



Mid-Peninsula Water District



Financial Plan & Rate Study

Revised 3/18/10



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



Mid-Peninsula Water District Water Financial Plan & Rate Study Key Issues 3-18-10

Financial Overview

- District has been good financial steward by gradual raising rates every year or two to keep revenues in line with escalating costs
- District has been a good operational steward by funding an annual pay-as-you-go capital program for capital needs including repairs and replacements (capital expenditures averaged about \$1.35 million annually over past 5 years)
- District's average residential water bill is in middle range (slightly above average) compared to other peninsula agencies
- District is currently not generating adequate revenues to fund operations and ongoing capital needs, partly due to a reduction in water sales revenues, and faces some substantial financial headwinds that will require moderate annual rate increases to keep revenues in line with the cost of providing service in upcoming years

Financial Headwinds

- **Wholesale Rate Increases:** SFPUC rates increasing substantially due to \$4.3 billion upgrade of Hetch-Hetchy regional water system (District 100% reliant on SFPUC for water supply)
 - SFPUC rates increased 62% over past 4 years
 - Projected to increase 134% over next 6 years including 64% over next 3 years
- **Reduced Water Sales:** Water sales have been decreasing; lower sales = lower revenues
 - Water sales down by approx. 6.5% this fiscal year to date (Jul-Feb)
 - Sales revenues projected at roughly \$725,000 below budget based on year-to-date sales
(Note: Budget was developed based on a prior annual period when sales were higher)
- **Capital Funding:** District's new 5-Year CIP includes \$1.1 million in 2010/11 and \$1.0 million annually for the next 4 years. Longer-term capital needs projected at \$1.25 million per year.
- **Ongoing Cost Inflation:** Draft projections assume 4% annual cost inflation; meaning 4% annual rate adjustments are needed just to keep from falling further behind
- **Fund Reserves:** Fund reserves projected to decrease to a little under \$2 million this fiscal year, well below the District's policy target of \$5 million

District Water Rates

- District rates are in middle range (slightly higher than avg) compared to other peninsula agencies
- Average residential bill (10 hcf) = \$49.17, Median residential bill (8 hcf) = \$40.79
- Residential bill for low use customer (2 hcf) = \$11.66 (extremely low)
- Rates include 3 components:
 - Monthly Service Charge
Fixed charge varies by meter size (not aligned with AWWA capacity), \$7.98 per 5/8" meter
Charge reduced by 50% for residences with 0- 2 hcf use
 - Monthly Capital Charge
\$4.43 per account regardless of meter size (small customer pays same as large customer)
 - Monthly Commodity Charges
Residential: 4-tiers (avg rate collected = \$3.87, basis of tier breakpoints?)
Commercial: 2-tiers (avg rate collected = \$4.82; divergence from residential rates in 2008)

- Average residential bill has increased by roughly 5.6% per year on average over past 8 years
- Commercial rates historically a little higher than residential rates and have also increased more over past 5 years than residential rates
- Fixed Monthly Service Charges & Capital Charges increased once in past decade
- Revenues derived from rates in 2008/09: 18% Fixed (service chg + capital chg) & 82% Variable
- Expenses roughly 65% Fixed & 35% Variable (wholesale water supply & power)
- Rates already well below Cal Urban Water Conservation Council BMP 11 (fixed charges recommended to recover no more than 30% of total rate revenues)
- First residential rate tier of \$1.62 is below the wholesale cost of water supply and accounts for 20% of residential water sales & 12% of total water sales

Proposed Rate Increases

- Draft cash flow projections indicate need for a series of five 9% rate increases to keep revenues in line with the cost of providing service
- Prop. 218 notice and District rate ordinance can either a) adopt separate rates for each year, or b) adopt the maximum rate for all 5 years (to give flexibility) and show anticipated rates for intervening years
- Additional rate increases needed in future years
- Rates are a now or later game: less increase now = more increase later (and vice versa)

Proposed Rate Structure Modifications

Fixed Monthly Service Charges

- Fixed charges designed to recover 20% of total revenue requirement from rates
- Capital Expense Charge rolled into the Monthly Service Charge resulting in one fixed charge based on meter size
- Moderate increase in meter ratios for larger meters (higher % increases to larger meters)
- 2-Year phase-in of new meter ratios
- Phase out of 50% reduction to the monthly residential service charges for bills with up to 2 hcf of use (these customers will continue to benefit from a relatively low fixed charge that only recovers 20% of rate revenues and ability to buy all their water at a discounted Tier 1 rate)

Water Commodity Charges

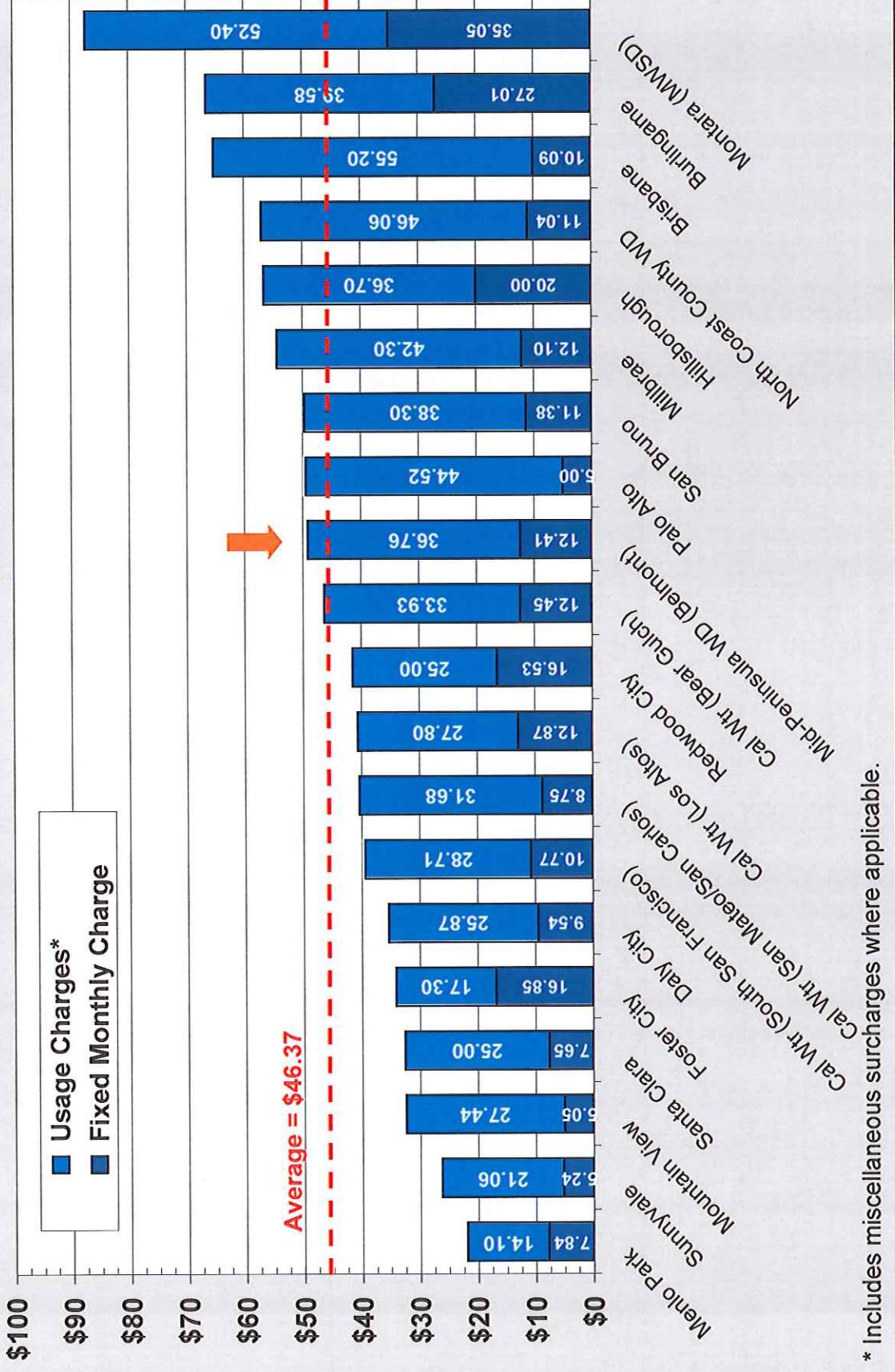
- Variable charges designed to recover 80% of total revenue requirement from rates
- Elimination of disparity between average residential and commercial commodity charges
- Minor revision of residential tier breakpoints based on analysis of water consumption:
From: 0-2 : 3-15 : 16-30 : 30+ To: 0-2 : 3-10 : 11-25 : 26+
- Residential tier rates based on a % of the overall average rate: 65% : 100% : 120% : 140%
- Maintain current commercial tiers (0-5, 6+) with tier rates based on % of avg rate: 90% : 105%
- 2-year phase in of new residential tier rates
- In cases where some current commercial rates would otherwise decrease, maintain current rates for a couple of years until rate increases catch up

**Mid-Peninsula Water District
Proposed Water Rates**

		Current 2009/10		2010/11		2011/12		2012/13		2013/14		Proposed Water Rates*2014/15													
Increase in Revenues Requirement from Rates																									
Monthly Service Charges																									
<u>Meter</u>	<u>Meter Ratio</u>	\$12.41	\$13.30	\$14.23	\$15.51	\$16.91	\$18.43																		
5/8"	1.00	16.24	19.96	21.35	23.27	25.37	27.65																		
1"	1.50	25.65	33.26	35.58	38.79	42.28	46.08																		
1 1/2"	2.50	37.21	53.22	56.93	62.06	67.64	73.73																		
2"	4.00	55.20	79.83	85.40	93.09	101.47	110.59																		
3"	6.00	84.66	133.04	142.33	155.15	169.11	184.31																		
4"	10.00	197.65	332.61	355.83	387.87	422.78	460.79																		
6"	25.00																								
Service Charge discount for residential customers with up to 2 hcf of use per monthly billing period:																									
		50%	25%	0%	0%	0%	0%																		
Water Consumption Charges																									
<u>Residential Tiers</u>		<u>% of Use</u>	<u>% of Avg Rate/hcf</u>	At Current Breakpoints																					
Block 1	0-2 hcf	20.0%	65%	\$1.62	\$2.40	\$3.25	\$3.53	\$3.85	\$4.20																
Block 2	3-10 hcf	53.0%	100%	4.19	4.60	5.00	5.44	5.93	6.46																
Block 3	11-25 hcf	23.0%	120%	4.84	5.45	6.00	6.53	7.11	7.75																
Block 4	26+	4.0%	140%	5.27	6.15	7.00	7.61	8.30	9.04																
<u>Commercial Tiers</u>																									
Block 1	0-5 hcf	6.50%	90%	\$4.52	\$4.52	\$4.89	\$4.89	\$5.33	\$5.81																
Block 2	6+ hcf	93.50%	105%	4.84	4.84	5.25	5.71	6.22	6.78																

