	\$31.58	\$32.69	\$33.83	\$35.01	\$36.24
Annual Change in Rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

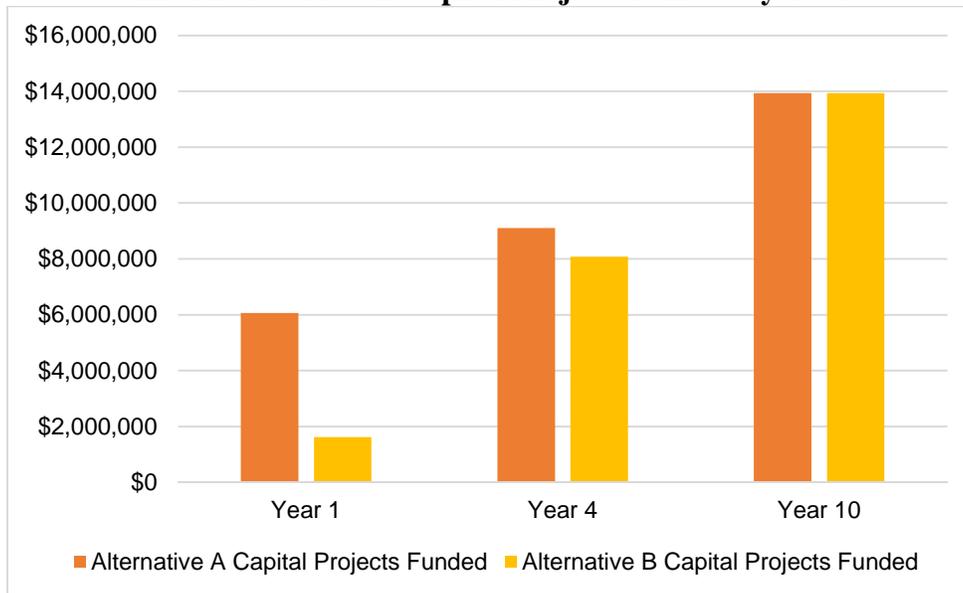
The main difference between the alternatives is that more capital improvement costs can be funded in years 1-4 with Alternative A. In addition, while the Alternative A rates are higher than the Alternative B rates in years 1-5, the Alternative A rates increase at a slower rate after year 2, and as a result, Alternative A has lower rates toward the end of the 10 years.

The proposed sewer rates and capital projects (2014 dollars, unescalated) funded under each alternative are presented graphically in Figures VI-1 and VI-2 below.

**Figure VI-1**  
**Alternatives A & B Monthly Sewer Rate per EDU**



**Figure VI-2**  
**Alternatives A & B Capital Projects Funded by Year**



**VII. PROPOSED RATES**

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On May 21, 2014, the City Council was presented with a preliminary version of the Financial Model and selected a higher initial increase as the preferred sewer rate structure, and directed City staff to complete a rate study. The proposed sewer rates by year have changed slightly from the preliminary Financial Model, due to continued refinement of the Financial Model. The current proposed sewer rates for the next five years for all land uses under each alternative is presented in Tables 3 and 4 of Exhibit A.

Please note that the rates shown above and in Exhibit A are in addition to the rates charged by MRWPCA. The City Council approval of new rates applies only to the rates charged by the City.

Please see Tables VII-1 and VII-2 below for the existing rate charged by MRWPCA and the proposed sewer rate for the City of Pacific Grove under each alternative for a residential unit (i.e., 1.00 EDU). Please note that the rates will vary for other land uses. In addition, the City’s proposed rates utilize a different EDU methodology than MRWPCA, as discussed in Section IV.

**Table VII-1  
Alternative A**

**FY 2015-2016 Total Monthly Sewer Rate for a Residential Unit (i.e., 1.00 EDU)**

Rate for MRWPCA	\$15.35
Proposed Rate for City	\$26.98
Total Rate	\$42.03

**Table VII-2  
Alternative B**

**FY 2015-2016 Total Monthly Sewer Rate for a Residential Unit (i.e., 1.00 EDU)**

Rate for MRWPCA	\$15.35
Proposed Rate for City	\$26.59
Total Rate	\$41.94

## **VIII. CONCLUSION/NEXT STEPS**

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As outlined in Section III and shown numerically in the Financial Models in Exhibit B, in order to meet the sewer collection system revenue requirements as projected over the next 10 years, the City must increase the sewer rate. Recognizing that such an increase would have both a short-term, palpable impact on sewer users through a higher bi-monthly sewer bill, but also a longer term impact on the timing of collection system improvement projects, the City explored two alternative rate structures. Both rate structures fund the necessary capital improvement projects from the Master Plan by the end of the 10 years. The City Council is expected to select one of the two rate structures in December 2014.

Once the City Council selects a sewer rate structure, the City needs to take additional steps to implement the rate increases. The City intends to follow certain noticing and hearing procedures mandated by Proposition 218, as outlined below:

1. **Noticing Requirement:** The City must mail a notice of the proposed rate increase to all affected property owners or customers. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rate will be considered/adopted.
2. **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increase. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Majority Protest:** At the public hearing, the proposed rate increase is subject to majority protest. If more than 50% of the affected property owners or tenant ratepayers submit written protests against the proposed rate increase, the increase cannot be adopted.

**EXHIBIT A**

**TABLES 1 THROUGH 4**

**TABLE 1  
CURRENT SEWER RATES**

Land Use		City of Pacific Grove Existing Rate [1]
Business/Gov't	Location/Each Business	\$17.39
Residential-Vacant	Each Living Unit	\$14.79
Residential	Each Living Unit	\$25.69
Residential/Apartments	Each Living Unit	\$25.69
Residential/Apartments-Vacant	Each Living Unit	\$14.79
Condominium	Each Living Unit	\$25.69
Condo/Retirement	Each Living Unit	\$25.69
Minimum/Vacancy	Location/Each Business	\$12.80
Motel/Hotel	Each Room	\$10.90
Bed & Breakfast Inn	Each Room	\$7.18
Supermarkets	Location	\$173.00
Medical Office	Each Licensed Physician	\$22.23
Dental Office	Each Licensed Dentist	\$30.45
Rest Home/Convalescent	Each Bed of Licensed Capacity	\$6.75
General Hospital	Each Bed of Licensed Capacity	\$40.05
Animal Hospital	Location/Each Licensed Business	\$46.19
Restaurant 1 meal/day	Each Restaurant Seat	\$1.64
Restaurant 2 meals/day	Each Restaurant Seat	\$2.51
Restaurant 3 meals/day	Each Restaurant Seat	\$4.84
Restaurant with Bar	Each Restaurant Seat	\$4.84
Bar	Location/Each Business	\$39.88
Nightclub	Location/Each Business	\$118.33
Takeout Food - Small	Location/Each Business	\$57.78
Takeout Food - Medium	Location/Each Business	\$141.25
Takeout Food - Large	Location/Each Business	\$257.77
Bakery	Location/Each Business	\$66.69
Theater	Per Screen @ Each Location	\$54.84
Bowling Center	Location/Each Business	\$167.81
Gym	Per 500 members	\$17.39
Mortuary	Location/Each Business	\$84.68
School (Minimum)	Student Population	\$17.39
School (Grades 0-6)	Student Population	\$0.22
School (7-College)	Student Population	\$0.45
Boarding School	Student Population	\$5.28
Instructional Facility	Student Population	\$17.39
Church	Per 100 members	\$17.39
Photo / Laboratory / Printer	Per 10 employees	\$1.82
Service Station/Garage	Location/Each Business	\$18.17
Paint and Body Shops	Per 10 employees	\$17.39
Dry Cleaner	Location/Each Business	\$56.74
Laundromat	Each Washing Machine	\$14.53
Special User [2]	Individual Determination	NA

[1] Based on 173% of the current MRWPCA rates.

[2] Rate for special users are determined based on estimated flow rates.

