Inland Empire Utilities Agency

Date:	March 18, 2015
То:	The Honorable Board of Directors
Through:	Finance, Legal, and Administration Committee (3/11/15)
From:	P. Joseph Grindstaff General Manager
Submitted by:	Christina Valencia Chief Financial Officer/Assistant General Manager
	Javier Chagoyen-Lazaro Manager of Finance and Accounting
Subject:	Adoption of the Regional Wastewater EDU Volumetric Rate for Fiscal Years 2015/16 – 2019/20

#### **RECOMMENDATION**

It is recommended that the Board of Directors adopt Rate Resolution 2015-3-1, establishing service rates for improvement district "C" for Fiscal Year (FY) 2015/16 through 2019/20 for the EDU volumetric rate for the Regional Wastewater Program.

#### BACKGROUND

Staff's recommendation to adopt the proposed five-year rates was presented to the Regional Technical Committee on February 26, 2015 and the Regional Policy Committee on March 5, The Regional Policy Committee unanimously agreed with the Regional Techinical 2015. Committee's recommendation to the IEUA Board of Directors to only adopt the proposed EDU volumetric rate for FYs 2015/16 and 2016/17. The basis for their recommendation was to allow for a review in 2017 of the proposed rates for FYs 2017/18-2019/20 to confirm the proposed increases are still necessary and justified. Agency staff assured the Regional Committees that a thorough review of the rates FYs 2017/18-2019/20 prior to the effective date of the FY 2017/18 rate could be facilitated. Such a review would be in addition to the semi annual budget variance updates already being provided to both Regional Committees. Facilitating such a review process will allow for the adoption of the five-year rates as proposed by the Agency, as well provide member agencies an opportunity to validate, and if necessary, modify the adopted rates for the remaining three years. The Regional Committee's recommendation to only adopt the rates for FY 2015/16 and 2016/17 as proposed under the five-year staff recommendation does not achieve cost of service.

#### **Option: Recover Cost of Service in Two Years (FYs 2015/16 and 2016/17)**

An alternative for the Board to consider is the adoption of rates for only FYs 2015/16 and 2016/17 as recommended by the Regional Committees and achieve the Board's objective to be at full cost of service (IEUA Business Goals Fiscal Responsibility). Under this two-year rate option, the EDU Volumetric rate in both FYs 2015/16 and 2016/17 would be increased by \$2.20 per EDU each fiscal year as indicated in Table 2 and Figure 1. Thereafter, rates would be adjusted to keep up with the cost of living or any significant changes in operating costs, such as enhanced treatment requirements.

Tuble 2. Two Teal Rate Option							
Rate Description	FY 2014/15 Current	FY 2015/16	FY 2016/17				
EDU Volumetric Rate	\$14.39	\$16.59	\$18.79				
Rate Increase		\$2.20	\$2.20				
Effective Date		10/01/15	07/01/16				

# Table 2: Two-Year Rate Option



#### Figure 1: Two Year COS Rate

The adoption of multi-year rates that fully recover program costs will be improve the Agency's options in financing the significant capital investments identified in the updated Facilities Master Plan and included in the FY 2015/16 – 2024/25 Ten Year Capital Improvement Plan (TYCIP). Some of the major capital projects include the relocation of the RP-2 solids handling facility to RP-2 and expansion of RP-5 (\$261 million), and rehabilitation and expansion of the RP-1 facility (\$108 million), and future decommission of the RP-2 site (\$30 million). Design documents for the RP-5 and RP-1 facility projects is scheduled to begin in FY 2016/17.

Adoption of EDU Volumetric Rate Adoption for Fiscal Years 2015/16 – 2019/20 March 18, 2015 Page 3

#### **Rates Overview**

Fiscal year 2014/15 is the final year of the three-year rates adopted by the Board in February 2012 for the Agency's Regional Wastewater and Recycled Water programs. The adoption of multi-year rates proved beneficial to both the Agency and its member agencies in terms of providing revenue stability, moving rates closer to full cost of service recovery consistent with the IEUA Business Goal of Fiscal Responsibility, and lessening Proposition 218 requirements.

In May 2014, Carollo Engineers, Inc. (Carollo) was contracted to conduct a nexus study to update the Agency's regional wastewater EDU connection fee. The scope of the study was expanded to include an in-depth evaluation of the existing rates for the Water Resources and Recycled Water programs. A key objective of the study is to achieve revenue stability for each of the programs to adequately support short-term and long-term projects as identified in the Agency's planning documents, amongst them: the Integrated Resources Plan, Recycled Water Program Strategy, Water Use Efficiency Plan, and Ten Year Capital Improvement Plan (TYCIP). Another key objective of the study is to ensure a more equitable allocation of costs by providing a closer nexus between how costs are incurred and how costs are recovered. The scope of the study includes:

- **Regional Wastewater EDU Connection Fee**: A one-time charge imposed on new or upsized meters or connections to compensate for the cost providing system capacity. This source of revenue supports capacity expansion and improvement of the regional wastewater system to meet future growth.
- **Recycled Water Program Rates:** The rates support costs associated with the operations and maintenance of the Agency's recycling facilities, groundwater recharge basin operating costs not reimbursed by Chino Basin Watermaster, and debt service costs. Recycled water provides the region with a reliable and affordable local water supply, reduces reliance on limited imported water supplies, and support the region's water portfolio and "drought resiliency" objective (IEUA Business Goal: Water Sustainability).
- Water Resources Program Rates: Supports the management and distribution of imported water supplies, development and implementation of regional water use efficiencies, water resource planning, and regional water supply programs. Current rates do not generate adequate revenue streams to support program costs and inequitably allocate costs to ratepayers. The proposed new rate structure addresses these issues and includes:
  - Meter Equivalent Unit (MEU) Rate: Supports Water Resources program operating costs, including the regional conservation program.
  - Readiness to Serve (RTS) Recovery: Recovers pass through of Metropolitan Water District (MWD) RTS fees using the same 10 year rolling average methodology.