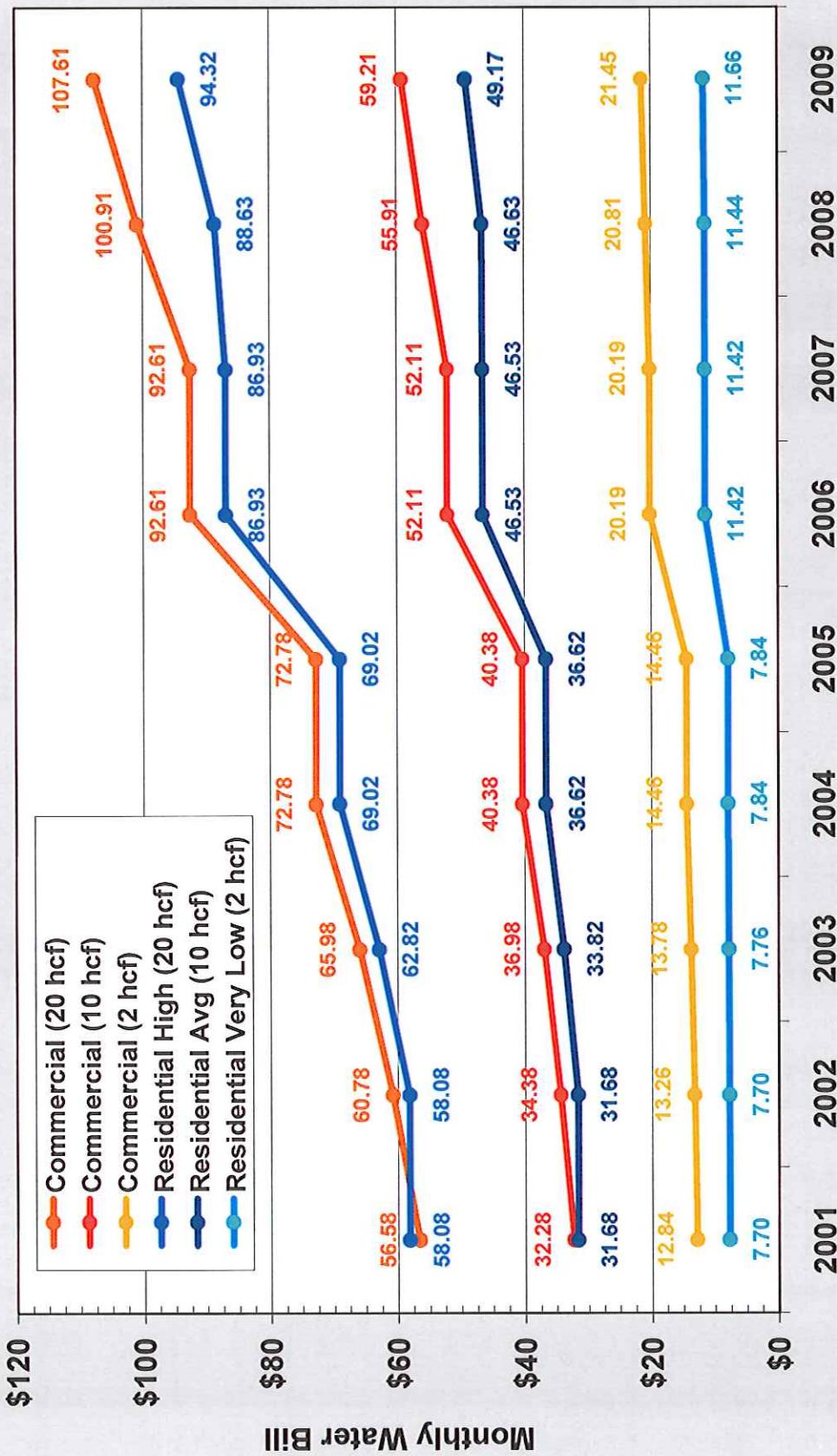
Monthly Single Family Residential Water Rates, Dec 2009

Based on 10 ccf monthly water use, 5/8" or base meter size

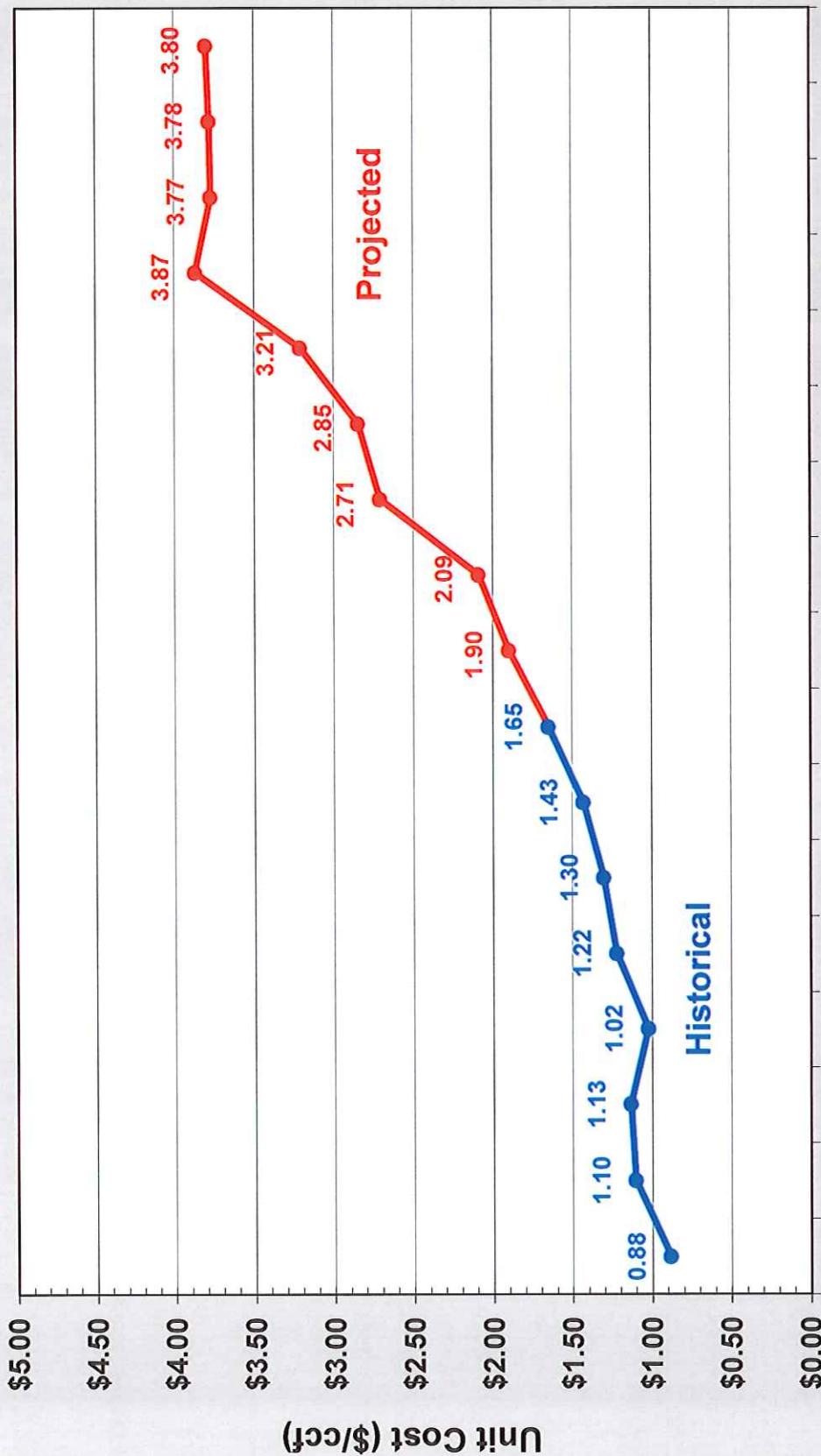


* Includes miscellaneous surcharges where applicable.