**TABLE 2  
EDU FACTORS**

Description	Units	Total [1]	GPD Avg. Flow	EDU Factor	Total EDUs
Business/Gov't	Location/Each Business	516	146	0.772	398
Residential-Vacant	Each Living Unit	25		0.000	0
Residential	Each Living Unit	4,466	189	1.000	4,466
Residential/Apartments	Each Living Unit	3,107	189	1.000	3,107
Residential/Apartments-Vacant	Each Living Unit	13		0.000	0
Condominium	Each Living Unit	204	189	1.000	204
Condo/Retirement	Each Living Unit	141	189	1.000	141
Minimum/Vacancy	Location/Each Business	101		0.000	0
Motel/Hotel	Each Room	637	82	0.434	276
Bed & Breakfast Inn	Each Room	98	54	0.286	28
Supermarkets	Location	2	797	4.217	8
Medical Office	Each Licensed Physician	23	195	1.032	24
Dental Office	Each Licensed Dentist	5	269	1.423	7
Rest Home/Convalescent	Each Bed of Licensed Capacity	185	54	0.286	53
General Hospital	Each Bed of Licensed Capacity		320	1.693	0
Animal Hospital	Location/Each Licensed Business	3	356	1.884	6
Restaurant 1 meal/day	Each Restaurant Seat	626	7	0.037	23
Restaurant 2 meals/day	Each Restaurant Seat	1,289	11	0.058	75
Restaurant 3 meals/day	Each Restaurant Seat	252	21	0.111	28
Restaurant with Bar	Each Restaurant Seat	90	21	0.111	10
Bar	Location/Each Business		317	1.677	0
Nightclub	Location/Each Business		950	5.026	0
Takeout Food - Small	Location/Each Business	24	354	1.873	45
Takeout Food - Medium	Location/Each Business	1	871	4.608	5
Takeout Food - Large	Location/Each Business	1	1,588	8.402	8
Bakery	Location/Each Business	5	287	1.519	8
Theater	Per Screen @ Each Location	4	471	2.492	10
Bowling Center	Location/Each Business		1,433	7.582	0
Gym	Per 500 members	5	146	0.772	4
Mortuary	Location/Each Business	1	387	2.048	2
School (Minimum)	Student Population	6	146	0.772	5
School (Grades 0-6)	Student Population	1,432	2	0.011	16
School (7-College)	Student Population	1,434	4	0.021	30
Boarding School	Student Population	65	40	0.212	14
Instructional Facility	Student Population		146	0.772	0
Church	Per 100 members	13	146	0.772	10
Photo / Laboratory / Printer	Per 10 employees	3	146	0.772	2
Service Station/Garage	Location/Each Business	5	140	0.741	4
Paint and Body Shops	Per 10 employees	8	146	0.772	6
Dry Cleaner	Location/Each Business	3	483	2.556	8
Laundromat	Each Washing Machine	104	127	0.672	70
Special User [3]	Individual Determination		25,639	135.656	136
				Total	9,236

[1] Number of existing connections provided by MRWPCA 10/30/2014.

[2] Based on flow rates provided by the Wallace Group.

[3] Total GPD for special users provided by MRWPCA 10/30/14.

**TABLE 3**

**ALTERNATIVE A - 5% INCREASE IN THE ANNUAL RATE FOR YEARS 1 AND 2 AND LEVEL INCREASE OF 2.62% EACH YEAR THEREAFTER**

Description		Sewer Rate per Month (effective dates)				
		7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
	Units					
Business/Gov't	Location/Each Business	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Residential-Vacant	Each Living Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Residential	Each Living Unit	\$26.98	\$28.32	\$29.07	\$29.83	\$30.61
Residential/Apartments	Each Living Unit	\$26.98	\$28.32	\$29.07	\$29.83	\$30.61
Residential/Apartments-Vacant	Each Living Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condominium	Each Living Unit	\$26.98	\$28.32	\$29.07	\$29.83	\$30.61
Condo/Retirement	Each Living Unit	\$26.98	\$28.32	\$29.07	\$29.83	\$30.61
Minimum/Vacancy	Location/Each Business	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Motel/Hotel	Each Room	\$11.71	\$12.29	\$12.61	\$12.95	\$13.28
Bed & Breakfast Inn	Each Room	\$7.71	\$8.10	\$8.31	\$8.53	\$8.75
Supermarkets	Location	\$113.75	\$119.44	\$122.57	\$125.78	\$129.08
Medical Office	Each Licensed Physician	\$27.84	\$29.23	\$30.00	\$30.78	\$31.59
Dental Office	Each Licensed Dentist	\$38.39	\$40.30	\$41.36	\$42.44	\$43.56
Rest Home/Convalescent	Each Bed of Licensed Capacity	\$7.71	\$8.10	\$8.31	\$8.53	\$8.75
General Hospital	Each Bed of Licensed Capacity	\$45.67	\$47.95	\$49.21	\$50.50	\$51.82
Animal Hospital	Location/Each Licensed Business	\$50.82	\$53.36	\$54.76	\$56.19	\$57.67
Restaurant 1 meal/day	Each Restaurant Seat	\$1.00	\$1.05	\$1.08	\$1.10	\$1.13
Restaurant 2 meals/day	Each Restaurant Seat	\$1.56	\$1.64	\$1.69	\$1.73	\$1.78
Restaurant 3 meals/day	Each Restaurant Seat	\$2.99	\$3.14	\$3.23	\$3.31	\$3.40
Restaurant with Bar	Each Restaurant Seat	\$2.99	\$3.14	\$3.23	\$3.31	\$3.40
Bar	Location/Each Business	\$45.24	\$47.50	\$48.74	\$50.02	\$51.33
Nightclub	Location/Each Business	\$135.58	\$142.36	\$146.09	\$149.91	\$153.84
Takeout Food - Small	Location/Each Business	\$50.52	\$53.05	\$54.44	\$55.87	\$57.33
Takeout Food - Medium	Location/Each Business	\$124.30	\$130.52	\$133.94	\$137.44	\$141.05
Takeout Food - Large	Location/Each Business	\$226.64	\$237.98	\$244.21	\$250.61	\$257.18
Bakery	Location/Each Business	\$40.98	\$43.02	\$44.15	\$45.31	\$46.49
Theater	Per Screen @ Each Location	\$67.22	\$70.58	\$72.43	\$74.33	\$76.28
Bowling Center	Location/Each Business	\$204.52	\$214.75	\$220.38	\$226.15	\$232.08
Gym	Per 500 members	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Mortuary	Location/Each Business	\$55.24	\$58.01	\$59.53	\$61.09	\$62.69
School (Minimum)	Student Population	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
School (Grades 0-6)	Student Population	\$0.30	\$0.31	\$0.32	\$0.33	\$0.34
School (7-College)	Student Population	\$0.57	\$0.59	\$0.61	\$0.63	\$0.64
Boarding School	Student Population	\$5.72	\$6.00	\$6.16	\$6.32	\$6.49
Instructional Facility	Student Population	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Church	Per 100 members	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Photo / Laboratory / Printer	Per 10 employees	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Service Station/Garage	Location/Each Business	\$19.99	\$20.99	\$21.54	\$22.10	\$22.68
Paint and Body Shops	Per 10 employees	\$20.82	\$21.87	\$22.44	\$23.03	\$23.63
Dry Cleaner	Location/Each Business	\$68.95	\$72.40	\$74.29	\$76.24	\$78.24
Laundromat	Each Washing Machine	\$18.13	\$19.03	\$19.53	\$20.04	\$20.57
Special User [2]	Individual Determination	NA	NA	NA	NA	NA

[1] Special User means any establishment, which cannot be classified in any other category, based on their individual flow and strength characteristics. The rate for special users are determined based on estimated flow rates.