Adoption of EDU Volumetric Rate Adoption for Fiscal Years 2015/16 – 2019/20 March 18, 2015 Page 4

• **"One Water" Connection Fee** - supports future expansion and improvement of the Agency's regional water system, which is comprised of potable, recycled water, and groundwater recharge supplies, as well as capital conservation projects. Continual investment in securing reliable and sustainable water supplies is essential to ensuring the region continues to prosper from future economic development.

In addition to the rate workshops facilitated by Carollo (Appendix 1), two budget workshops have been held for the Agency's Board of Directors and the Regional Committees. The budget workshops focused on the proposed multi-year rates for FYs 2015/16 to 2019/20 for the Agency's Regional Wastewater, Recycled Water and Water Resources Programs, and the proposed TYCIP for FYs 2015/16 to 2024/25. At the second budget workshop on February 3, 2015 (Special Joint Meeting), the Board and Policy members recommended the adoption of the proposed monthly EDU volumetric rates for FYs 2015/16 to 2019/20 in March 2015, with an effective date of October 1, 2015. The March adoption will allow the City of Fontana to meet its submittal deadline to the San Bernardino County Tax Assessor for inclusion in next year's property tax roll.

Evaluation of the other proposed multi-year rates for the Agency's Regional Wastewater, Recycled Water, Water Resources Programs, including the proposed new "one-water" connection fee, will continue with a targeted adoption date of May 20, 2015. Staff is recommending an effective date of October 1, 2015 (Appendix 2) for all FY 2015/16 rates. The effective date for the ensuing fiscal years would be July 1<sup>st</sup> for all rates.

#### **Regional Wastewater Program Rates**

The Regional Wastewater Program is comprised of the Regional Wastewater Capital Improvement (RC) fund and the Regional Wastewater Operations & Maintenance (RO) fund. The RC fund records the capital, debt, and administration activities related to the acquisition, construction, expansion, improvement and financing of the Agency's regional water recycling plants, large sewer interceptors, energy generation, and solids handling facilities. Key revenue and funding sources for the RC fund includes: EDU connection fees, property taxes (65% allocation of total tax receipts), and grant and loan proceeds.

The key revenue and funding sources for the RO fund include: EDU volumetric charges, property taxes, and reimbursement from the Inland Empire Regional Composting Authority (IERCA) for labor and operating costs. Major expenses include operating costs for the collection, treatment, and disposal of wastewater, maintenance and capital replacement and rehabilitation (R&R) costs of regional facilities and infrastructure, organic management activities, including the Agency's 50 percent share of the IERCA composter, and debt service costs. The only rate recommended to be adopted in March 2015 is the monthly EDU volumetric charge.

#### EDU Volumetric Rate

The EDU volumetric rate is a monthly charge imposed on all regional wastewater system connections. This service charge supports operational, maintenance, and administrative costs related to the collection, treatment, and disposal of wastewater throughout the Agency's service

Adoption of EDU Volumetric Rate Adoption for Fiscal Years 2015/16 – 2019/20 March 18, 2015 Page 5

area and unincorporated areas. It also covers R&R costs of regional wastewater facilities and infrastructure, and debt service costs. Pursuant to the Agency's commitment to have rates that fully recover the cost of service, incremental increases to the monthly EDU volumetric rate are proposed over the next five fiscal years (Table 3).

Rate Description	FY 2014/15 Current	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
EDU Volumetric Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00
Rate Increse		\$1.50	\$1.25	\$1.25	\$1.20	\$.41
Effective Date		10/01/15	07/01/16	07/01/17	07/07/18	07/01/19

#### Table 3: Proposed Multi-Year EDU Volumetric Rates (Effective October 1, 2015)

The proposed \$15.89 per EDU for FY 2015/16 is recommended to take effect on October 1, 2015. If approved, the current rate \$14.39 per EDU will remain through September 30, 2015. Postponement of the proposed EDU rate to October 1st is estimated to result in a decrease of \$1.2 million in EDU volumetric revenue. Proposed rates for FYs 2016/17 to 2019/20 will be effective on July 1st.

Based on current assumptions, full cost of service, or recovery of O&M, R&R, and debt service costs, is projected to be reached in FY 2018/19, as shown on Figure 2.



Figure 2: EDU Volumetric Rate Cost of Service

#### Key Budget Assumptions

Table 4 summarizes the RO fund primary funding sources and uses of funds over the next five fiscal years based the proposed five-year rates and key budget assumptions. A Sources and Uses of Fund report for FYs 2015/16 to 2019/20 is provided in Exhibit A.