Mid-Peninsula Water District History of Monthly Water Bills

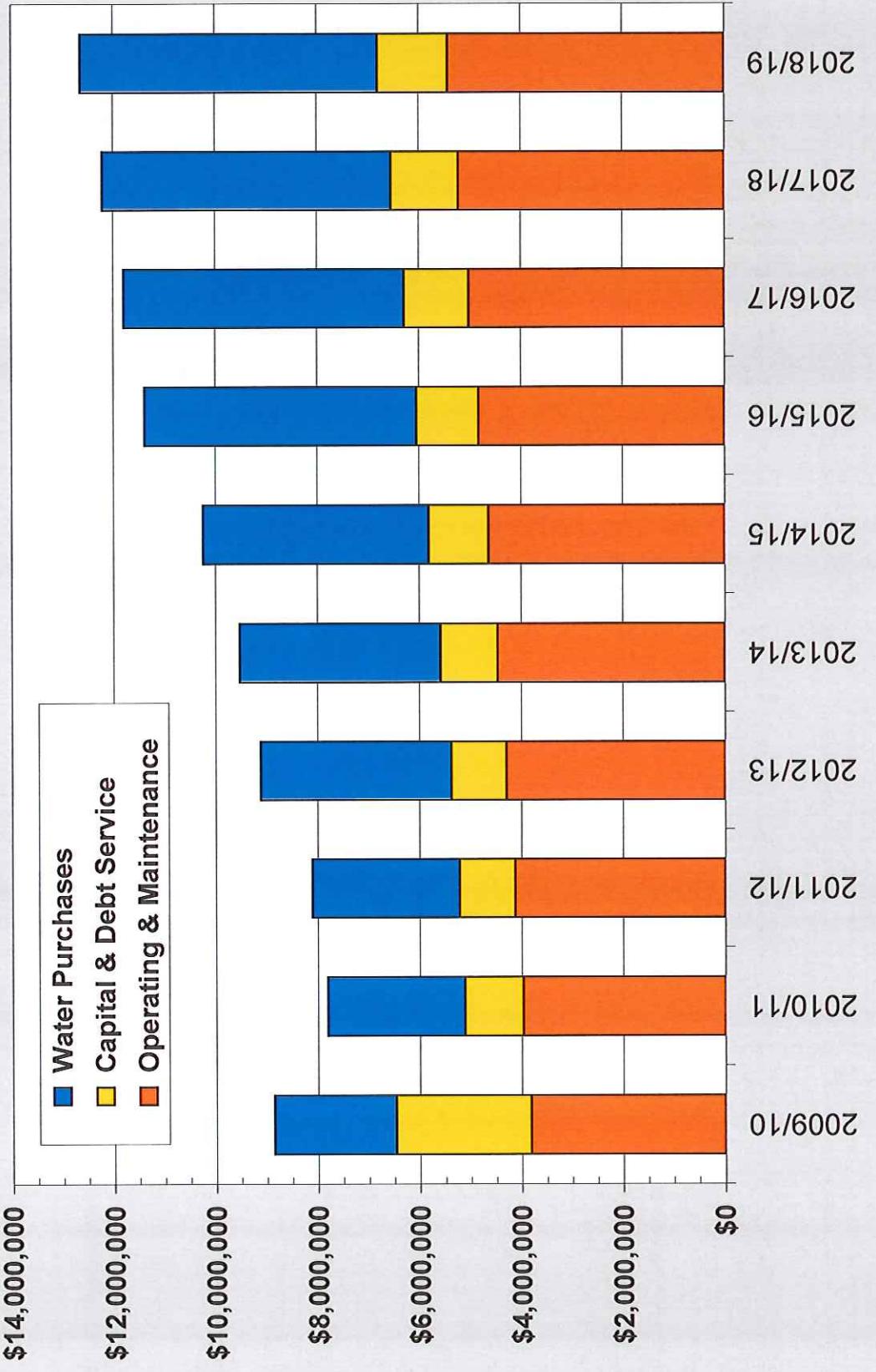


SFPUC Wholesale Water Rates



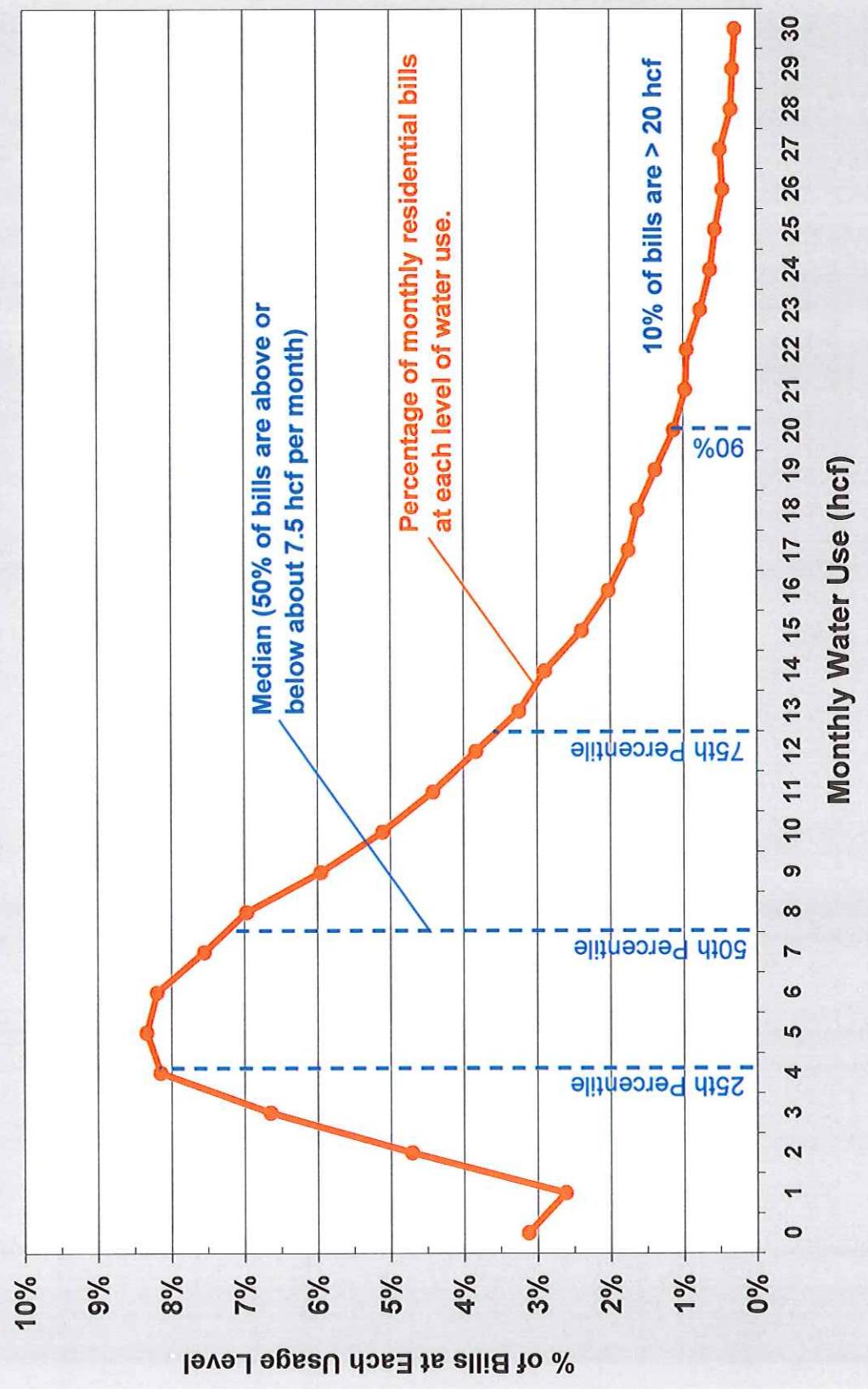
Source: SFPUC rate projections dated January 2010.

Mid-Peninsula Water District 10-Year Expense Projections



Mid-Peninsula Water District

Monthly Residential Water Bills 2008/09



Mid-Peninsula Water District Monthly Residential Water Bills 2008/09

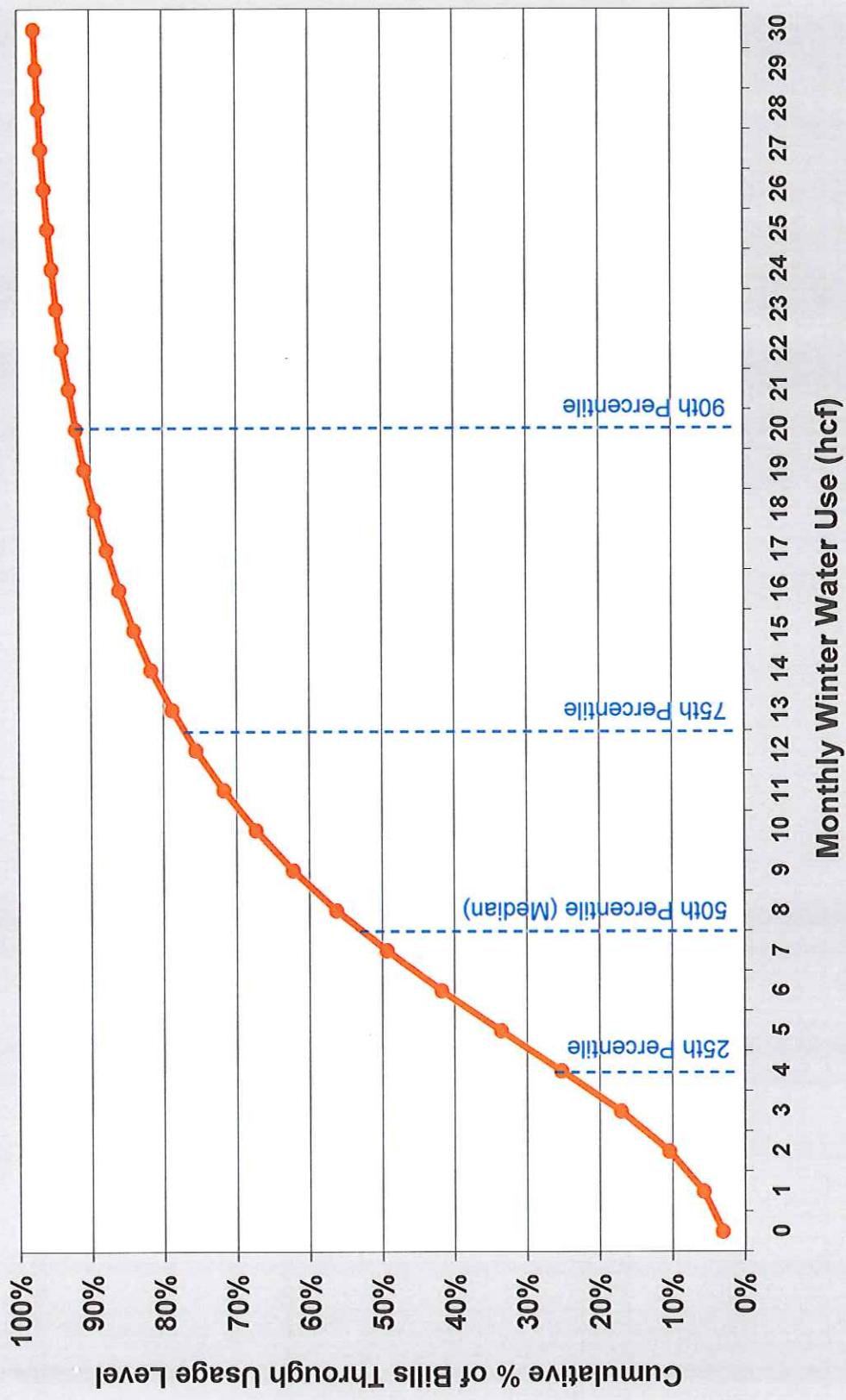


Table 1
Mid-Peninsula Water District
Monthly Water Rates

	Prior Rates	Current Rates
Effective Date	03/31/08	07/01/09
Monthly Service Charge		
5/8"	\$7.98	\$7.98
1"	11.82	11.82
1.5"	21.23	21.23
2"	32.79	32.79
3"	50.78	50.78
4"	80.24	80.24
6"	193.23	193.23
<i>Residential service charges are reduced by 50% when consumption is 2 units or less per billing period.</i>		
Monthly Capital Expense Charge		
Per Account (all meter sizes)	\$4.43	\$4.43
Monthly Commodity Charge (\$/hcf)		
<u>Residential</u>		
Block 1: 0-2 Units	\$1.51	\$1.62
Block 2: 3-15 Units	3.90	4.19
Block 3: 16-30 Units	4.50	4.84
Block 4: 31+ Units	4.90	5.27
<u>Commercial</u>		
Block 1: 0-5 Units	\$4.20	\$4.52
Block 2: 6+ Units	4.50	4.84
Private Fire Protection Service		
Residential Monthly Surcharge	\$1.25	\$1.25
Non-residential Monthly Surcharge	6.25	6.25