**TABLE 4  
ALTERNATIVE B - ANNUAL RATE INCREASE OF 3.5%**

Description		Sewer Rate per Month (effective dates)				
		7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
	Units					
Business/Gov't	Location/Each Business	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Residential-Vacant	Each Living Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Residential	Each Living Unit	\$26.59	\$27.52	\$28.48	\$29.48	\$30.51
Residential/Apartments	Each Living Unit	\$26.59	\$27.52	\$28.48	\$29.48	\$30.51
Residential/Apartments-Vacant	Each Living Unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Condominium	Each Living Unit	\$26.59	\$27.52	\$28.48	\$29.48	\$30.51
Condo/Retirement	Each Living Unit	\$26.59	\$27.52	\$28.48	\$29.48	\$30.51
Minimum/Vacancy	Location/Each Business	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Motel/Hotel	Each Room	\$11.54	\$11.94	\$12.36	\$12.79	\$13.24
Bed & Breakfast Inn	Each Room	\$7.60	\$7.87	\$8.15	\$8.43	\$8.73
Supermarkets	Location	\$112.13	\$116.05	\$120.11	\$124.32	\$128.67
Medical Office	Each Licensed Physician	\$27.44	\$28.40	\$29.39	\$30.42	\$31.49
Dental Office	Each Licensed Dentist	\$37.84	\$39.16	\$40.53	\$41.95	\$43.42
Rest Home/Convalescent	Each Bed of Licensed Capacity	\$7.60	\$7.87	\$8.15	\$8.43	\$8.73
General Hospital	Each Bed of Licensed Capacity	\$45.02	\$46.59	\$48.22	\$49.91	\$51.66
Animal Hospital	Location/Each Licensed Business	\$50.09	\$51.85	\$53.66	\$55.54	\$57.49
Restaurant 1 meal/day	Each Restaurant Seat	\$0.98	\$1.02	\$1.05	\$1.09	\$1.13
Restaurant 2 meals/day	Each Restaurant Seat	\$1.54	\$1.60	\$1.65	\$1.71	\$1.77
Restaurant 3 meals/day	Each Restaurant Seat	\$2.95	\$3.05	\$3.16	\$3.27	\$3.39
Restaurant with Bar	Each Restaurant Seat	\$2.95	\$3.05	\$3.16	\$3.27	\$3.39
Bar	Location/Each Business	\$44.59	\$46.15	\$47.77	\$49.44	\$51.17
Nightclub	Location/Each Business	\$133.64	\$138.32	\$143.16	\$148.17	\$153.35
Takeout Food - Small	Location/Each Business	\$49.80	\$51.55	\$53.35	\$55.22	\$57.15
Takeout Food - Medium	Location/Each Business	\$122.53	\$126.81	\$131.25	\$135.85	\$140.60
Takeout Food - Large	Location/Each Business	\$223.41	\$231.23	\$239.32	\$247.69	\$256.36
Bakery	Location/Each Business	\$40.39	\$41.80	\$43.27	\$44.78	\$46.35
Theater	Per Screen @ Each Location	\$66.26	\$68.58	\$70.98	\$73.47	\$76.04
Bowling Center	Location/Each Business	\$201.60	\$208.66	\$215.96	\$223.52	\$231.34
Gym	Per 500 members	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Mortuary	Location/Each Business	\$54.46	\$56.36	\$58.33	\$60.38	\$62.49
School (Minimum)	Student Population	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
School (Grades 0-6)	Student Population	\$0.29	\$0.30	\$0.31	\$0.32	\$0.34
School (7-College)	Student Population	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64
Boarding School	Student Population	\$5.64	\$5.83	\$6.04	\$6.25	\$6.47
Instructional Facility	Student Population	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Church	Per 100 members	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Photo / Laboratory / Printer	Per 10 employees	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Service Station/Garage	Location/Each Business	\$19.70	\$20.39	\$21.11	\$21.85	\$22.61
Paint and Body Shops	Per 10 employees	\$20.53	\$21.25	\$21.99	\$22.76	\$23.56
Dry Cleaner	Location/Each Business	\$67.96	\$70.34	\$72.80	\$75.35	\$77.99
Laundromat	Each Washing Machine	\$17.87	\$18.49	\$19.14	\$19.81	\$20.50
Special User [2]	Individual Determination	NA	NA	NA	NA	NA

[1] Special User means any establishment, which cannot be classified in any other category, based on their individual flow and strength characteristics. The rate for special users are determined based on estimated flow rates.

**EXHIBIT B**  
**FINANCIAL MODEL**

**RATE ANALYSIS  
CITY OF PACIFIC GROVE**

**ALTERNATIVE A - 5% INCREASE IN THE ANNUAL RATE FOR YEARS 1 AND 2 AND LEVEL INCREASE OF 2.62% EACH YEAR THEREAFTER**

Fiscal Year	Study Year Number	1	2	3	4	5	6	7	8	9	10
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ Per EDU (Monthly)		\$26.98	\$28.32	\$29.07	\$29.83	\$30.61	\$31.41	\$32.23	\$33.08	\$33.94	\$34.83
<b>OPERATING REVENUE</b>											
Rate Revenue [1]	\$	2,989,608	\$ 3,139,088	\$ 3,221,332	\$ 3,305,731	\$ 3,392,341	\$ 3,481,220	\$ 3,572,428	\$ 3,666,026	\$ 3,762,076	\$ 3,860,642
Property Taxes	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Money and Property	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Capacity Fee Revenue	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue</b>	\$	<b>2,989,608</b>	<b>\$ 3,139,088</b>	<b>\$ 3,221,332</b>	<b>\$ 3,305,731</b>	<b>\$ 3,392,341</b>	<b>\$ 3,481,220</b>	<b>\$ 3,572,428</b>	<b>\$ 3,666,026</b>	<b>\$ 3,762,076</b>	<b>\$ 3,860,642</b>
<b>OPERATIONAL EXPENSES [2]:</b>											
<b>Labor and Materials:</b>											
Sewer Operation & Maintenance	\$	404,988	\$ 425,238	\$ 446,499	\$ 468,824	\$ 482,889	\$ 497,376	\$ 512,297	\$ 527,666	\$ 543,496	\$ 559,801
<b>Outside Services:</b>											
Video Inspection	\$	32,176	\$ 33,785	\$ 35,474	\$ 37,248	\$ 38,365	\$ 39,516	\$ 40,702	\$ 41,923	\$ 43,180	\$ 44,476
Sewer System Management Plan [7]	\$	25,000	\$ 10,000	\$ 25,000	\$ 100,000	\$ 11,593	\$ 11,593	\$ 12,299	\$ 12,668	\$ 13,048	\$ 115,927
Public Outreach	\$	1,447	\$ 1,099	\$ 1,154	\$ 1,211	\$ 1,248	\$ 1,285	\$ 1,324	\$ 1,363	\$ 1,404	\$ 1,447
Operating Reserve / Long-Term Pipe Replacement [8]	\$	36,059	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,844,811	\$ 1,900,155	\$ 1,957,160	\$ 2,015,874
FOG Program	\$	11,119	\$ 11,675	\$ 12,259	\$ 12,872	\$ 13,258	\$ 13,656	\$ 14,066	\$ 14,488	\$ 14,922	\$ 15,370
GIS Maintenance/Mapping	\$	33,743	\$ 35,430	\$ 37,201	\$ 39,062	\$ 40,233	\$ 41,440	\$ 42,684	\$ 43,964	\$ 45,283	\$ 46,641
LS Maintenance	\$	37,917	\$ 39,813	\$ 41,803	\$ 43,893	\$ 45,210	\$ 46,566	\$ 47,963	\$ 49,402	\$ 50,884	\$ 52,411
PG & E	\$	2,835	\$ 2,977	\$ 3,126	\$ 3,282	\$ 3,380	\$ 3,482	\$ 3,586	\$ 3,694	\$ 3,805	\$ 3,919
<b>Total Operational Expenses:</b>	\$	<b>585,283</b>	<b>\$ 2,151,365</b>	<b>\$ 2,241,607</b>	<b>\$ 2,394,655</b>	<b>\$ 2,375,088</b>	<b>\$ 2,446,340</b>	<b>\$ 2,519,731</b>	<b>\$ 2,595,323</b>	<b>\$ 2,673,182</b>	<b>\$ 2,855,866</b>
<b>NET OPERATING REVENUE</b>	\$	<b>2,404,324</b>	<b>\$ 987,723</b>	<b>\$ 979,725</b>	<b>\$ 911,076</b>	<b>\$ 1,017,253</b>	<b>\$ 1,034,880</b>	<b>\$ 1,052,698</b>	<b>\$ 1,070,704</b>	<b>\$ 1,088,894</b>	<b>\$ 1,004,776</b>
<b>Less:</b>											
Rate Stabilization Reserves@ 15% of expenses	\$	87,792	\$ 262,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Loan Debt Service [3]	\$	89,016	\$ 86,856	\$ 89,651	\$ 87,089	\$ 89,526	\$ 86,707	\$ 88,889	\$ 85,814	\$ 87,814	\$ 89,564
<b>Total</b>	\$	<b>176,808</b>	<b>\$ 349,064</b>	<b>\$ 89,651</b>	<b>\$ 87,089</b>	<b>\$ 89,526</b>	<b>\$ 86,707</b>	<b>\$ 88,889</b>	<b>\$ 85,814</b>	<b>\$ 87,814</b>	<b>\$ 89,564</b>
Contribution to Capital Facilities	\$	2,227,516	\$ 638,659	\$ 890,074	\$ 823,987	\$ 927,727	\$ 948,173	\$ 963,809	\$ 984,890	\$ 1,001,080	\$ 915,213
Budget Surplus (deficit)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Rate Stabilization Reserve Fund Balances:</b>											
Beginning of Fiscal Year	\$	-	\$ 87,792	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Budget Surplus (Deficit)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution to (Use of) Reserve Balance from Rates	\$	87,792	\$ 262,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End of Fiscal Year	\$	87,792	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
<b>Capital Replacement Cash Balance:</b>											
Beginning Cash Balance [4]	\$	5,421,496	\$ 1,582,012	\$ 622,811	\$ 1,040,716	\$ 747,676	\$ 1,679,142	\$ 1,236,467	\$ 2,206,458	\$ 3,202,381	\$ 1,020,878
Contribution to Capital Facilities	\$	2,227,516	\$ 638,659	\$ 890,074	\$ 823,987	\$ 927,727	\$ 948,173	\$ 963,809	\$ 984,890	\$ 1,001,080	\$ 915,213
Interest Earnings on Cash Balance	\$	-	\$ 7,910	\$ 3,114	\$ 5,204	\$ 3,738	\$ 8,396	\$ 6,182	\$ 11,032	\$ 16,012	\$ 5,104
Less Use of Funds [5]	\$	(6,067,000)	\$ (1,605,770)	\$ (475,283)	\$ (1,122,231)	\$ -	\$ (1,399,244)	\$ -	\$ -	\$ (3,198,594)	\$ (1,440,470)
<b>Ending Cash Balance</b>	\$	<b>1,582,012</b>	<b>\$ 622,811</b>	<b>\$ 1,040,716</b>	<b>\$ 747,676</b>	<b>\$ 1,679,142</b>	<b>\$ 1,236,467</b>	<b>\$ 2,206,458</b>	<b>\$ 3,202,381</b>	<b>\$ 1,020,878</b>	<b>\$ 500,726</b>
Loan Debt Service Coverage [6]		2701.00%	1137.20%	1092.82%	1046.15%	1136.27%	1193.53%	1184.29%	1247.71%	1240.01%	1121.86%
Near Term Capital Projects Funded		1, 2	3, 9	7	5	NA	4	NA	NA	6	8
Long Term Capital Projects Funded		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Remaining Project Costs	\$	8,106,100	\$ 6,695,340	\$ 6,406,658	\$ 5,442,961	\$ 5,606,249	\$ 4,333,216	\$ 4,463,212	\$ 4,597,109	\$ 1,440,470	\$ -
<b>Assumptions:</b>											
Annual rate increase (%) (thru Year 10)	=	5.00%	5.00%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
O&M Inflation	=	3.00%									
rate stabilization threshold	=	\$350,000			Total EDU's =	9,236					
Annual Capital Costs increase (%)	=	3.00%			Year 1 \$ per EDU (monthly) =	\$26.98					
Annual Interest Earnings on Cash Balance (%)	=	0.50%									
										Projects Not Funded by Year 10	
										Near Term Capital Projects	0
										Long Term Capital Projects	0