# Table 4: Regional Wastewater Operations and Maintenance (RO) Fund Key Budget Assumptions – Based on Proposed Five-Year Rates

(\$Millions)	5 Year Totals	Comments
<b>Revenues and Other Funding Sources</b>		
EDU Volumetric	\$292	Assumes annual growth factor of 0.25% in the number of billable monthly EDUs.
Property Tax	\$48	No change in the allocation of 22% and the level of property tax receipts. After achieving full cost of service, property taxes will be set aside to support the relocation of RP-2 solids handling to RP-5, rehabilitation of RP-1 and decommissioning of RP-2.
Expenses and Other Uses of Fund		
O&M (net IERCA labor costs)	\$270	Assumes 3% annual average inflationary increase.
Capital Replacement & Rehabilitation (R&R)	\$55	Capital project spending – partially supported by SRF loans and grants: • Water Quality Laboratory Replacement Chino Creek Wetlands and Educational Park Upgrades
Debt Service	\$3	Share of principal and interest costs for the 2008A Revenue Bonds and debt service costs for the laboratory's SRF loan.

#### Cost of Service (COS) Components

The RO fund COS components include:

- O&M expenses (82%) budgeted at an average 3% annual increase,
- R&R (17%) capital projects for the rehabilitation and replacement of regional wastewater facilities and infrastructure,
- Debt service costs (1%) include a share of 2008A Revenue Bonds and future SRF loan for the Water Quality Laboratory replacement project.

The components and percentages of the total expenditures are summarized in Table 5.

Expense Category	Budget %	Description
Employment	37%	Regional Operations employment net of IERCA labor is 37 percent of the total program expense and 60 percent of the Agency's total employment costs.
Utilities	12%	Includes purchase of electricity from Southern California Edison, or the grid, use of natural gas, and purchase of renewable energy generated on site from solar, wind, and fuel cell.
Chemicals	7%	Assumes an average of 3% inflationary factor Major chemical used are Sodium Hypochlorite for disinfection, Polymer to enhance solids settling in primary clarifier and Ferric chloride to optimize treatment performance.
Professional Fees & Services	5%	Includes contract work and materials for regional wastewater facilities and equipment.
Materials & Supplies/Office & Administrative	4%	Operations and maintenance supplies for facility maintenance.
O&M Projects	2%	Major O&M maintenance and repair projects.
Operating Fees	2%	Includes permits and user charges for discharge of RP-1 centrate to the Non-Reclaimable Wastewater system.
Other Expenses	7%	Includes office and administration, leases and rentals, and allocated expenses for operation facilities.
Capital Replacement & Rehabilitation (R&R)	17%	R&R capital projects for regional wastewater related equipment and structures.
Debt Service	1%	Share of principal and interest costs for the 2008A Revenue Bonds and future repayment of the SRF Loan for the Water Quality Laboratory replacement.
Total	100%	

# Table 5: Regional Wastewater Operations and Maintenance (RO) FundExpenses and Other Uses of Funds

#### Capital Rehabilitation and Replacement (R&R) Projects

Except for the Water Quality Laboratory replacement project which is funded with a State Revolving Fund (SRF) loan, net of principal forgiveness (grant), the majority of the RO fund capital projects are primarily funded on a pay-go basis (Table 6 and Figure 3). Pay-go is a combination of user charges and property taxes (until full cost of service is achieved in FY 2018/19).

Project	Timeframe (Fiscal Years)	Ten Year Project Costs (\$Millions)
Regional Wastewater Projects Asset Management Plan (AMP)	2020/21 - 2024/25	\$50.0
Water Quality Laboratory Replacement	2015/16 - 2018/19	\$17.8
SCADA Enterprise System	2015/16 - 2018/19	\$8.7
RP-5 Process Improvements	2019/20 - 2021/22	\$6.3
RP-4 Process Improvements	2016/17 - 2018/19	\$5.2
All Other Projects	2015/16 - 2024/25	\$38.7
	RO Total:	*\$126.7

 Table 6: Regional Wastewater Maintenance & Operations (RO) Fund

 Major Capital Projects





\*\$126.7M includes \$12.5M O&M projects and \$114.2M R&R capital projects

As aforemention, other major capital projects include the rehabilition and expansion of the RP-1 facility scheduled to begin in 2023 and the relocation of the the RP-2 solids handling facility to the RP-5 site. RP-2 in the City of Chino is located on land leased from the US Army Corps of Engineers (the Corps) and is within the flood zone behind Prado Dam. The Corps and Orange County Flood Control District have plans to raise the maximum operational water level behind Prado Dam by 2021 triggering the need to relocate the RP-2 solids handling to RP-5. Another future project will be decommissiong of the RP-2 site prior to the lease expiring in 2035.

## **RO Fund Balance**

The RO Fund balance in FY 2015/16 is estimated to be \$32 million; a decrease of 2.5 million, or approximately 7%, relative to the FY 2014/15 projected ending fund balance of \$34.5 million. The adoption of the proposed the multi-year rates and achievement of full cost of service by FY 2018/19 will allow the designation of property taxes to support future capital requirements estimated at \$101 million over the next 15 years, as indicated by the purple bar in FY 2019/20 on Figure 4.