Table 2
Mid-Peninsula Water District
Water Rate History

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rate Adjustment Date	Jun-1	Jun-1	Jul-1	Jul-1	Jul-1	Jul-27	Mar-31	Jul-1	Jul-1
MONTHLY SERVICE CHARGE									
For base 5/8" meter	\$5.73	\$5.73	\$5.73	\$5.73	\$5.73	\$7.98	\$7.98	\$7.98	\$7.98
<i>Residential service charges are reduced by 50% when consumption is 2 units or less per billing period.</i>									
MONTHLY CAPITAL CHARGE									
Per account	2.25	2.25	2.25	2.25	2.25	\$4.43	\$4.43	\$4.43	\$4.43
MONTHLY COMMODITY CHARGE									
Residential									
<u>Block Breakpoints (hcf)</u>	0-2	0-2	0-2	0-2	0-2	0-2	0-2	0-2	0-2
Block 1	3+	3-30	3-30	3-30	3-30	3-15	3-15	3-15	3-15
Block 2		30+	30+	30+	30+	16-30	16-30	16-30	16-30
Block 3						30+	30+	30+	30+
Block 4									30+
<u>Block Rates (\$/hcf)</u>									
Block 1	\$1.29	\$1.32	\$1.36	\$1.36	\$1.50	\$1.50	\$1.51	\$1.62	
Block 2	2.64	2.64	2.90	3.24	3.89	3.89	3.90	4.19	
Block 3		3.01	3.01	3.84	4.19	4.19	4.50	4.84	
Block 4					4.61	4.61	4.90	5.27	
Commercial									
<u>Block Breakpoints (hcf)</u>	All use	0-5	0-5	0-5	0-5				
Block 1						6+	6+	6+	6+
Block 2									
<u>Block Rates (\$/hcf)</u>									
Block 1	\$2.43	\$2.64	\$2.90	\$3.24	\$3.24	\$3.89	\$3.89	\$4.20	\$4.52
Block 2						4.05	4.05	4.50	4.84

Table 3
Mid-Peninsula Water District
Residential Bill History

Rate Adjustment Date	Residential Customer	Monthly Use (hcf)	% of Bills Through	Monthly Residential Bill (5/8" Meter)								8-Year Increase			
				2001	2002	2003	2004	2005	2006	2007	2008	2009	\$	%	Avg Yr %
Jun-1	Jun-1	Jul-1	Jul-1	Jul-27	Mar-31	Jul-1									
Very Low	2	10%	\$7.70	\$7.70	\$7.76	\$7.84	\$7.84	\$11.42	\$11.44	\$11.42	\$11.66	\$3.97	51.5%	5.3%	
Low	5	33%	18.48	18.48	19.32	20.42	20.42	27.08	27.13	28.22	28.22	9.74	52.7%	5.4%	
Median	8	50%	26.40	26.40	28.02	30.14	30.14	38.75	38.75	40.79	40.79	14.39	54.5%	5.6%	
Average	10	67%	31.68	31.68	33.82	36.62	36.62	46.53	46.53	49.17	49.17	17.49	55.2%	5.6%	
High	20	90%	58.08	58.08	62.82	69.02	69.02	86.93	86.93	94.32	94.32	36.24	62.4%	6.2%	
Very High	40	99%	110.88	114.58	121.92	139.82	139.82	174.93	174.93	182.63	182.63	84.54	76.2%	7.3%	
Commercial Customer	2	Monthly Use (hcf)	Monthly Commercial Bill (5/8" Meter)												
	\$12.84	\$13.26	\$13.78	\$14.46	\$14.46	\$20.19	\$20.19	\$20.81	\$20.81	\$21.45	\$8.61	67.1%	6.6%		
	20.13	21.18	22.48	24.18	24.18	31.86	31.86	33.41	33.41	35.01	14.88	73.9%	7.2%		
	27.42	29.10	31.18	33.90	33.90	44.01	44.01	46.91	46.91	49.53	22.11	80.6%	7.7%		
	32.28	34.38	36.98	40.38	40.38	52.11	52.11	55.91	55.91	59.21	26.93	83.4%	7.9%		
	56.58	60.78	65.98	72.78	72.78	92.61	92.61	100.91	100.91	107.61	51.03	90.2%	8.4%		
	105.18	113.58	123.98	137.58	137.58	173.61	173.61	190.91	190.91	204.41	99.23	94.3%	8.7%		

Table 4
Mid-Peninsula Water District
Current Meter Ratios vs. AWWA Capacity-Based Ratios

Meter Size	Current Charges	Fee Ratio to 5/8" Meter	AWWA Capacity Ratio to	
			5/8" Meter	3/4" Meter
Monthly Service Charges				
5/8"	\$7.98	1.00	1.00	1.00
1"	11.82	1.48	2.50	1.67
1 1/2"	21.23	2.66	5.00	3.33
2"	32.79	4.11	8.00	5.33
3"	50.78	6.36	na	na
4"	80.24	10.06	25.00	16.67
6"	193.23	24.21	50.00	33.33
Combined Monthly Service Charges + Capital Charge				
5/8"	\$12.41	1.00	1.00	1.00
1"	16.25	1.31	2.50	1.67
1 1/2"	25.66	2.07	5.00	3.33
2"	37.22	3.00	8.00	5.33
3"	55.21	4.45	na	na
4"	84.67	6.82	25.00	16.67
6"	197.66	15.93	50.00	33.33
Facilities Charges				
5/8"	\$1,450	1.00	1.00	1.00
1"	2,400	1.66	2.50	1.67
1 1/2"	4,000	2.76	5.00	3.33
2"	6,000	4.14	8.00	5.33
4"	13,000	8.97	25.00	16.67
6"	40,000	27.59	50.00	33.33
8"	50,000	34.48	80.00	53.33

Table 5
Mid-Peninsula Water District
Accounts by Meter Size

Meter Size	Number of Accounts	Service Charges		Capital Charges		Total Revenues
		Rates	Revenues	Rates	Revenues	
5/8"	7,103	\$7.98	\$680,183	\$4.43	\$377,595	\$1,057,779
1"	479	11.82	67,941	4.43	25,464	93,405
1 1/2"	149	21.23	37,959	4.43	7,921	45,880
2"	157	32.79	61,776	4.43	8,346	70,122
3"	22	50.78	13,406	4.43	1,170	14,575
4"	22	80.24	21,183	4.43	1,170	22,353
6"	4	193.23	<u>9,275</u>	4.43	<u>213</u>	<u>9,488</u>
Total	7,936		891,725		421,878	1,313,602

Source: Meter Report 02/26/10, active accounts

Table 6
Mid-Peninsula Water District
Historical Accounts & Use by Customer Class

Calendar Year	2004	2005	2006	2007	2008	2009
Customer Accounts						
<i>May include roughly 60 inactive accounts</i>						
Residential	7,128	7,126	7,136	7,136	7,138	
Apartments	205	205	205	206	206	
Commercial	498	509	510	510	510	
Industrial	51	51	51	51	51	
Other Public Authority	<u>99</u>	<u>99</u>	<u>99</u>	<u>101</u>	<u>101</u>	
Total	7,981	7,990	8,001	8,004	8,006	0
Billed Usage (hcf)						
Residential	946,713	881,862	872,159	867,884	874,728	788,725
Apartments	257,898	245,589	250,674	242,591	241,175	213,640
Commercial	246,479	229,162	238,769	239,318	238,459	217,202
Industrial	88,132	92,323	55,803	43,539	39,206	32,347
Other Public Authority	<u>109,737</u>	<u>94,367</u>	<u>98,119</u>	<u>101,979</u>	<u>104,003</u>	<u>88,623</u>
Total	1,648,959	1,543,303	1,515,524	1,495,311	1,497,571	1,340,537
Annual Change		-6.4%	-1.8%	-1.3%	0.2%	-10.5%
Average Monthly Use per Account						
Residential	11.1	10.3	10.2	10.1	10.2	
Apartments	104.8	99.8	101.9	98.1	97.6	
Commercial	41.2	37.5	39.0	39.1	39.0	
Industrial	144.0	150.9	91.2	71.1	64.1	
Other Public Authority	<u>92.4</u>	<u>79.4</u>	<u>82.6</u>	<u>84.1</u>	<u>85.8</u>	
Total	17.2	16.1	15.8	15.6	15.6	

*virtually no growth in accounts in 5 years?
looks like the large industrial customer left in 2006*

Table 7
 Mid-Peninsula Water District
 Historical Service Charges by Customer Class

Calendar Year	2004	2005	2006	2007	2008	2009
Monthly Service Charges						
Residential	\$482,261	\$484,553	\$560,611	\$670,598	\$670,533	
Apartment	55,434	55,217	56,970	59,408	59,149	
Commercial	82,874	77,920	83,029	89,189	89,603	
Industrial	11,197	14,289	11,740	12,098	12,028	
Other Public Authority	<u>30,220</u>	<u>30,269</u>	<u>30,850</u>	<u>31,586</u>	<u>31,818</u>	
Subtotal	661,986	662,248	743,202	862,879	863,130	0
% of Total Charges	11.6%	11.9%	12.1%	12.6%	12.1%	0.0%
Water Consumption Charges						
Residential	\$2,657,072	\$2,561,061	\$2,792,858	\$3,026,379	\$3,103,398	\$2,894,031
Apartment	792,133	795,708	897,785	980,557	1,064,385	996,219
Commercial	758,920	742,350	859,265	965,812	1,054,719	1,012,328
Industrial	270,219	297,635	195,583	175,956	173,333	150,618
Other Public Authority	<u>339,196</u>	<u>305,749</u>	<u>354,822</u>	<u>412,402</u>	<u>464,156</u>	<u>415,530</u>
Subtotal	4,817,541	4,702,503	5,100,312	5,561,106	5,859,991	5,468,726
% of Total Charges	84.7%	84.4%	83.1%	81.3%	82.0%	100.0%
Capital Expense Charges						
Residential	\$184,525	\$185,598	\$264,773	\$377,179	\$377,472	
Apartment	5,320	5,303	7,577	10,786	10,745	
Commercial	12,340	12,081	17,126	24,643	24,623	
Industrial	1,281	1,438	1,778	2,632	2,648	
Other Public Authority	<u>2,548</u>	<u>2,544</u>	<u>3,613</u>	<u>5,207</u>	<u>5,344</u>	
Subtotal	206,014	206,962	294,867	420,447	420,832	0
% of Total Charges	3.6%	3.7%	4.8%	6.1%	5.9%	0.0%
Total Charges	\$5,685,541	\$5,571,714	\$6,138,380	\$6,844,432	\$7,143,952	\$5,468,726