[1] FY 2015-16 rate based on \$26.98 per EDU per month multiplied by total existing EDUs. Amount each year thereafter is escalated by the percentages shown above.

[2] Costs through FY 2018-19 based on updated Table 6-5 of the Sewer Master Plan provided by the Wallace Group 2/12/14. Costs escalated 3.0% annually for each year thereafter, unless noted otherwise.

[3] Based on Sewer Loan Agreement dated 4/1/13 provided by the City. Agreement requires 120% debt service coverage on the loan.

[4] Beginning balance for FY 2015-16 based on information provided by the City of Pacific Grove.

[5] Based on project costs for 2014 based on updated Table 6-2 provided by the Wallace Group 2/12/14 and Table 6-3 of the Sewer Master Plan. Costs are escalated each year by 3.00%.

[6] Estimated coverage based on annual net operating revenue as defined in the Wastewater Loan Agreement dated April 1, 2013 divided by annual debt service on the sewer loan.

[7] Year by year costs for management plan provided by the Wallace Group.

[8] Costs for FY 2015-16 based on a general operating reserve equal to 25% of the total annual operations and maintenance expenses. Costs from 2016-17 through 2017-18 based on updated Table 6-5 of the Sewer Master Plan.

**RATE ANALYSIS  
CITY OF PACIFIC GROVE  
DRAFT  
ALTERNATIVE B - ANNUAL RATE INCREASE OF 3.5%**

Fiscal Year	Study Year Number	1	2	3	4	5	6	7	8	9	10
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ Per EDU (Monthly)		\$26.59	\$27.52	\$28.48	\$29.48	\$30.51	\$31.58	\$32.69	\$33.83	\$35.01	\$36.24
<b>OPERATING REVENUE</b>											
Rate Revenue [1]	\$	2,946,899	3,050,040	3,156,792	3,267,280	3,381,634	3,499,991	3,622,491	3,749,278	3,880,503	4,016,321
Property Taxes	\$	-	-	-	-	-	-	-	-	-	-
Use of Money and Property	\$	-	-	-	-	-	-	-	-	-	-
Estimated Capacity Fee Revenue	\$	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	\$	<b>2,946,899</b>	<b>3,050,040</b>	<b>3,156,792</b>	<b>3,267,280</b>	<b>3,381,634</b>	<b>3,499,991</b>	<b>3,622,491</b>	<b>3,749,278</b>	<b>3,880,503</b>	<b>4,016,321</b>
<b>OPERATIONAL EXPENSES [2]:</b>											
<b>Labor and Materials:</b>											
Sewer Operation & Maintenance	\$	404,988	425,238	446,499	468,824	482,889	497,376	512,297	527,666	543,496	559,801
<b>Outside Services:</b>											
Video Inspection	\$	32,176	33,785	35,474	37,248	38,365	39,516	40,702	41,923	43,180	44,476
Sewer System Management Plan [7]	\$	25,000	10,000	25,000	100,000	11,593	11,941	12,299	12,668	13,048	115,927
Public Outreach	\$	1,447	1,099	1,154	1,211	1,248	1,285	1,324	1,363	1,404	1,447
Operating Reserve / Long-Term Pipe Replacement [8]	\$	36,059	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,844,811	1,900,155	1,957,160	2,015,874
FOG Program	\$	11,119	11,675	12,259	12,872	13,258	13,656	14,066	14,488	14,922	15,370
GIS Maintenance/Mapping	\$	33,743	35,430	37,201	39,062	40,233	41,440	42,684	43,964	45,283	46,641
LS Maintenance	\$	37,917	39,813	41,803	43,893	45,210	46,566	47,963	49,402	50,884	52,411
PG & E	\$	2,835	2,977	3,126	3,282	3,380	3,482	3,586	3,694	3,805	3,919
<b>Total Operational Expenses:</b>	\$	<b>585,283</b>	<b>2,151,365</b>	<b>2,241,607</b>	<b>2,394,655</b>	<b>2,375,088</b>	<b>2,446,340</b>	<b>2,519,731</b>	<b>2,595,323</b>	<b>2,673,182</b>	<b>2,855,866</b>
<b>NET OPERATING REVENUE</b>	\$	<b>2,361,616</b>	<b>898,675</b>	<b>915,185</b>	<b>872,624</b>	<b>1,006,547</b>	<b>1,053,651</b>	<b>1,102,761</b>	<b>1,153,956</b>	<b>1,207,321</b>	<b>1,160,455</b>
<b>Less:</b>											
Rate Stabilization Reserves @ 15% of expenses	\$	87,792	262,208	-	-	-	-	-	-	-	-
Sewer Loan Debt Service [3]	\$	89,016	86,856	89,651	87,089	89,526	86,707	88,889	85,814	87,814	89,564
<b>Total</b>	\$	<b>176,808</b>	<b>349,064</b>	<b>89,651</b>	<b>87,089</b>	<b>89,526</b>	<b>86,707</b>	<b>88,889</b>	<b>85,814</b>	<b>87,814</b>	<b>89,564</b>
Contribution to Capital Facilities	\$	2,184,807	549,612	825,534	785,536	917,021	966,944	1,013,872	1,068,142	1,119,507	1,070,891
Budget Surplus (deficit)	\$	-	-	-	-	-	-	-	-	-	-
<b>Rate Stabilization Reserve Fund Balances:</b>											
Beginning of Fiscal Year	\$	-	87,792	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Budget Surplus (Deficit)	\$	-	-	-	-	-	-	-	-	-	-
Contribution to (Use of) Reserve Balance from Rates	\$	87,792	262,208	-	-	-	-	-	-	-	-
End of Fiscal Year	\$	87,792	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
<b>Capital Replacement Cash Balance:</b>											
Beginning Cash Balance [4]	\$	5,421,496	5,982,303	1,463,326	704,827	1,493,886	1,262,479	836,491	1,854,546	2,931,961	867,534
Contribution to Capital Facilities	\$	2,184,807	549,612	825,534	785,536	917,021	966,944	1,013,872	1,068,142	1,119,507	1,070,891
Interest Earnings on Cash Balance	\$	-	29,912	7,317	3,524	7,469	6,312	4,182	9,273	14,660	4,338
Less Use of Funds [5]	\$	(1,624,000)	(5,098,500)	(1,591,350)	-	(1,155,898)	(1,399,244)	-	-	(3,198,594)	(1,440,470)
<b>Ending Cash Balance</b>	\$	<b>5,982,303</b>	<b>1,463,326</b>	<b>704,827</b>	<b>1,493,886</b>	<b>1,262,479</b>	<b>836,491</b>	<b>1,854,546</b>	<b>2,931,961</b>	<b>867,534</b>	<b>502,293</b>
Loan Debt Service Coverage [6]		2653.02%	1034.67%	1020.83%	1002.00%	1124.31%	1215.18%	1240.61%	1344.73%	1374.87%	1295.68%
Near Term Capital Projects Funded		1	2, 7, 9	3	NA	5	4	NA	NA	6	8
Long Term Capital Projects Funded		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Remaining Project Costs	\$	12,682,390	7,811,407	6,406,658	6,598,858	5,606,249	4,333,216	4,463,212	4,597,109	1,440,470	-
<b>Assumptions:</b>											
Annual rate increase (%) (thru Year 10)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
O&M Inflation:	3.00%	Total EDU's = 9,236									
rate stabilization threshold:	\$350,000	Year 1 \$ per EDU (monthly) = \$26.59									
Annual Capital Costs increase (%)	3.00%	Projects Not Funded by Year 10									
Annual Interest Earnings on Cash Balance (%)	0.50%	Near Term Capital Projects 0									
		Long Term Capital Projects 0									