#### Closing

Adopting an EDU Volumetric rate that fully recovers the Regional Wastewater Program operating (O&M), R&R, and debt service costs is consistent with the Regional Sewage Service Contract and the IEUA Business Goal of Fiscal Responsibility. The IEUA Business Goals were developed in collaboration with the Regional Committees to ensure the Agency's ability to effectively meet its mission and vision to deliver high quality essential services to its member agencies and the communities they serve. Reaching full cost of service will allow property taxes allocated to the RO fund to be set aside to support major capital projects over the next 15 years, including the relocation of the RP-2 solids handling to RP-5, rehabilitation of RP-1 and ultimate decommissioning of the RP-2 site. The use of property taxes to support these future costs will lessen the burden on ratepayers by avoiding future rate increases that would be necessary if reservation of property taxes are insufficient. Additionally, adoption of multi-year rates that achieve full cost of service will reduce the Agency's future borrowing costs should it be necessary to issue new debt to finance some of these capital requirements.

Table 7 is the timeline for adoption of the proposed multi-year rates.

Date	Meetings
EDU Volumetric Rate	
2/26/15, 3/5/15	Regional Technical Committee / Regional Policy Committee
3/11/15, 3/18/15	IEUA Committee Recommendation/IEUA Board Approval
Wastewater Connection and Meter Equivalent	on Fee, Recycled Water Rates, One Water Connection Fee, RTS Recovery, Unit (MEU) rates
3/10/15	Cost of Service Workshop #4: Connection Fees/Water Rates
4/1/15	Special Joint Mtg of the IEUA Board & Regional Policy Committee
4/14/15	Final Cost of Service Workshop #5: Connection Fees/Water Rates
4/30/15, 5/7/15	Regional Technical Committee / Regional Policy Committee
5/13/15, 5/20/15	IEUA Committee Recommendation/IEUA Board Approval
10/1/15	Recommended effective date for FY 2015/16 rates.

# Table 7: Multi-Year Rates Adoption Timeline

#### **IMPACT ON BUDGET**

There is no direct impact on the Agency's adopted Fiscal Year 2014/15 budget as a result of this item.

#### Attachments:

Exhibit A– Regional Wastewater O&M (RO) Fund Sources and Uses of Funds Report Appendix 1 – Rates study workshops and meetings schedule Resolution No. 2015-3-1