Rates already well below CUWCC BMP 11 (fixed charges recommended at 30% or less of total revs)

Table 8
Mid-Peninsula Water District
Water Sales by Block

Rate Block	2005/06	2006/07	2007/08	2008/09	2009/10					
					Budget	Projected				
HISTORICAL SALES BY BLOCK										
Residential (hcf)										
Block 1: 0-2 Units	166,989	166,965	166,990	165,576	166,911	164,984				
Block 2: 3-15 Units	551,089	568,357	552,023	531,685	556,499	502,427				
Block 3: 16-30 Units	123,513	132,605	116,831	106,022	118,851	96,293				
Block 4: 31+ Units	<u>37,170</u>	<u>40,988</u>	<u>30,908</u>	<u>39,837</u>	<u>34,613</u>	<u>33,027</u>				
Subtotal	878,761	908,915	866,752	843,120	876,874	796,731				
% of Total	57.1%	58.4%	58.0%	59.0%	58.7%	59.6%				
Non-Residential (hcf)										
Block 1: 0-5 Units	38,597	39,205	39,200	38,710	39,194	38,197				
Block 2: 6+ Units	<u>620,817</u>	<u>606,928</u>	<u>587,329</u>	<u>546,606</u>	<u>578,227</u>	<u>500,930</u>				
Subtotal	659,414	646,133	626,529	585,316	617,421	539,127				
% of Total	42.9%	41.6%	42.0%	41.0%	41.3%	40.4%				
Total (hcf)	1,538,175	1,555,048	1,493,281	1,428,436	1,494,295	1,335,857				
YEAR-TO-DATE COMPARISON (JUL-FEB)				<u>2008/09</u>	<u>2009/10</u>	<u>% of 08/09 ttl</u>				
Residential (hcf)										
Block 1: 0-2 Units				111,264	110,866	67.2%				
Block 2: 3-15 Units				372,038	351,565	70.0%				
Block 3: 16-30 Units				81,276	73,818	76.7%				
Block 4: 31+ Units				<u>24,668</u>	<u>20,451</u>	<u>61.9%</u>				
Subtotal				589,246	556,700	69.9%				
% Change					-5.5%					
Non-Residential (hcf)										
Block 1: 0-5 Units				25,491	25,153	65.9%				
Block 2: 6+ Units				<u>371,984</u>	<u>340,900</u>	<u>68.1%</u>				
Subtotal				397,475	366,053	67.9%				
% Change					-7.9%					
Total (hcf)				986,721	922,753	64.6%				
% Change					-6.5%					

Source: Customer Usage Tier Reports.

Current normal year SFPUC Supply Assurance: 3.89 mgd / 4,357 AF / 1,898,000 hcf.

Table 9
Mid-Peninsula Water District
Water Sales vs. SFPUC Purchases

	2005/06	2006/07	2007/08	2008/09
SFPUC Purchases (hcf)	1,612,330	1,652,205	1,583,791	1,533,876
Water Sales (hcf)	1,538,175	1,555,048	1,493,281	1,428,436
Difference	74,155 -4.6%	97,157 -5.9%	90,510 -5.7%	105,440 -6.9%

Table 10
 Mid-Peninsula Water District
 2009/10 Budget vs. Projected Revenues

Rate Block Charges	Unit Rate	2009/10 Budget		Est. Based on Jul-Feb Sales	
		# of Units	Revenues	# of Units	Revenues
Residential					
Block 1: 0-2 Units	\$1.62	166,911	\$270,396	164,984	\$267,274
Block 2: 3-15 Units	4.19	556,499	2,331,731	502,427	2,105,168
Block 3: 16-30 Units	4.84	118,851	575,239	96,293	466,059
Block 4: 31+ Units	<u>5.27</u>	<u>34,613</u>	<u>182,411</u>	<u>33,027</u>	<u>174,052</u>
Subtotal	3.83	876,874	3,359,776	796,731	3,012,553
Non-Residential					
Block 1: 0-5 Units	4.52	39,194	177,157	38,197	172,649
Block 2: 6+ Units	<u>4.84</u>	<u>578,227</u>	<u>2,798,619</u>	<u>500,930</u>	<u>2,424,502</u>
Subtotal	4.82	617,421	2,975,776	539,127	2,597,151
Total	4.24	1,494,295	6,335,552	1,335,857	5,609,704
Difference from 2009/10 Budget				(158,438)	(725,848)
Difference %				-10.6%	-11.5%
Difference from 2008/09 Actuals				(92,579)	(14,367)
Difference %				-6.5%	-0.3%

Table 11
Mid-Peninsula Water District
Historical Capital Expenditures

	2005/06	2006/07	2007/08	2008/09	Est 2009/10	Average
Capital Improvements	\$580,115	\$473,608	\$617,708	\$602,066	\$2,000,000	
Facility Maintenance	<u>944,438</u>	<u>122,110</u>	<u>495,621</u>	<u>344,756</u>	<u>500,000</u>	
Total	1,524,553	595,718	1,113,329	946,822	2,500,000	1,336,084

Table 12
Mid-Peninsula Water District
Historical Revenues & Expenses

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Estimated 2009/10
REVENUES					
Water Service Charges	527,715	852,592	870,576	854,416	879,000
Water Sales Charges	4,856,763	5,724,381	5,693,677	5,624,071	5,600,000 *
Other Charges	228,909	11,139	10,738	11,338	14,000
Capital Expense Charges	207,134	401,529	420,376	420,818	420,000 *
Property Taxes	159,294	167,855	163,991	135,923	140,000
Other Net Income	<u>192,423</u>	<u>228,533</u>	<u>268,991</u>	<u>395,608</u>	<u>287,259</u>
Total Revenues	6,172,238	7,386,029	7,428,349	7,442,174	7,340,259
EXPENSES					
<u>Operating Expenses</u>					
Sources of Supply					Budget
Labor	177,278	174,211	176,942	176,823	112,000
Purchased Water <i>incl meter chgs?</i>	1,538,065	2,093,958	2,137,193	2,284,509	2,559,000
SFWD/BAWSCA/LAFCO	<u>43,501</u>	<u>48,038</u>	<u>48,341</u>	<u>52,616</u>	<u>56,960</u>
Subtotal	1,758,844	2,316,207	2,362,476	2,513,948	2,727,960
Pumping					
Labor	154,604	173,812	176,942	176,823	112,000
Purchase Power	202,357	194,479	206,885	211,506	225,000
Maintenance and General	<u>112,203</u>	<u>117,917</u>	<u>110,898</u>	<u>122,870</u>	<u>162,000</u>
Subtotal	469,164	486,208	494,725	511,199	499,000
Transmission and Distribution					
Labor	931,903	796,187	830,237	884,988	987,000
Maintenance and General	340,083	397,570	276,503	341,677	380,000
Other (Mtrs/Svcs/Testing/X-ConnFees)	<u>113,630</u>	<u>82,832</u>	<u>138,920</u>	<u>86,134</u>	<u>176,000</u>
Subtotal	1,385,616	1,276,589	1,245,660	1,312,799	1,543,000
Customer Accounts					
Labor	347,715	328,388	374,699	335,751	430,000
Customer Billing	83,391	74,255	93,795	79,964	85,000
Maintenance and General	54,544	53,168	54,485	64,997	70,000
Other (Rcrds/Accts/Supplies/Ed/Mail)	<u>129,244</u>	<u>124,836</u>	<u>121,187</u>	<u>137,251</u>	<u>175,000</u>
Subtotal	614,894	580,647	644,166	617,963	760,000
General and Administrative					
Labor	166,076	232,743	219,018	223,783	301,000
Insurance	122,212	54,130	97,102	124,244	120,000
Legal Services	74,847	74,205	99,434	53,924	75,000
Directors Fees and Benefits	80,255	72,733	68,669	90,256	105,000
Other	<u>141,269</u>	<u>122,809</u>	<u>126,616</u>	<u>150,703</u>	<u>248,500</u>
Subtotal	584,659	556,620	610,839	642,910	849,500
Subtotal Operating Expenses	4,813,177	5,216,271	5,357,866	5,598,819	6,379,460
<u>Non-Operating Expenses</u>					
Debt Service	150,426	150,426	150,426	150,426	150,426
Capital Expenses	<u>1,524,553</u>	<u>595,718</u>	<u>1,113,329</u>	<u>946,822</u>	<u>2,500,000</u>
Subtotal	1,674,979	746,144	1,263,755	1,097,248	2,650,426
Total Expenses	6,488,156	5,962,415	6,621,621	6,696,067	9,029,886
Revenues Less Expenses	(315,918)	1,423,614	806,728	746,107	(1,689,627)
<i>Reflects temp reduction in capital expenditures</i>					

* 2009/10 Budget included higher level of Water Sales Charges of \$6,337,000 and Capital Charges of \$636,000.

Table 13
 Mid-Peninsula Water District
 Historical Operating Costs by Function

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Budget 2009/10
<u>Operating Expenses by Function</u>					
Labor	\$1,777,576	\$1,705,341	\$1,777,838	\$1,798,168	\$1,942,000
Purchased Water	1,538,065	2,093,958	2,137,193	2,284,509	2,559,000
SFWD Contract Maint	43,501	48,038	48,341	52,616	56,960
Purchase Power	202,357	194,479	206,885	211,506	225,000
Customer Billing	83,391	74,255	93,795	79,964	85,000
Maintenance and General	506,830	568,655	441,886	529,544	612,000
Insurance	122,212	54,130	97,102	124,244	120,000
Legal Services	74,847	74,205	99,434	53,924	75,000
Directors Fees and Benefits	80,255	72,733	68,669	90,256	105,000
Other	<u>384,143</u>	<u>330,477</u>	<u>386,723</u>	<u>374,088</u>	<u>599,500</u>
Total	4,813,177	5,216,271	5,357,866	5,598,819	6,379,460
Annual Increase		8.4%	2.7%	4.5%	13.9%

Table 14
Mid-Peninsula Water District
Fund Reserves

	As of June 30			
	2006	2007	2008	2009
Petty Cash	\$400	\$400	\$400	\$400
Wells Fargo Checking	328,936	315,771	370,173	313,890
Transfer from LAIF	0	100,000	100,000	0
Transfer to OPEB	0	0	0	(80,000)
Subtotal	328,936	415,771	470,173	233,890
LAIF	813,451	1,815,854	2,824,773	3,179,932
Transfer to Checking	0	(100,000)	(100,000)	0
Subtotal	813,451	1,715,854	2,724,773	3,179,932
Subtotal	1,142,787	2,132,025	3,195,346	3,414,222
<hr/>				
OPEB Restricted Fund				
Beginning Balance	0	0	80,000	80,000
Transfers	0	0	0	80,000
Subtotal	0	0	80,000	160,000

Source: Statement of Funds

Increase in fund reserves partially reflects that District was saving up to fund tank project in 2009/10.