[1] FY 2015-16 rate based on \$26.59 per EDU per month multiplied by total existing EDUs. Amount each year thereafter is escalated by the percentages shown above.

[2] Costs through FY 2018-19 based on updated Table 6-5 of the Sewer Master Plan provided by the Wallace Group 2/12/14. Costs escalated 3.0% annually for each year thereafter.

[3] Based on Sewer Loan Agreement dated 4/1/13 provided by the City. Agreement requires 120% debt service coverage on the loan.

[4] Beginning balance for FY 2015-16 based on information provided by the City of Pacific Grove.

[5] Based on project costs for 2014 based on updated Table 6-2 provided by the Wallace Group 2/12/14 and Table 6-3 of the Sewer Master Plan. Costs are escalated each year by 3.00%.

[6] Estimated coverage based on annual net operating revenue as defined in the Wastewater Loan Agreement dated April 1, 2013 divided by annual debt service on the sewer loan.

[7] Year by year costs for management plan provided by the Wallace Group.

[8] Costs for FY 2015-16 based on a general operating reserve equal to 25% of the total annual operations and maintenance expenses. Costs from 2016-17 through 2017-18 based on updated Table 6-5 of the Sewer Master Plan.

**EXHIBIT C**

**MRWPCA CODIFIED ORDINANCE  
FOR SEWER SERVICE USER FEE RATES AND CAPACITY CHARGES  
DATED JULY 1, 2014**

**MRWPCA CODIFIED ORDINANCE**

**FOR**

**SEWER SERVICE**

**USER FEE RATES**

**AND**

**CAPACITY CHARGES**

**July 1, 2014**

(User Fee Rates and Capacity Charges  
for FY 2014 through 2017)

## ORDINANCE 2014-01

### AMENDING ORDINANCE NO. 2001-01, IN PART, TO CHANGE THE SEWER SERVICE USER FEE RATES AND CAPACITY CHARGES

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The BOARD OF DIRECTORS OF THE MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY DOES ORDAIN, AS FOLLOWS:

1. **Definitions.** The following words and phrases shall be defined as follows in connection with the interpretation and construction of this ordinance:
  - A. “Business/Government” shall mean all businesses, offices, governmental agency offices and any other similar user not otherwise included in another category herein, including grocery stores not defined as “supermarkets” herein below. For governmental facilities and other businesses, a unit shall be charged for each 1 to 10 employees (i.e., 1-10 employees=1 unit; 11-20 employees=2 units; 21-30 employees=3 units, etc.).
  - B. “Residential” shall refer to all living or dwelling units (as defined by the Uniform Building Code) of a permanent, rather than a transient nature, including single-family residences, apartments, mobile homes, townhouses, and condominiums. A living unit shall be defined as any structure containing sleeping, eating, cooking, and sanitation facilities.
  - C. “Transient Occupancy Residential” shall refer to all living or dwelling units (as defined by the Uniform Building Code) located in a hotel, motel or other visitor-serving structure, which contain facilities for cooking and eating, but which are limited by zoning ordinance, use permit or other restrictions of the member jurisdiction where located to transient occupancy. Such units will be subject to residential user fees and capacity charges, but for all other purposes shall be treated as commercial, hotel/motel uses.
  - D. “Hotel/Motel” shall mean all living units of a transient nature including hotel and motel rental room units, and also living units of a permanent nature, which do not contain any kitchen facilities. Excluded from the category are major, full-service hotels, which are defined as a special user herein below.
  - E. “Bed and Breakfast Inn” shall mean hotel/motel facilities that use less than sixty-seven (67) gpd (gallons per day), per room. This is a residential living

unit(s) where the establishment is primarily engaged in renting rooms, with or without meals, on a fee basis.

- F.** “Supermarket” shall mean all businesses whose principal activity involves the retail sale of all sorts of canned foods and dry goods, such as tea, coffee, spices, sugar, and flour; fresh fruits and vegetables; and fresh meats, fish, seafood, and/or poultry, which are prepared on-premise. This category also contains fish, seafood, and/or meat markets primarily engaged in preparing fresh and raw or cooked fish, seafood or meat for resale.
- (1)** “Grocery store” shall mean all businesses whose principal activity involves the retail sale of groceries that are prepackaged and where there is no on-premise bakery, produce, fish, seafood, poultry, or meat preparation. A grocery store shall be charged as a general commercial user as defined in Section 1.a. of this ordinance.
- G.** “Medical Offices” shall be defined as all offices of physicians, surgeons, optometrists, chiropractors and other similar professionals practicing in the medical field.
- H.** “Dental Offices” shall mean all offices of dentists.
- I.** “Rest Home (7 or more beds)/Convalescent Hospital” shall mean all health care facilities which provide in-patient bed facilities, but do not perform surgeries or other major medical services, and hospitals with less than 150 gpd, per bed.
- J.** “General Hospital” shall be defined as a health care facility, which provides in-patient bed facilities and surgical services or other major medical services with flows of more than 150 gpd per bed.
- K.** “Animal Hospital” shall mean all animal care facilities, including veterinary offices, animal boarding facilities and hospitals.
- L.** “Restaurant” shall mean all establishments whose principal activity involves on-premise preparation and service of meals and food, including coffee shops and cafes. Includes restaurants serving one, two, or three meals per day.
- M.** “Restaurant with a Bar” shall mean any retail establishment selling food prepared on-premise and with a full-service bar on-premise.

- N.** “Bar” shall mean all bars and taverns, which are, separate from or do not include restaurant facilities, and which may or may not include entertainment. Water consumption shall not exceed 634 gpd.
- O.** “Nightclub” shall mean all bars and taverns, which are, separate from or do not include restaurant facilities, and which may or may not include entertainment. Water consumption must exceed 634 gpd.
- P.** “Take-out Food Business” shall be defined as all drive-ins, sandwich shops, fast-food outlets and similar businesses whose principal activity involves food service, but which do not provide on-premise eating facilities or which provide only disposable eating implements (paper plates, plastic utensils, etc.). A small take-out food business shall be one with one (1) cash register or check-out line, a medium business shall have two (2) or three (3) cash registers or check-out lines, and a large business shall be one with four (4) or more cash registers or check-out lines.
- Q.** “Bakery” shall mean all businesses whose principal activity involves the production of baked goods on-premise for resale.
- R.** “Theater” shall mean all facilities whose principal activity involves the showing of movies or moving pictures, or the presentation of plays or other forms of entertainment.
- S.** “Bowling Center” shall mean a business whose principal activity is to provide facilities for bowling, even though incidental food and beverage services are also provided.
- T.** “Mortuary” shall mean all establishments principally involved in preparing the dead for burial and cremating the dead.
- U.** “School” shall mean an educational facility in which instruction takes place, including public, private and religious schools and colleges.
- V.** “Service Station/Repair” shall mean all facilities who are primarily engaged in performing repair work on automobiles, boats, recreational vehicles, motor cycles, etc. Can include gasoline service stations who sell gas and perform repair work.
- W.** “Dry Cleaners” shall mean a business where dry cleaning services are performed on-premise, and laundry services are not provided.