#### Exhibit A: RO Fund FYs 2015/16 to 2019/20 Sources and Uses of Fund Report (Based on the Proposed Five-Year Rates)

INLAND EMPIRE UTILITIES AGENCY					
FISCAL YEAR 2015/16 BUDGET					
ROFUND - SOURCES AND USES OF FUNDS					

2012 2013         2013 2014         2014 2015         2010 2015 <t< th=""><th></th><th></th><th></th><th></th><th>г</th><th></th><th></th><th></th><th></th><th></th></t<>					г					
ACTUAL         ACTUAL         BUDGET         FORECAST           User Oharges         39.696.548         42.970.542         45.986.286         45.986.286         49.696.196         50.73.016         50.173.098         53.173.098         53.173.098         53.173.098         53.173.098         53.173.098         53.173.098         53.173.098         53.173.098         53.000         93.000		2012/2013	2013/2014	2014/2015	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
REVENUES         39.560.548         42.970.542         45.982.266         49.696.198         55.023.361         59.173.099         53.122.341         64.803.96           Cost Reimbursement JPA         3.252.662         3.074.62         3.378.378         3.978.379         3.678.218         3.678.378         3.678.378         3.678.378         3.686.822         3.778.979         3.930.00         93.0	-			AMENDED	PROJECTED	PROPC	) SE D			
User Oranges         39 690 548         42 900 542         44 590 286         44 690 596         50 23 81         50 717         53 123 341         64 400 396           Cost Reimburssment I         3278 289         3.778 23         7378 239         3.771 23         3.572 136         3.561 442         3.782 397         3.771 23         3.571 35         3.561 442         3.782 397         3.000         93.000	-	ACTUAL	ACTUAL	BUDGET	ACTUAL	BUDG	iet		FORECAST	
CostReimbursement UPA         3.22,262         3.64,462         3.271,133         3.271,83         3.270,762         3.572,316         3.664,462         3.776,974           Contract Cost Reimbursement         156,774         65,541         950,000         142,000         150,000         250,000         450,000         950,920         9,055,873,71,23         83,086,8415         67,363,823         99,005,875         9,797,939         9,903,962           Grants         10,407,455         8,041,76         9,401,180         9,105,744         11,748,124         18,264,451         17,755,36         795,305         815,564           TOTAL OFHE FINANCING SOURCES         11,048,177         9,393,760         9,410,180         9,105,744         11,178,124         18,264,451         17,755,36         7163,305         815,564           TOTAL OFHE FINANCICING SOURCES         11,048,177         9,393,760         <										
Contract Cost Reimburgement         516 774         06 541         93,000 <td>-</td> <td></td> <td></td> <td></td> <td>, ,</td> <td></td> <td></td> <td></td> <td></td> <td></td>	-				, ,					
Interest Revenue         128 986         149 883         155.000         120.000         120.000         220.000         43.000         650.000           OTAL REVENUES         43.467,930         46.249,584         49,717,319         49.457,419         53.398,565         58,737,123         63.088,415         67.363,823         69,110,370           OTHER FINANCING SOURCES         10,407,455         8.654,143         8.844,764         8.540,378         8.967.396         9.280,002         9.605,875         9.797,993         9.993,952           Grants         598,494         724,765         555,415         555,416         736,002         9.605,751         9.797,993         9.993,952           Other Revenues         598,494         724,765         555,415         555,416         736,000         775,335         795,305         815,564           TOTAL OTHER FINANCING SOURCES         11,048,177         9,383,760         9.410,180         9.105,794         11,178,124         18,264,451         17,745,148         10,675,116         10.809,517           EXPENSE         Employment Expenses         23,514,915         23,035,268         28,330,407         58,737,737,737,439         700,858         1,737,744         738,288         8.808,3316         3.300,021         1,300,000         1,300,000				-1		-1				
TOTAL REVENUES         43,467,990         46,240,584         49,717,319         49,457,419         53,308,665         58,737,123         63,088,415         67,363,822         69,110,370           OTHE FINANCING SOURCES Property Tax Revenues - Debt/CapitalRe Grants         10,407,455         8,654,143         8,844,764         8,540,378         8,967,396         9,326,092         9,605,875         9,797,993         9,993,952           Contract Ministrative - Debt/CapitalRe Grants         42,228         3,461         0         0         255,169         0		,	,	/	,		/		,	
OTHER FINANCING SOURCES Property Tax Revenues - Debt/Capital/Re Grants         10,407,455         8,634,143         8,844,764         8,640,78         8,967,396         9,320,002         9,605,875         9,797,993         9,993,982           Grants         42,228         34,851         0         525,169         0 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>										
Property Tar Revenues - DebitCapital/Re         10,407,455         8,634,143         8,844,764         8,540,376         8,967,386         9,232,002         9,608,875         9,737,993         9,993,925           Grants         42,228         34,651         0         <	TOTAL REVENCES	40,407,500	40,240,304	49,111,515	45,437,415	55,505,505	30,131,123	05,000,415	07,303,823	09,110,570
Property Tar Revenues - DebitCapital/Re         10,407,455         8,634,143         8,844,764         8,540,376         8,967,386         9,232,002         9,068,875         9,779,893         9,993,993         1,990,993	OTHER FINANCING SOURCES									
Grants         42.258         34.851         0         0         0         525.169         525.169         725.560         775.536         795.305         815.561           TOTAL OTHER FINANCING SOURCES         11,048.177         9,393.760         9,410.180         9,106.794         11,178,124         18,264.451         17.745.148         10,675.116         10,809.571           EXPENSES         Employment Expenses         23,614.915         23,052.058         28,380.005         25,333.400         26,663.344         27.382.298         28,183.469         28,663.275         29.445.508           Contract Work/Special Projects         130.522         586.560         30.04.240         1.023.700         1,300.000         1,300.758         1,307.318         3,106.777         3,232.53         3,444.121         1,70.444         1,70.848		10.407.455	8.634.143	8.844.764	8.540.378	8.967.396	9.326.092	9.605.875	9,797,993	9,993,952