Table 15
Mid-Peninsula Water District
Historical & Projected Wholesale Water Rates

	Rate per hcf	Increase
2005/06	\$1.02	
2006/07	1.22	19.6%
2007/08	1.30	6.6%
2008/09	1.43	10.0%
2009/10	1.65	15.4%
2010/11	1.90	15.2%
2011/12	2.09	10.0%
2012/13	2.71	29.7%
2013/14	2.85	5.2%
2014/15	3.21	12.6%
2015/16	3.87	20.6%
2016/17	3.77	-2.6%
2017/18	3.78	0.3%
2018/19	3.80	0.5%
2019/20	3.75	-1.3%

SFPUC Wholesale Rate Projections, January 2010.

Table 16
Mid-Peninsula Water District
Water Cash Flow Assumptions

General Assumptions

- 1 Beginning fund balances as of 06/30/09 exclude about \$160,000 of restricted OPEB reserves.
- 2 Projections assume no growth in service connections.
- 3 Projections assume a 6.5% decrease in water consumption in 2009/10 (based on year-to-date water sales from Jul-Feb) followed by two additional 2.5% annual decreases in water sales with no subsequent change in consumption thereafter.
- 4 SFPUC wholesale water rates based on revised SFPUC projections dated January 2010. Wholesale rates after 2015/16 assume a 3% annual increase (this differs from the SFPUC projections which show a slight decrease).
- 5 SFPUC water purchases (hcf) in 2009/10 based on estimated water sales from year-to-date data plus roughly 8% for unaccounted usage (conservatively based on historical difference between water sales and purchases). Future year purchases are based on 2009/10 estimate adjusted by the % change in projected water sales; this keeps revenues and expenses in line based on water sales.

Revenue Assumptions

- 1 Water meter charges based on 2008/09 actual revenues adjusted to account for projected rate adjustments and growth. This amount differs from the 2009/10 Budget which was developed during the prior fiscal year.
- 2 Water sales revenues for 2009/10 estimated based on prior year actual revenues adjusted for the 7.5% usage charge increase and the projected change in water sales.
- 3 Property taxes projected based on 2008/09 tax revenues and escalate at the annual rate of 2%.
- 4 Interest income estimated based on beginning fund balances multiplied by the projected interest rate.

Expense Assumptions

- 1 Expenses are based on the 2009/10 budget and escalate at the annual rate of 4%.
 - 2 Wholesale water purchases are based on projected SFPUC water rates and estimated water purchases.
 - 3 Capital improvement funding based on District's 5-year capital improvement program (\$1.1 million in 2010/11 and \$1 million annually for the next 4 years). Capital expenditures in future years are projected at \$1.25 million annually.
-

Table 17 - Mid-Peninsula Water District Cash Flow Projections

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Overall Rate Adjustment	9%	9%	9%	9%	9%	9%	9%	4%	3%	3%
Growth in Service Connections	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Annual % Change in Water Sales	-2.5%	-2.5%	-2.5%	0%	0%	0%	0%	0%	0%	0%
Total Water Sales (hcf)	1,300,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000
SFPUC Water Purchases (hcf)	1,415,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000
SFPUC Rate per ccf	\$1.90	\$2.09	\$2.71	\$2.85	\$3.21	\$3.87	\$3.99	\$4.11	\$4.23	\$4.23
Interest Earnings Rate	0.75%	1.0%	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Cost Escalation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beginning Fund Balances	\$3,400,000	\$1,822,000	\$1,724,000	\$2,000,000	\$2,036,000	\$2,499,000	\$3,145,000	\$3,386,000	\$3,726,000	\$4,059,000
REVENUES										
Monthly Service Charges	900,000	981,000	1,069,000	1,165,000	1,270,000	1,384,000	1,509,000	1,569,000	1,616,000	1,664,000
Water Sales	5,600,000	5,964,000	6,352,000	6,924,000	7,547,000	8,226,000	8,966,000	9,325,000	9,605,000	9,893,000
Facilities Maintenance Charges	420,000	458,000	499,000	544,000	593,000	646,000	704,000	732,000	754,000	777,000
<i>Subtotal</i>	<i>6,920,000</i>	<i>7,403,000</i>	<i>7,920,000</i>	<i>8,633,000</i>	<i>9,410,000</i>	<i>10,256,000</i>	<i>11,179,000</i>	<i>11,626,000</i>	<i>11,975,000</i>	<i>12,334,000</i>
Property Taxes	140,000	143,000	146,000	149,000	152,000	155,000	158,000	161,000	164,000	167,000
Facilities/Connection Fees	0	0	0	0	0	0	0	0	0	0
Interest Income on Reserves	26,000	18,000	26,000	40,000	51,000	62,000	79,000	85,000	93,000	101,000
Cellular/Other	200,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Revenues	7,286,000	7,814,000	8,342,000	9,072,000	9,863,000	10,723,000	11,666,000	12,122,000	12,482,000	12,852,000
EXPENSES										
<u>Operating & Maintenance</u>										
Labor	2,020,000	2,101,000	2,185,000	2,272,000	2,363,000	2,458,000	2,556,000	2,658,000	2,764,000	2,764,000
Water Purchases	2,689,000	2,884,000	3,740,000	3,933,000	4,430,000	5,341,000	5,506,000	5,672,000	5,837,000	5,837,000
SFWD Contract Maint	57,000	59,000	61,000	63,000	66,000	69,000	72,000	75,000	78,000	81,000
Purchase Power	225,000	234,000	243,000	253,000	263,000	274,000	285,000	296,000	308,000	320,000
Customer Billing	85,000	88,000	92,000	96,000	100,000	104,000	108,000	112,000	116,000	121,000
Maintenance and General	612,000	636,000	661,000	687,000	714,000	743,000	773,000	804,000	836,000	869,000
Insurance	120,000	125,000	130,000	135,000	140,000	146,000	152,000	158,000	164,000	171,000
Legal Services	75,000	78,000	81,000	84,000	87,000	90,000	94,000	98,000	102,000	106,000
Directors Fees and Benefits	105,000	109,000	113,000	118,000	123,000	128,000	133,000	138,000	144,000	150,000
Other (doublecheck)	600,000	624,000	649,000	675,000	702,000	730,000	759,000	789,000	821,000	854,000
<i>Subtotal</i>	<i>6,214,000</i>	<i>6,662,000</i>	<i>7,015,000</i>	<i>8,036,000</i>	<i>8,400,000</i>	<i>9,077,000</i>	<i>10,175,000</i>	<i>10,532,000</i>	<i>10,899,000</i>	<i>11,273,000</i>
<u>Non-Operating</u>										
Debt Service, Dairylane Note	150,000	150,000	51,000	0	0	0	0	0	0	0
Capital Improvements & Maint	2,500,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,250,000	1,250,000	1,250,000
<i>Subtotal</i>	<i>2,650,000</i>	<i>1,250,000</i>	<i>1,051,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,250,000</i>	<i>1,250,000</i>	<i>1,250,000</i>
Total Expenses	8,864,000	7,912,000	8,066,000	9,036,000	9,400,000	10,077,000	11,425,000	11,782,000	12,149,000	12,523,000
Revenues Less Expenses	(1,578,000)	(98,000)	276,000	36,000	463,000	646,000	241,000	340,000	333,000	329,000
Ending Fund Balances	1,822,000	1,724,000	2,000,000	2,036,000	2,499,000	3,145,000	3,386,000	3,726,000	4,059,000	4,388,000
Fund Reserve Target	5,000,000									

Table 18
Mid-Peninsula Water District
Meter Ratios

Meter Size	Number of Accounts	Option 1		Option 2		Option 3		Option 4	
		Current Fixed Charge Ratios ¹	AWWA Meter Ratio to 3/4" ^{2,3}	% Inc	AWWA Meter Ratio to 5/8" ²	% Inc	Alternative Meter Ratios ⁴	% Inc	
5/8"	7,103	1.00	1.00	0%	1.00	0%	1.00	0%	
1"	479	1.31	1.67	28%	2.50	91%	1.50	15%	
1 1/2"	149	2.07	3.33	61%	5.00	142%	2.50	21%	
2"	157	3.00	5.33	78%	8.00	167%	4.00	33%	
3"	22	4.45	9.33	110%	14.00	215%	6.00	35%	
4"	22	6.82	16.67	144%	25.00	266%	10.00	47%	
6"	4	15.93	33.33	109%	50.00	214%	25.00	57%	
Total	7,936								

1 Accounting for both the Monthly Service Charge and the fixed Capital Expense Charge.

2 Based on American Water Works Association standard meter capacities; these are the same meter ratios approved by the California Public Utility Commission that oversees private water companies.

3 Assigns the base 5/8" meter a ratio of 1.00 with larger meters assigned a ratio based on their capacity compared to a 3/4" meter.

4 Reduced ratios may be logical because a) variable rates recover a disproportionate share of costs, and b) larger customers tend to purchase higher amounts of water, thereby contributing higher levels of revenues in excess of variable costs.