- X.** “Laundromats” shall be defined as all self-service clothes washing establishments.
- Y.** “Laundry” shall mean all laundries or combination laundries/dry cleaners that are considered special users. An “Industrial Laundry” is one which is primarily engaged in supplying businesses or industries with laundered or dry-cleaned work uniforms, wiping towels, table linens, bed linens and similar items on a contract basis. A “Commercial Laundry” is one, which is primarily engaged in supplying residences or businesses with laundered shirts, pants, household linen and similar items on an over-the-counter basis.
- Z.** “Car Wash” shall be defined as a business, whose principal activity involves motor vehicle washing, including automatic and self-service washing. This category is considered a special user.
- AA.** “Major Hotel” shall mean a full-service facility having rooms, restaurant(s), and/or bar, and which provide room service. This category is considered to be a special user.
- BB.** “Special User” shall mean any establishment, which cannot be classified in any other category, based on their individual flow and strength characteristics. The special user charge is determined based on applying the formula contained herein below. Actual water usage is ordinarily the basis for the special user’s average daily sewage flow.
- CC.** “Business/Commercial/Residential-Vacant” shall mean all commercial units, which are unoccupied, and residences, which are unoccupied for more than two (2) months out of the year.
- DD.** Residential housing units that are subject to special user capacity charges, but for all other purposes shall be treated as residential, shall mean:
  - (1)** “Residential Care Housing” which is defined as a cooperative residential care housing facility sponsored or finance, in part, by the U.S. Department of Housing and Urban Development (“HUD”) as a Section 202, Home Funds or Low-Income Housing Tax Credit project for elderly, low-income individuals, or a Section 811 project for physically disabled low-income individuals, with one-bedroom living units to be occupied by single residents only, with in-house counselor management and support services; or
  - (2)** “Low- to Extremely-Low Income Housing” which is defined as housing units for persons of incomes defined by HUD as described in Title 25, Section 6932 of the California Code of Regulations (CCR) with each unit containing

one (1) bedroom or less, no more than 550 sf., less than twelve (12) plumbing fixture units, and no more than two (2) persons per unit. Any such housing units shall require that an applicant requesting a waiver have an agreement with the applicable member entity restricting units to low-income housing for no less than twenty (20) years.

Such housing units will be subject to special user capacity charges, restricting units to low-income housing using flow as 126 GPD, BOD as 265, SS as 265.

- EE.** “Biochemical Oxygen Demand” shall mean the measure of the biologically decomposable material in wastewater, as determined by the procedures specified in the most current edition of “Standard Methods for the Examination of Water and Wastewater”, or any successor publication which establishes the industry standard.
- FF.** “Flow” shall mean the amount of wastewater discharged by the customer.
- GG.** "Flow Rate" shall mean the volume of wastewater flow over a specified period of time, expressed as: gallons per day (gpd), etc.
- HH.** “HCF” shall mean one hundred cubic feet or 748 gallons and is the standard unit for measure for municipal water service. Also sometimes referred to as a billing unit or CCF.
- II.** “Strength” shall mean the measurement of SS and BOD within the wastewater.
- JJ.** “Suspended Solids” (SS) shall mean the insoluble solid matter in wastewater that is separable by laboratory filtration, as determined by the procedures specified in the most current edition of “Standard Methods for the Examination of Water and Wastewater,” or any successor publication which establishes the industry standard.

**Paragraph 2 Amended.** Paragraph 2 is hereby repealed in its entirety and replaced with a new paragraph to read, as follows:

- 2. User Classifications and Charges.** Pursuant to Article 5, Sections 5.01-5.05 of MRWPCA Ordinance No. 79-2, and as amended by MRWPCA Ordinance No. 81-1, the following user classifications or categories are hereby established. The charges levied are for the use, rent, and availability of sewage facilities and services furnished. In certain circumstances a user may be placed in more than one category and assessed more than one user charge where multiple businesses as defined by this ordinance are conducted on the same parcel.

**A. User Category Average Flow, BOD, SS and Charges**

Section 1 Reference	User Category	DESCRIPTION	GPD AVG FLOW	BOD	SS	Monthly Rate Per Unit 2014/15	Monthly Rate Per Unit 2015/16	Monthly Rate Per Unit 2016/17	UNIT
A.	001	Business/Government	146	150	150	\$10.05	\$10.40	\$10.75	Location/each business
B.	102, 105, 107, 109	Residential	189	265	265	\$14.85	\$15.35	\$15.85	Each living unit
C.	102	Transient Occupancy Residential	189	265	265	\$14.85	\$15.35	\$15.85	Each living unit
D.	221	Hotel/Motel	82	310	120	\$6.30	\$6.50	\$6.70	Each room
E.	222	Bed & Breakfast Inn	54	310	120	\$4.15	\$4.30	\$4.45	Each room
F.	231	Supermarket	797	800	800	\$100.00	\$104.00	\$107.00	Location
G.	241	Medical Office	195	130	80	\$12.85	\$13.30	\$13.75	Each licensed physician
H.	242	Dental Office	269	130	80	\$17.60	\$18.20	\$18.80	Each licensed dentist
I.	243	Rest Home/Convalescent	54	250	100	\$3.90	\$4.05	\$4.20	Each bed of licensed capacity
J.	244	General Hospital	320	250	100	\$23.15	\$23.95	\$24.70	Each bed of licensed capacity
K.	245	Animal Hospital	365	250	100	\$26.70	\$27.65	\$28.55	Location/each business
L.	261	Restaurant—One Meal	7	1,000	600	\$0.95	\$1.00	\$1.05	Each restaurant seat
	262	Restaurant—Two Meals	11	1,000	600	\$1.45	\$1.50	\$1.55	Each restaurant seat
	263	Restaurant—Three Meals	21	1,000	600	\$2.80	\$2.90	\$3.00	Each restaurant seat
M.	264	Restaurant w/Bar	21	1,000	600	\$2.80	\$2.90	\$3.00	Each restaurant seat
N.	265	Bar	317	200	200	\$23.05	\$23.85	\$24.60	Location/each business
O.	266	Nightclub	950	200	200	\$68.40	\$70.80	\$73.05	Location/each business
P.	267	Takeout Food—Small	354	500	300	\$33.40	\$34.55	\$35.65	Location/each business
	268	Takeout Food—Medium	871	500	300	\$81.65	\$84.50	\$87.20	Location/each business
	269	Takeout Food—Large	1,588	500	300	\$149.00	\$154.00	\$159.00	Location/each business
Q.	270	Bakery	287	1,000	600	\$38.55	\$39.90	\$41.20	Location/each business
R.	281	Theater	471	150	150	\$31.70	\$32.80	\$33.85	Per screen at each location
S.	282	Bowling Center	1,433	150	150	\$97.00	\$100.00	\$103.00	Location/each business
T.	290	Mortuary	387	800	800	\$48.95	\$50.65	\$52.25	Location/each business
U.	291	School (Minimum)	146	150	150	\$10.05	\$10.40	\$10.75	Each business
	292	School (0-6)	2	130	100	\$0.13	\$0.13	\$0.13	School population
	293	School (7-College)	4	130	100	\$0.26	\$0.27	\$0.28	School population
	294	Boarding School	40	233	165	\$3.05	\$3.15	\$3.25	School population
V.	331	Service Station/Repair	140	180	280	\$10.50	\$10.85	\$11.20	Location/each business
W.	353	Dry Cleaners	483	150	150	\$32.80	\$33.95	\$35.05	Location/each business
X.	354	Laundromats	127	150	110	\$8.40	\$8.70	\$9.00	Each washing machine
Y.	351	Laundry: Industrial	Usage	Sample	Sample	Based on "Special User Formula"*			
	352		Usage	450	240				

**Codified Version of Ordinance Nos. 2001-01, 2002-02, 2003-01, 2004-03, 2005-01, 2006-02, 2007-01, 2007-02, 2008-02, 2009-03, 2010-02, 2011-01 and 2013-01.**

<b>Z.</b>	366	Car Wash	Usage	20	150	Based on "Special User Formula"*			
<b>AA.</b>	361	Major Hotel	Usage	500	600	Based on "Special User Formula"*			
<b>BB.</b>	367	Truck Wash	Usage	180	270	Based on "Special User Formula"*			
	401	Misc. Special User	Usage	Sample	Sample	Based on "Special User Formula"*			
	402	Plastics	Usage	Sample	Sample	Based on "Special User Formula"*			
	403	Chemicals	Usage	Sample	Sample	Based on "Special User Formula"*			
	404	Etching	Usage	Sample	Sample	Based on "Special User Formula"*			
	405	Water Softener	Usage	Sample	Sample	Based on "Special User Formula"*			
	406	Food Processing	Usage	Sample	Sample	Based on "Special User Formula"*			
	407	Rec/Sports Center	Usage	150	150	Based on "Special User Formula"*			
	408	Inedible Render	Usage	Sample	Sample	Based on "Special User Formula"*			
	409	Electronics	Usage	Sample	Sample	Based on "Special User Formula"*			
	410	Groundwater	Usage	Sample	Sample	Based on "Special User Formula"*			
	416	Mobile Washers	34	20	150	\$25 per year			
<b>CC.</b>	101	Vacant Residence	---	---	---	\$8.55	\$8.85	\$9.15	Each living unit
	211	Vacant Business	---	---	---	\$7.40	\$7.65	\$7.90	Each location/each business