Other Revenues         588.484         724.786         565.416         738.000         775.536         795.305         815.584           TOTAL OTHER FINANCING SOURCES         11,048,177         9,993.760         9,410,180         9,105.784         11,178,124         18,284,461         17.745,148         10,675,116         10,809,517           EXPENSES         Employment Expenses         22,614,915         23,052,288         28,380,805         25,333,949         26,653,344         27,382,268         28,183,469         28,863,276         29,482,528           Operating Fees         130,822         586,660         30,042,40         1,023,700         1,500,000         1,300,100         1,403,402         4,403,848 <td></td> <td></td> <td></td> <td>-11</td> <td></td> <td>-1</td> <td></td> <td></td> <td>, ,</td> <td>0</td>				-11		-1			, ,	0
TOTAL OTHER FINANCING SOURCES         11,048,177         9,383,760         9,410,180         9,105,794         11,178,124         18,284,451         17,745,148         10,675,116         10,809,517           EXPENSES         Employment Expenses         23,614,915         23,035,288         28,380,805         25,333,949         26,663,344         27,382,268         28,183,469         28,863,275         29,482,268           Contract WorkSpecial Projects         130,522         566,660         3,004,240         1,023,700         15,000,000         13,000,000         14,01,034         14,730,884         4,720,384         4,720,384         4,720,384         4,720,384         4,720,384         4,720,384         4,720,384         4,720,384         4,720,372,472         4,99,913			,	-	-			-	-	815.564
EXPENSES         23,614,915         23,035,288         26,653,334,492         27,382,268         28,183,469         28,863,275         29,482,528           Contract Work/Special Projects         130,522         588,660         3,004,240         1,023,700         1,300,000         1,207,704         68,816         8,638,816         8,638,816         8,638,816         8,038,816         8,038,816         8,038,81         8,043,816         8,038,81         8,043,816         8,038,81         8,014,819         3,1297,813         3,106,797         3,238,513         3,444,121         0,454,404         4,554,503         4,7623         4,33,752         4,38,752         4,38,752         4,38,752         4,38,752         4,38,752         4,38,752         4,38,752         4,38,752	TOTAL OTHER FINANCING SOURCES	11 048 177	9 393 760	9 4 10 1 80		11 178 124	18 264 451	17 745 148	10 675 116	10 809 517
Employment Expenses         23,614,915         23,035,268         28,300,805         25,333,949         26,653,344         27,382,288         28,183,469         28,883,275         29,482,528           Contract Work/Special Projects         130,522         586,660         3,004,240         1,023,700         1,500,000         1,3177,34         <		11,010,111	0,000,100	0,410,100	0,100,704	11,110,124	10,201,101	11,140,140	10,070,110	10,000,011
Contract Work/Special Projects         130,522         586,650         3.004,240         1.023,700         1.600,000         1.300,000         1.227,734         6.83,310         1.177,569         1.607,589         1.107,552         4.528,903         4.693,104         4.730,893         4.872,824         5.019,008         5.198,979         3.344,121         0.776,578,733         3.494,121         0.778,578,733         3.494,121         0.778,759,733         3.494,723         4.393,752         4.39,752         4.39,752         4.39,752         4.39,752         4.39,752         4.39,752         4.39,752         4.39,750         7.400,1141         4.121,175         4.248,81         4.328,762         4.39,770         4.401,14         4.121,75         4.248,81         4.328,762         4.39,770         4.401,14         4.121,75         4.220,707         4.301,7623         4.381,762         4.393,7623         4.381,762         4.393,7623	EXPENSES									
Utilities         6, 100, 836         6, 561, 280         7, 164, 307         6, 877, 735         7, 379, 469         7, 600, 866         7, 828, 881         8, 063, 816         8, 308, 021           Operating Fees         579, 760         683, 310         1, 157, 589         1, 607, 589         1, 107, 252         1, 137, 282         1, 107, 515         1, 202, 963         1, 237, 734           Orfice and Administrative expenses         1, 872, 563         2, 132, 842         3, 493, 490         2, 969, 888         2, 679, 964         4, 730, 884         4, 872, 824         5, 101, 008         5, 169, 799           Orfice and Administrative expenses         19, 220         21, 534         351, 1201         434, 430         435, 434         435, 284         437, 632         438, 752         439, 913           Materials & Supplies         1, 688, 761         1, 686, 761         2108, 332         1, 809, 932         1, 944, 342         2109, 932         4393, 602         4, 400, 995         4, 326, 377         2, 237, 372         3363, 731           Other Expenses         1, 868, 761         1, 666, 604         2108, 332         1, 809, 302, 632         57, 517, 104         58, 728, 348         60, 485, 697           CAPITAL PROG RAM         -         -         -         -         -         - <t< td=""><td>Employment Expenses</td><td>23,614,915</td><td>23,035,268</td><td>28,380,805</td><td>25,333,949</td><td>26,653,344</td><td>27,382,268</td><td>28,183,469</td><td>28,863,275</td><td>29,482,528</td></t<>	Employment Expenses	23,614,915	23,035,268	28,380,805	25,333,949	26,653,344	27,382,268	28,183,469	28,863,275	29,482,528
Operating Fees         579,700         683,310         1,197,589         1,607,589         1,107,252         1,137,282         1,170,515         1,202,963         1,237,734           Chemicals         3,578,136         4,125,729         4,715,529         4,583,104         4,730,884         4,807,824         5,018,008         5,168,79         3,802,833         3,494,121           Office and Administrative expenses         19,220         21,534         351,280         434,430         435,463         436,528         4,377,523         4,39,917           Biosolids Revycling         3,322,661         3,527,828         3,557,924         3,577,940         437,6507         4,011,41         4,121,175         4,244,810         4,328,917           Materials & Supplies         1,688,761         1,683,604         2,129,332         1,809,932         1,914,334         2,190,850         2,143,745         2,208,337         2,395,311           Other Expenses         362,027         1,230,346         4,161,034         4,220,133         4,403,902         4,400,995         4,320,044         4,008,493         4,320,044         4,008,493         5,571,104         58,723,163         55,932,632         57,517,104         8,728,348         60,485,597           CAPITAL PROG RAM         6,094,290         5,1		130,522	585,650	3,004,240	1,023,700	1,500,000	1,300,000	1,300,000	1,300,000	1,300,000