Table 19
Mid-Peninsula Water District
Meter Equivalents for Future Rates (Based on Option 4)

Meter Size	Number of Accounts	Proposed Meter Ratios	Total Meter Equivalents
5/8"	7,103	1.00	7,103
1"	479	1.50	719
1 1/2"	149	2.50	373
2"	157	4.00	628
3"	22	6.00	132
4"	22	10.00	220
6"	4	25.00	<u>100</u>
Total	7,936		9,274

Table 20
Mid-Peninsula Water District
Estimated Accounts & Water Use by Month 2008/09

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Annual
Customer Accounts													
Residential	7,432	7,573	7,221	7,215	6,927	7,197	6,791	6,704	7,190	7,195	7,550	7,209	7,184
Apartments	207	207	206	206	207	206	205	206	206	206	206	206	206
Commercial	478	476	474	476	478	478	459	472	478	480	481	481	476
Industrial	51	51	51	51	51	51	50	51	51	51	51	51	51
Other Public Authority	<u>100</u>	<u>101</u>	<u>101</u>	<u>101</u>	<u>100</u>	<u>100</u>	<u>98</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total	8,268	8,408	8,053	8,049	7,763	8,032	7,603	7,533	8,025	8,032	8,388	8,047	8,017
Water Use (hcf)													
Residential	97,032	96,539	85,040	76,259	57,692	49,660	45,645	39,086	49,232	65,892	79,533	81,906	823,516
Apartments	21,487	21,248	20,305	20,686	19,967	16,955	17,331	17,414	16,162	20,400	18,514	18,548	229,017
Commercial	26,337	26,453	24,710	22,144	15,813	12,981	12,825	11,972	11,066	19,943	21,193	20,143	225,580
Industrial	3,593	3,830	3,701	3,658	2,564	2,548	2,133	2,178	2,201	3,133	2,934	2,960	35,433
Other Public Authority	<u>14,286</u>	<u>12,762</u>	<u>12,745</u>	<u>10,315</u>	<u>5,524</u>	<u>2,942</u>	<u>2,913</u>	<u>3,507</u>	<u>2,986</u>	<u>6,936</u>	<u>9,742</u>	<u>10,258</u>	<u>94,916</u>
Total	162,735	160,832	146,501	133,062	101,560	85,086	80,847	74,157	81,647	116,304	131,916	133,815	1,408,462
Average Monthly Use per Account													
Residential	13.1	12.7	11.8	10.6	8.3	6.9	6.7	5.8	6.8	9.2	10.5	11.4	9.6
Apartments	103.8	102.6	98.6	100.4	96.5	82.3	84.5	78.5	99.0	89.9	90.0	90.0	92.6
Commercial	55.1	55.6	52.1	46.5	33.1	27.2	27.9	25.4	23.2	41.5	44.1	41.9	39.5
Industrial	70.5	75.1	72.6	71.7	50.3	50.0	42.7	42.7	43.2	61.4	57.5	58.0	58.0
Other Public Authority	<u>142.9</u>	<u>126.4</u>	<u>126.2</u>	<u>102.1</u>	<u>55.2</u>	<u>29.4</u>	<u>29.7</u>	<u>35.1</u>	<u>29.9</u>	<u>69.4</u>	<u>97.4</u>	<u>102.6</u>	<u>79.0</u>
Total	19.7	19.1	18.2	16.5	13.1	10.6	10.6	9.8	10.2	14.5	15.7	16.6	175.7

Based on utility billing data for 2008/09.

Table 21
Mid-Peninsula Water District
Consumption Block Analysis 2008/09

Use (ccf)	Number of Bills			Water Consumption (ccf)		
	In Block	Cumulative	% of Total	In Block	Cumulative	% of Total
0	2,686	2,686	3.1%	0	0	0.0%
1	2,250	4,936	5.7%	2,250	2,250	0.3%
2	4,055	8,991	10.4%	8,110	10,360	1.3%
3	5,723	14,714	17.1%	17,169	27,529	3.3%
4	7,015	21,729	25.2%	28,060	55,589	6.8%
5	7,178	28,907	33.6%	35,890	91,479	11.1%
6	7,057	35,964	41.8%	42,342	133,821	16.2%
7	6,500	42,464	49.3%	45,500	179,321	21.8%
8	6,001	48,465	56.3%	48,008	227,329	27.6%
9	5,126	53,591	62.2%	46,134	273,463	33.2%
10	4,397	57,988	67.3%	43,970	317,433	38.5%
11	3,800	61,788	71.7%	41,800	359,233	43.6%
12	3,298	65,086	75.6%	39,576	398,809	48.4%
13	2,791	67,877	78.8%	36,283	435,092	52.8%
14	2,486	70,363	81.7%	34,804	469,896	57.1%
15	2,057	72,420	84.1%	30,855	500,751	60.8%
16	1,742	74,162	86.1%	27,872	528,623	64.2%
17	1,506	75,668	87.9%	25,602	554,225	67.3%
18	1,399	77,067	89.5%	25,182	579,407	70.4%
19	1,186	78,253	90.9%	22,534	601,941	73.1%
20	969	79,222	92.0%	19,380	621,321	75.4%
21	832	80,054	93.0%	17,472	638,793	77.6%
22	814	80,868	93.9%	17,908	656,701	79.7%
23	654	81,522	94.7%	15,042	671,743	81.6%
24	536	82,058	95.3%	12,864	684,607	83.1%
25	481	82,539	95.8%	12,025	696,632	84.6%
26	392	82,931	96.3%	10,192	706,824	85.8%
27	418	83,349	96.8%	11,286	718,110	87.2%
28	291	83,640	97.1%	8,148	726,258	88.2%
29	273	83,913	97.4%	7,917	734,175	89.2%
30	246	84,159	97.7%	7,380	741,555	90.0%
31	187	84,346	97.9%	5,797	747,352	90.8%
32	184	84,530	98.2%	5,888	753,240	91.5%
33	165	84,695	98.3%	5,445	758,685	92.1%
34	130	84,825	98.5%	4,420	763,105	92.7%
35	121	84,946	98.6%	4,235	767,340	93.2%
36	113	85,059	98.8%	4,068	771,408	93.7%
37	99	85,158	98.9%	3,663	775,071	94.1%
38	82	85,240	99.0%	3,116	778,187	94.5%
39	72	85,312	99.1%	2,808	780,995	94.8%
40	75	85,387	99.2%	3,000	783,995	95.2%
41	61	85,448	99.2%	2,501	786,496	95.5%
42	67	85,515	99.3%	2,814	789,310	95.8%
43	46	85,561	99.4%	1,978	791,288	96.1%
44	49	85,610	99.4%	2,156	793,444	96.3%
45	53	85,663	99.5%	2,385	795,829	96.6%
46	46	85,709	99.5%	2,116	797,945	96.9%
47	31	85,740	99.6%	1,457	799,402	97.1%
48	31	85,771	99.6%	1,488	800,890	97.3%
49	21	85,792	99.6%	1,029	801,919	97.4%
50	20	85,812	99.6%	1,000	802,919	97.5%
51-75	242	86,054	99.9%	14,214	817,133	99.2%
76-100	41	86,095	100.0%	3,514	820,647	99.7%
101-200	20	86,115	100.0%	2,412	823,059	99.9%
200+	2	86,117	100.0%	457	823,516	100.0%
Total	86,117			823,516		

Table 22
 Mid-Peninsula Water District
 Residential Bills & Use per Tier, 2008/09

	Bills Ending in Block		Water Use in Block	
	Number	% of Total	Units (hcf)	% of Total
Block 1 0-2 Units	4,055	4.7%	164,612	20.0%
Block 2 3-15 Units	68,365	79.4%	541,594	65.8%
Block 3 16-30 Units	11,739	13.6%	94,089	11.4%
Block 4 31+ Units	<u>1,958</u>	<u>2.3%</u>	<u>23,221</u>	<u>2.8%</u>
Total	86,117	100.0%	823,516	100.0%

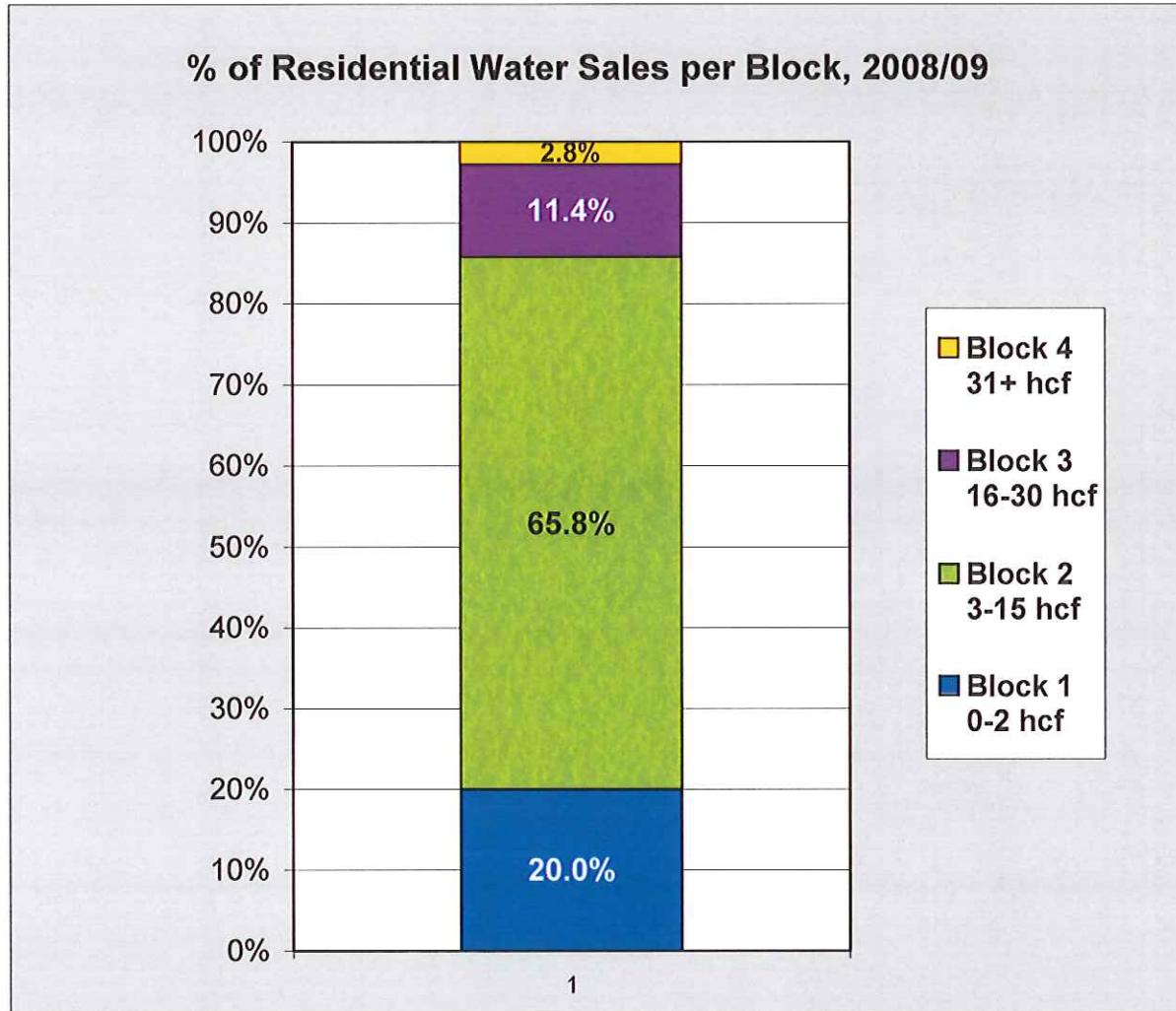


Table 23
 Mid-Peninsula Water District
 Sample Alternative Residential Rate Tiers