**\* SPECIAL USER CHARGE FORMULA (Annual Rate)**

“Special User” shall mean any establishment, which cannot be classified in any other category, based on their individual flow and strength characteristics. The special user charge is determined based on applying the formula contained herein below. Actual water usage is ordinarily the basis for the special user’s average daily sewage flow.

$$K = (644,000.00 \times V) + (763.00 \times V \times B) + (315.00 \times V \times S) + 2.66$$

Where:

K = Annual User Charge for Each User

V = Average Daily Sewage Flow in Million Gallons per Day

(MGD) B = Average Sewage BOD Concentration in mg/l

S = Average Sewage SS Concentration in mg/l

\* \* \* \* \*

**SAMPLE SPECIAL USER CHARGE CALCULATION**

<b>IN THE CASE OF A TYPICAL MAJOR HOTEL(CATEGORY 361):</b>	
FLOW (MGD)	V = 0.040 MGD
BOD (milligrams per liter)	B = 500
SS (milligrams per liter)	S = 600

SAMPLE USER FEE CHARGES:			
Flow	V x 644,000.00	=	\$25,760.00
BOD	V x 763.00 x B	=	\$15,260.00
SS	V x 315.00 x S	=	\$7,560.00
	Annual User Charge		\$48,580.00
	Annual Customer Charge		\$2.66
	Total Annual Charge		\$48,582.66
	Monthly Charge		\$4,048.56

\* \* \* \* \*

**B. User Fee Based Minimum Charge.** The basic charge for single occupant residential users shall constitute the basic minimum charge for all users, and no user shall be charged less than this amount.

**C. Commercial Fee Variance.** Any non-residential, commercial user may apply for and be granted an annual variance from the applicable general user rate, as set forth in Paragraph 1, hereinabove, upon establishing to the satisfaction of the General Manager, or his designated agent, that the actual flow of wastewater into the MRWPCA's system from such user is more than twenty percent (20%) less than the average gallons-per-day flow as determined and used by the MRWPCA for such user category, and if such is confirmed, then a rate reduction shall be allowed for the exact percentage the said user's flow is below the MRWPCA-established average. An application for a fee variance shall be made upon such forms and shall be accompanied by such information and data as specified by the MRWPCA, and shall be accompanied by a non-refundable variance application fee of one hundred dollars (\$100). Any fee variance granted shall be valid only for the one-year period specified in the variance document and a variance shall not be granted to, nor continue to be valid to any user whose account is delinquent in payment of required fees.

**D. Payment of Charges: Delinquencies.** All charges and fees made pursuant to the provisions of this ordinance or any subsequent ordinance of the MRWPCA, or any amendment thereto, shall be due and payable upon receipt of notice thereof, or upon any other due date specified therein, or, with regard to connection fees, prior to the issuance of a building permit by the particular local jurisdiction which is a member entity of the MRWPCA. All such charges and fees shall become delinquent thirty (30) days after mailing or delivery of notice thereof, or after the due date if specified therein. Any charge or fee that becomes delinquent shall have added to it a basic penalty charge equal to ten percent (10%) of the charge or fee that became delinquent. In addition a penalty of one and one-half percent (1

Codified Version of Ordinance Nos. 2001-01, 2002-02, 2003-01, 2004-03, 2005-01, 2006-02, 2007-01, 2007-02, 2008-02, 2009-03, 2010-02, 2011-01 and 2013-01.

½%) per month for non-payment of the delinquent charge or fee and the basic penalty shall be assessed. All user fee payments, when received, shall be applied to an account in the following sequence: a) to MRWPCA lien amounts not yet recorded by the County, b) to non-MRWPCA lien amounts, c) to MRWPCA penalty charges, d) to any MRWPCA prior balance, e) then, to MRWPCA current fees, and f) then, in order, to any non-MRWPCA penalties, prior balances and current fees charged or collected on the MRWPCA billing.

- E. User Charge Billing.** All sewer service user charges may be billed in advance, either monthly, bimonthly or quarterly, as determined by the General Manager. The billing statement may be combined with statements for other services, and may be combined with billings for other utilities. All billings for sewer service user charges shall be either in the name of the owner of the property being served, as reflected on the last equalized assessment roll for the County, or as reflected in any deed or other satisfactory evidence of change of ownership, recorded with the County Recorder since the date of the last equalized assessment roll, upon presentation of such evidence to the General Manager for such purposes, or if a billing service of some other utility is used, in the name of the respective customer-addressee of such other utility. In either event, the record owner of the property served shall be the party ultimately responsible for the payment of such sewer user charges.
- F. Delinquent Charges as Debt to MRWPCA: Court Action.** Any charges or fees established or set by this ordinance or any subsequent ordinances enacted by the MRWPCA, and all amendments thereto, which become delinquent pursuant to the terms of the ordinance establishing same, and all penalties or delinquent charges accrued thereon, shall constitute a debt due to the MRWPCA, for which the MRWPCA may sue the party responsible therefore, be it the owner and/or the occupant or user of the property or premises being served, in any competent civil court for collection of same. If the MRWPCA prevails in such civil action, it shall be awarded a reasonable attorney's fees, to be fixed by the court, in addition to any other relief granted or other costs awarded.
- G. Delinquent Charges to Constitute Lien.** Any charges or fees established or set by this ordinance or any subsequent ordinances enacted by the MRWPCA, and all amendments thereto, which become delinquent pursuant to the terms of the ordinance establishing same, and all penalties or delinquent charges accrued thereon, shall constitute a lien upon the real property served (except publicly-owned property), and such lien shall continue until the charge or fee and all penalties thereon are fully paid, or until the property is sold therefore.
- H. Collection of Delinquent Charges on Tax Roll.** Pursuant to the provisions of

**Codified Version of Ordinance Nos. 2001-01, 2002-02, 2003-01, 2004-03, 2005-01, 2006-02, 2007-01, 2007-02, 2008-02, 2009-03, 2010-02, 2011-01 and 2013-01.**

Sections 5470 through 5474.10 of the California Health and Safety Code, the MRWPCA hereby elects, as an alternative procedure for the collection of delinquent charges or fees established by this ordinance or any subsequent ordinance of the MRWPCA, or any amendments thereto, to have all such delinquent charges or fees for each fiscal year from and after July 1, 1979, collected on the tax roll in the same manner, by the same persons, and at the same time as, and together with and not separately from, the collection of general property taxes. The MRWPCA shall prepare and file the written report on the parcels of real property for which there are delinquent charges or fees, and give notice and hold the public hearing thereon, all pursuant to the aforesaid provisions of Health and Safety Code.

- I. **Lien Transfer Fee.** For each sewer service account which has a delinquent user fee or charge balance that is transferred into the MRWPCA's processing system for the establishment of same as a lien to be collected upon the tax rolls, there is hereby levied thereon a lien transfer fee, in such an amount as shall be set from time to time by resolution of the Board of Directors, to be added to the delinquent account balance to reimburse the MRWPCA for the actual cost of the data processing, accounting, public notice and control procedures related to the lien processing system; provided, however, that no lien transfer fee shall be levied on any delinquent account unless and until a thirty (30) days' prior written notice of the intent to levy such fee is given to the delinquent user in question, in the form of either a separate mailing or a notice on or with the usual billing statement.
  
- J. **Court Action to Enforce Lien.** As a separate, distinct and cumulative remedy for collection of said delinquent charges or fees, and any penalties thereon, an action may be brought in the MRWPCA's name in any court of competent jurisdiction to enforce or foreclose the lien provided for in Section F, hereinabove. If the MRWPCA prevails in any such civil action, it shall be awarded a reasonable attorney's fees, to be fixed by the court, in addition to any other relief granted or other costs awarded.

**K. Disconnection of Sewer Line.** Any person, firm or corporation who is the owner, occupant or user of property receiving sewer services from the MRWPCA, who fails or refuses to pay any charge or fee as provided by MRWPCA ordinance within the time limit prescribed for the payment thereof, shall be subject to having their sewer line disconnected, and thereafter, no such sewer service which has been disconnected for non-payment of such charge or fee shall be reconnected until the owner, occupant or user of such property shall have paid all delinquent charges or fees owed the MRWPCA and all actual expenses incurred by the MRWPCA in causing such disconnection and reconnection.