Chemicals         3.578,136         4.125,729         4.715,529         4.526,908         4.693,104         4.730,898         4.872,824         5.016,008         5.169,579           Professional Fees and Services         1.672,563         2.132,842         3.493,950         2.969,858         2.679,904         2.751,834         3.106,797         3.283,538         3.494,121           Difice and Administrative expenses         1.922,02         2.1,524         3.512,1280         4.443         4.366,528         4.37,623         4.39,913           Biosolids Recycling         3.322,651         3.527,828         3.557,924         3.776,07         4.001,141         4.121,175         4.244,810         4.239,077         2.383,538         2.483,017         4.09,850         2.143,745         2.208,317         2.362,631           Other Expenses         1.688,761         1.653,604         2.129,332         1.809,932         1.914,334         2.190,860         2.143,745         2.208,371         2.362,684           TOTAL EXPENSES         41.769,991         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         1	Utilities	6,100,836	6,561,280	7,164,307	6,877,735	7,379,469	7,600,856	7,828,881	8,063,816	8,308,021
Professional Fees and Services         1,872,583         2,132,842         3,433,950         2,969,868         2,679,964         2,751,834         3,106,797         3,283,538         3,494,121           Office and Administrative expenses         19,220         21,534         351,280         433,433         436,528         437,623         438,752         439,913           Biosolids Recycling         3,322,613         3,527,924         3,577,9024         3,775,007         4,001,141         4,121,175         4,224,810         4,229,313         4,493,602         4,400,995         2,143,745         2,208,337         2,395,311           Offner Expenses         862,027         1,290,346         4,161,034         4,292,103         4,403,602         4,400,995         4,352,074         4,103,849         4,228,731           Offner Expenses         41,769,391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         13,600,000         9,150,000         2,485,000           DEBT SERWCE         2         218,576         214,519         214,585         215,785         942,293	Operating Fees	579,760	683,310	1,157,589	1,607,589	1,107,252	1,137,262	1,170,515	1,202,963	1,237,734
Office and Administrative expenses         19,220         21,534         351,280         434,430         435,463         436,528         437,623         438,752         439,913           Biosolids Recycling         3,322,661         3,527,824         3,557,924         3,775,007         4,001,141         4,121,175         4,224,907           Materials Supplies         1,668,304         4,219,332         1,809,921         1,914,334         2,143,745         2,208,337         2,395,311           Other Expenses         882,027         1,290,346         4,161,034         4,292,133         4,493,802         4,400,995         4,352,074         4,103,849         4,328,884           TOTAL EXPENSES         41,769,391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM	Chemicals	3,578,136	4,125,729	4,715,529	4,526,908	4,593,104	4,730,898	4,872,824	5,019,008	5,169,579
Biosolids Recycling Materials & Supplies         3,322,651         3,527,828         3,557,924         3,577,924         3,775,007         4,001,141         4,121,175         4,244,810         4,329,707           Materials & Supplies         1,688,761         1,653,604         2,129,323         1,609,922         1,914,334         2,190,850         2,143,745         2,208,337         2,396,311           TOTAL EXPENSES         41,769,391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROG RAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         17,350,000         13,600,000         9,150,000         2,485,000           DEBT SERVICE         218,576         214,519         214,585         215,785         942,293	Professional Fees and Services	1,872,563	2,132,842	3,493,950	2,969,858	2,679,964	2,751,834	3,106,797	3,283,538	3,494,121
Materials & Supples         1,668,761         1,653,604         2,129,332         1,809,932         1,914,334         2,190,850         2,143,745         2,200,337         2,395,311           Other Expenses         82,027         1,290,346         4,161,034         4,292,133         4,493,602         4,400,995         4,352,074         4,103,849         4,226,684           TOTAL EXPENSES         41,769,391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         17,350,000         13,600,000         9,150,000         2,485,000           DEBT SERVICE	Office and Administrative expenses			1	,		/		,	
Other Expenses         862.027         1.290.346         4.161.034         4.292.133         4.493.602         4.400.995         4.352.074         4.103.849         4.328.684           TOTAL EXPENSES         41,769.391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         17,350,000         13,600,000         9,150,000         2,485,000           DEBT SERVICE					/ /	-11	.,	/ /		
TOTAL EXPENSES         41,769,391         43,617,391         58,115,990         52,434,157         54,531,539         55,932,632         57,517,104         58,728,348         60,485,597           CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         17,350,000         13,600,000         9,150,000         2,485,000           DEBT SERVICE		, ,		, ,			, ,			
CAPITAL PROG RAM         C. APITAL PROFERSION         C. APITAL PROFENCIES         C. APITAL PROFENC										
TOTAL CAPITAL PROGRAM         6,094,290         5,129,083         11,377,344         7,694,600         12,620,000         17,350,000         13,600,000         9,150,000         2,485,000           DEBT SERVCE         218,576         214,519         214,585         214,585         215,785         215,785         942,293         942,293         942,293           TRAN SF ERS IN (OUT)         Capital Contribution         (400,000)         0         0         0         81,818         (1,545,455)         (790,909)         (1,195,455)         (1,200,000)           Debt Service         0         0         0         0         0         0         181,627 </td <td>TOTAL EXPENSES</td> <td>41,769,391</td> <td>43,617,391</td> <td>58,115,990</td> <td>52,434,157</td> <td>54,531,539</td> <td>55,932,632</td> <td>57,517,104</td> <td>58,728,348</td> <td>60,485,597</td>	TOTAL EXPENSES	41,769,391	43,617,391	58,115,990	52,434,157	54,531,539	55,932,632	57,517,104	58,728,348	60,485,597
DEBT SERVICE         218,576         214,519         214,585         215,785         215,785         942,293	CAPITAL PROG RAM									
TOTAL DEBT SERVICE         218,576         214,519         214,585         215,785         215,785         942,293	TOTAL CAPITAL PROGRAM	6,094,290	5,129,083	11,377,344	7,694,600	12,620,000	17,350,000	13,600,000	9,150,000	2,485,000
TOTAL DEBT SERVICE         218,576         214,519         214,585         215,785         215,785         942,293										
TRAN SF ER S IN (OUT)         Capital Contribution         (400,000)         0         0         0         0         81,818         (1,545,455)         (790,909)         (1,195,455)         (1,200,000)           Debt Service         0 </td <td></td> <td>040 570</td> <td></td> <td></td> <td></td> <td>045 705</td> <td>045 705</td> <td></td> <td></td> <td></td>		040 570				045 705	045 705			
Capital Contribution         (400,000)         0         0         0         81,818         (1,545,455)         (790,909)         (1,195,455)         (1,200,000)           Debt Service         0 <td>TOTAL DEBT SERVICE</td> <td>218,576</td> <td>214,519</td> <td>214,585</td> <td>214,585</td> <td>215,785</td> <td>215,785</td> <td>942,293</td> <td>942,293</td> <td>942,293</td>	TOTAL DEBT SERVICE	218,576	214,519	214,585	214,585	215,785	215,785	942,293	942,293	942,293
Capital Contribution         (400,000)         0         0         0         81,818         (1,545,455)         (790,909)         (1,195,455)         (1,200,000)           Debt Service         0 <td></td>										
Debt Service         0         0         0         0         0         0         0         0         181,627         193,723         193,733         193,753		(400,000)	0	0	0	01 010	(1 545 455)	(700.000)	(1 105 455)	(1 200 000)
Property Tax Transfer         0         (2,200,000)         0 <t< td=""><td></td><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>			-							
FUND BALANCE FUND BALANCE Net Income (Loss) Fund Bal Adju to FY 11/12 CAFR Beginning Fund Balance July 01 ENDING FUND BALANCE AT JUNE 30         6,033,850         4,473,351         (10,580,420)         (1,780,129)         (2,797,817)         1,957,701         8,164,884         8,204,471         14,988,624           Beginning Fund Balance July 01 ENDING FUND BALANCE AT JUNE 30         25,798,903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210			-		-	-	-		,	
FUND BALANCE Net Income (Loss)         6,033,850         4,473,351         (10,580,420)         (1,780,129)         (2,797,817)         1,957,701         8,164,884         8,204,471         14,988,624           Fund Bal Adju to FY 11/12 CAFR Beginning Fund Balance July 01         25,798,903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214           ENDING FUND BALANCE AT JUNE 30         31,832,753         36,306,104         25,725,684         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210									-	÷
Net Income (Loss) Fund Bal Adju to FY 11/12 CAFR         6,033,850         4,473,351         (10,580,420)         (1,780,129)         (2,797,817)         1,957,701         8,164,884         8,204,471         14,988,624           Beginning Fund Balance July 01         25,798,903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214           ENDING FUND BALANCE AT JUNE 30         31,832,753         36,306,104         25,725,684         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210		(400,000)	(2,200,000)	0		01,010	(1,545,455)	(003,202)	(1,013,020)	(1,010,575)
Fund Bal Adju to FY 11/12 CAFR         25,798.903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214           Beginning Fund Balance July 01         25,798.903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY         Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210										
Beginning Fund Balance July 01         25,798,903         31,832,753         36,306,104         36,306,104         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           ENDING FUND BALANCE AT JUNE 30         31,832,753         36,306,104         25,725,684         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210		6,033,850	4,473,351	(10,580,420)	(1,780,129)	(2,797,817)	1,957,701	8,164,884	8,204,471	14,988,624
ENDING FUND BALANCE AT JUNE 30         31,832,753         36,306,104         25,725,684         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838           RE SERVE BALANCE SUMMARY Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210	-	05 700 000	24 020 752	26 206 404	26 206 404	24 505 075	24 700 450	22 605 050	44.050.740	E0.0E5.044
RE SERVE BALANCE SUMMARY           Capital / Operation Contingencies         13,923,130         14,539,132         19,372,000         17,478,054         17,051,060         17,487,292         17,981,598         18,356,624         18,916,210										
Capital / Operation Contingencies 13,923,130 14,539,132 19,372,000 17,478,054 17,051,060 17,487,292 17,981,598 18,356,624 18,916,210	ENDING FOND BALANCE AT JUNE JU	51,052,155	30,300,104	20,120,004	34,525,915	51,120,130	33,063,639	41,000,140	JU,U JU,Z 14	00,040,000
	RESERVE BALANCE SUMMARY									
Pehabilitation/Penlacement 17,602,020, 20,924,670, 6,127,000, 16,922,126, 14,461,212, 15,256,270, 22,026,040, 20,756,207, 45,195,225	Capital / Operation Contingencies	13,923,130	14,539,132	19,372,000	17,478,054	17,051,060	17,487,292	17,981,598	18,356,624	18,916,210
Tenabilitation/Teplacement 17,053,050 20,024,015 0,157,055 10,052,150 14,401,515 15,250,270 22,520,045 50,750,257 45,105,555 10,052,150	Rehabilitation/Replacement	17,693,838	20,824,679	6,137,899	16,832,136	14,461,313	15,256,270	22,926,849	30,756,297	45,185,335
Debt Service & Redemption215,785 942,293 215,785 215,785 215,785 942,293 942,293 942,293 942,293 942,293	Debt Service & Redemption	215,785	942,293		215,785	215,785	942,293	942,293	942,293	942,293
ENDING BALANCE AT JUNE 30         31,832,753         36,306,104         25,725,684         34,525,975         31,728,158         33,685,859         41,850,743         50,055,214         65,043,838	ENDING BALANCE AT JUNE 30	31,832,753	36,306,104	25,725,684	34,525,975	31,728,158	33,685,859	41,850,743	50,055,214	65,043,838

Meeting	Discussion	Date
Cost of Service Workshop #1	Connection Fees	11/18/14
Cost of Service Workshop #2	Connection Fees	12/11/14
Cost of Service Workshop #3	Water Rates	1/13/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	2/4/15
Member Agency Meetings	Proposed Rates	January-May
Cost of Service Workshop #4	Connection Fees/Water Rates	3/10/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	4/1/15
Final Workshop	Proposed Rates	4/14/15

## **Appendix 1: Rates Study Workshops and Meetings**