**Paragraph 3 Amended.** Paragraph 3 is hereby repealed in its entirety and replaced with a new paragraph to read, as follows:

**3. Capacity Charges.** Pursuant to the provisions of Article 5, Sections 5.01 through 5.05 of MRWPCA Ordinance No. 79-2, and as amended by MRWPCA Ordinance No. 81-1, thereby is hereby established and levied upon all persons, firms, or corporations making connections to a community sewer system within the MRWPCA, a sewer capacity charge, as follows:

**A. Specified Uses.**

<u>Use</u>	<u>Fee</u>
Single-family dwelling and apartments	\$ 3,337.00 per unit

**B. Other Uses.** For all other uses not listed in Subparagraph “(a)” hereinabove, MRWPCA shall determine the sewer capacity charge to be the sum of the following per equivalent dwelling unit (EDU):

Per gpd	\$ 12.47
Per lb/day BOD	\$ 1,528.94
Per lb/day SS	\$ 805.87

This is based on the “User’s Category Average Flow, BOD, and SS,” effective July 1, 2009.

**C. Other Determination.** Whenever, in the opinion of MRWPCA, the application of the above-described methods of determining sewer capacity charges is grossly unreasonable and inappropriate, MRWPCA may calculate an appropriate sewer capacity charge. This charge will take into account anticipated wastewater flow based upon projected HCF of water usage and strength characteristics for the building in question. The projected water usage and resulting fee calculation will be

reviewed twelve (12) to eighteen (18) months after the first user fee billing cycle to determine the actual flow rate, BOD, and/or SS of the user. Should the review show increased usage above that for which the capacity charge was paid, an additional capacity charge would be assessed pursuant to Section 3-L. of this ordinance.

**D. Annual Increase in Capacity Charge.** Commencing with Fiscal Year 2001/02, the sewer capacity charge as determined hereinabove for a single-family residence and other uses shall increase on the first day of each fiscal year, that is, on July 1 of each year, by the same percent as the annual change in the December Construction Cost Index (CCI) for San Francisco of the prior year, published in the "Engineering News Record." If said annual change is less than two percent (2%), the change shall be deferred and combined with the increase for the next fiscal year.

**E. Demolished Premises.** Whenever enclosed building space is or has been demolished after July 1, 1977, any construction of enclosed building space which takes place on the same parcel shall be exempt from sewer capacity charges fees to the extent current capacity charge value of the structure which was removed from the parcel as a result of said demolition work. Provided, however, that the foregoing exemption or credit for demolished premises shall not apply to any person, firm or corporation that received a sewer connection permit for the demolished premises at no cost or at a discounted rate (i.e., less than the current fee at the time the permit was obtained) for abandoning a septic tank and connecting to a sanitary sewer collector system, unless and until said premises have actually been connected to and received and paid for services from the MRWPCA's facilities for at least twelve (12) months prior to demolishing the premises and seeking an exemption from or credit towards a new connection fee. Provided further, however, that if such a discounted or no-fee connector demolishes the premises in question prior to the expiration of said twelve (12) month period, they will only be credited with, in obtaining a new connection permit, the exact dollar amount actually paid for the prior permit for the demolished premises.

**F. Existing Premises.** Buildings or occupied mobile home pads which were connected to the community sewer of entity being serviced by the MRWPCA at the time said entity was annexed to the MRWPCA shall be exempt from these sewer capacity charges to the extent of their existing use and EDU's at such time of annexation. Any proposed building for which a building permit application had been accepted by the entity having building permit issuance authority prior to the date of annexation of said entity to the MRWPCA shall be considered to have been connected to the entity's community sewer as of the time of annexation. If, however, such building permit lapses and a new building permit becomes required,

the proposed building will become subject to the full collection of sewer capacity fees.

- G. Expiration of Capacity Permit.** Any sewer capacity permit obtained pursuant to this section shall expire at the end of twelve (12) months after the date of issuance, unless the building or project for which it was issued is under actual construction. Within two (2) weeks after a permit expires, the owner of same may apply for one twelve (12) month extension of the permit, upon payment of any additional amount by which the connection fee has increased since the permit was obtained. If the permit is not so extended, the original permit fee, less a processing fee of fifty dollars (\$50) will be refunded to the party who had obtained same. If the permit expires after the one allowed extension for twelve (12) months, a refund will then be issued for the total amount paid, less the above-mentioned processing fee.
- H. No Capacity Permit If Delinquent.** Notwithstanding any other provision of this ordinance, no sewer capacity permit shall be issued to any person, firm, partnership or corporation, or the agent or representative of same, which is delinquent in the payment of user, connection or other fees and charges established by ordinance or resolution and due and owing to the MRWPCA. A firm, partnership or corporation shall be considered to be delinquent in the payment of fees if an ownership interest therein of ten percent (10%) or more is held by a person or entity which is delinquent.
- I. Credit or Permit Transfers.** An owner of a commercial capacity permit shall be allowed to transfer that permit to, or to obtain a new permit using a portion of existing EDU credits transferred to another parcel of real property owned by the same owner. In addition, if the owner of the permit is a public entity or non-profit corporation, then a transfer may be made to another public entity or non-profit corporation. In all such transfers, the parcel receiving the transfer must be located within the same member entity jurisdiction as the parcel or parcels from which the transfer is made. Provided further that, and upon the following conditions:
- (1) That within sixty (60) days of occupying the premises to which a permit or credits are transferred, pursuant to a new capacity charge issued hereunder, the owner or tenant will plug up or demolish fixtures at the original parcel, in a manner satisfactory to the MRWPCA, with such work to be certified by a licensed contractor or building inspector. Such action to plug up or demolish fixtures, as mentioned herein, shall run with the land and be set forth in a covenant and agreement to be recorded in the Official Records of Monterey County for said affected property;
  - (2) That the owner-applicant shall pay the MRWPCA its costs involved with assuring compliance with the terms and conditions of the permit issued

pursuant hereto. Such costs shall be due and payable to the MRWPCA not later than thirty (30) days after notice thereof and, if not paid, shall constitute a lien against the affected property. Costs shall include, but not be limited to, cost of investigation, court costs, attorney's fees, and costs of monitoring compliance;

- (3) That the owner-applicant shall agree to provide the MRWPCA, upon request, with all pertinent and current employment and water-use records from the parcels involved in the transfer permit;
- (4) That for purposes of this section, a transfer may be made only to a parcel or building with the same owners of record as the parcel or building from which the permit or credits were transferred, with ownership to be determined as of the date of application for a permit hereunder. The person requesting a transfer hereunder shall present documentary evidence of such ownership acceptable to the MRWPCA; and,
- (5) Any connection made pursuant to a permit issued under this subsection may only be made in accordance with the current wastewater flow allocation plan as has been or may be specified for said member entity by the MRWPCA Board of Directors.

**J. Industrial Credit or Permit Transfers.** The provisions of Section "I" shall also be applicable to permit or credit transfers by the owner of an industrial capacity permit (defined as a permit for which the user and capacity charges are calculated by individual determinations based upon flow and strength characteristics), provided that:

- (1) The owners of the parcels involved approve the transfer and provide documentary evidence of same acceptable to the MRWPCA, and
- (2) The owner of the parcel from which the permit or credits are transferred takes the action to plug up or demolish the fixtures and executes the covenant and agreement, as specified in Section 3-I (1).

**K. Groundwater Dischargers.** As a result of state legislation for gas station sites to clean up groundwater contaminated from aged gasoline tanks, the MRWPCA has agreed to allow temporary connections of these groundwater dischargers. Inasmuch as these particular connections are of a temporary nature, a capacity charge will not be assessed unless a user discharges for more than ten years. This procedure will include all previously permitted groundwater dischargers whether currently connected or disconnected.

L. **Increase Capacity – Existing Facilities:** Any residential, or commercial parcel which increases its flow, BOD, and/or SS above that for which it originally paid a capacity charge shall pay an additional capacity charge for that portion of its usage above the amount for which it originally paid. The additional charge shall be based on the rates in effect at the time the increased usage is identified by MRWPCA.

4. **Effective Date.** This ordinance, upon adoption, shall become effective on July 1, 2014.

The foregoing ordinance was passed and adopted at a Regular Meeting of the Board of Directors of the Monterey Regional Water Pollution Control Agency held on June 30, 2014, by the following vote:

AYES: De La Rosa, Edelen, Grier, Stefani, Moore, Downey, Razzeca, Fischer, Pendergrass, Rubio

NOES: None

ABSENT: Calcagno



Gloria De La Rosa, Vice Chair  
MRWPCA Board of Directors

ATTEST:



Keith Israel, General Manager  
Secretary MRWPCA Board of Directors