	Bills Ending in Block Number	Bills Ending in Block		Water Use in Block	
		% of Total		Units (hcf)	% of Total
Block 1	0-2 Units	8,991	10.4%	164,612	20.0%
Block 2	3-10 Units	48,997	56.9%	434,111	52.7%
Block 3	11-25 Units	24,551	28.5%	187,359	22.8%
Block 4	26+ Units	<u>3,578</u>	<u>4.2%</u>	<u>37,434</u>	<u>4.5%</u>
Total		86,117	100.0%	823,516	100.0%

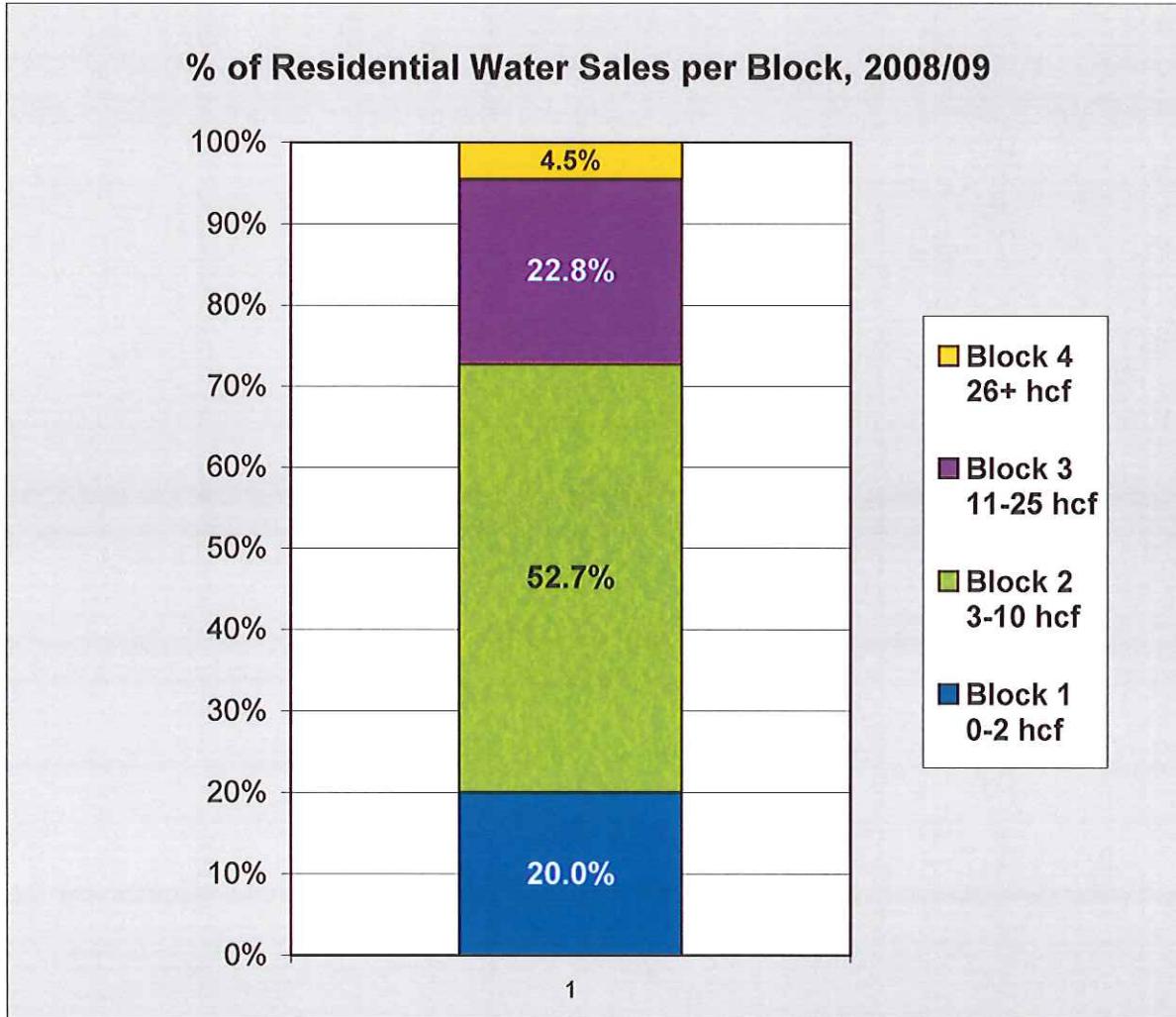


Table 24
Mid-Peninsula Water District
Projected Rates

	Current	2010/11	2011/12	2012/13	2013/14	2014/15
Overall Rate Increase		9%	9%	9%	9%	9%
Total Rate Revenue Requirement		\$7,403,000	\$7,920,000	\$8,633,000	\$9,410,000	\$10,256,000

Monthly Service Charges

Includes one charge based on meter size that replaces the monthly service charge and capital charge

Allocated % of Total Rate Revenues		20%	20%	20%	20%	20%	
Fixed Revenue Requirement		\$1,480,600	\$1,584,000	\$1,726,600	\$1,882,000	\$2,051,200	
Total Meter Equivalents for Rate Recovery		9,274	9,274	9,274	9,274	9,274	
Monthly 5/8" Meter Charge		\$13.30	\$14.23	\$15.51	\$16.91	\$18.43	
Meter	Meter Ratio	<u>2-year phase in of new ratios</u>					
5/8"	1.00	\$12.41	\$13.30	\$14.23	\$15.51	\$16.91	
1"	1.50	16.24	19.96	21.35	23.27	25.37	
1 1/2"	2.50	25.65	33.26	35.58	38.79	42.28	
2"	4.00	37.21	53.22	56.93	62.06	67.64	
3"	6.00	55.20	79.83	85.40	93.09	101.47	
4"	10.00	84.66	133.04	142.33	155.15	169.11	
6"	25.00	197.65	332.61	355.83	387.87	422.78	
Service Charge discount for residential customers with up to 2 hcf of use per monthly billing period:		50%	<u>2-year phase out</u>				
			25%	0%	0%	0%	0%

Water Consumption Charges

Allocated % of Total Rate Revenues		80%	80%	80%	80%	80%
Variable Rate Revenue Requirement		\$5,922,400	\$6,336,000	\$6,906,400	\$7,528,000	\$8,204,800
Total Water Sales (hcf)		1,300,000	1,270,000	1,270,000	1,270,000	1,270,000
Average Rate per Unit		\$4.56	\$4.99	\$5.44	\$5.93	\$6.46
Equivalent cost per 100 gallons		\$0.61	\$0.67	\$0.73	\$0.79	\$0.86
SFPUC Wholesale Rate per hcf		\$1.65	\$1.90	\$2.09	\$2.71	\$2.85

<u>Residential Tiers</u>	<u>Billed</u>	<u>% of Avg</u>	Current	<u>2-year phase in</u>				
				<u>Breakpoints</u>				
Block 1 0-2 hcf	20.0%	65%	\$1.62	\$2.40	\$3.25	\$3.53	\$3.85	\$4.20
Block 2 3-10 hcf	53.0%	100%	4.19	4.60	5.00	5.44	5.93	6.46
Block 3 11-25 hcf	23.0%	120%	4.84	5.45	6.00	6.53	7.11	7.75
Block 4 26+	4.0%	140%	5.27	6.15	7.00	7.61	8.30	9.04
Weighted Avg Residential Rate			3.87	4.42	4.96	5.40	5.88	6.41

				<u>Maintain rates until increases warranted</u>				
Block 1 0-5 hcf	6.50%	90%	\$4.52	\$4.52	\$4.52	\$4.89	\$5.33	\$5.81
Block 2 6+ hcf	93.50%	105%	4.84	4.84	5.25	5.71	6.22	6.78
Weighted Avg Commercial Rate			4.82	4.82	5.20	5.66	6.16	6.72
Overall Weighted Avg Rate			4.25	4.58	5.06	5.50	6.00	6.54
Difference from Target				0.6%	1.4%	1.2%	1.2%	1.2%

Table 25
Mid-Peninsula Water District
Proposed Rate Schedule

		Current 2009/10				Proposed Water Rates*											
		2010/11		2011/12		2012/13		2013/14									
Increase in Revenues Requirement from Rates																	
Monthly Service Charges																	
Meter	Meter Ratio	\$12.41	\$13.30	\$14.23	\$15.51	\$16.91	\$18.43	\$20.37	27.65								
5/8"	1.00	16.24	19.96	21.35	23.27	25.37	27.65	30.08	36.08								
1"	1.50	25.65	33.26	35.58	38.79	42.28	46.08	50.73	57.73								
1 1/2"	2.50	37.21	53.22	56.93	62.06	67.64	73.73	80.59	88.59								
2"	4.00	55.20	79.83	85.40	93.09	101.47	110.59	121.47	131.47								
3"	6.00	84.66	133.04	142.33	155.15	169.11	184.31	199.31	214.31								
4"	10.00	197.65	332.61	355.83	387.87	422.78	460.79	497.79	534.79								
6"	25.00																
Service Charge discount for residential customers with up to 2 hcf of use per monthly billing period:																	
		50%	25%	0%	0%	0%	0%	0%	0%								
Water Consumption Charges																	
Residential Tiers		% of Use <u>Billed</u>	% of Avg <u>Rate/hcf</u>	At Current Breakpoints													
Block 1	0-2 hcf	20.0%	65%	\$1.62	\$2.40	\$3.25	\$3.53	\$3.85	\$4.20								
Block 2	3-10 hcf	53.0%	100%	4.19	4.60	5.00	5.44	5.93	6.46								
Block 3	11-25 hcf	23.0%	120%	4.84	5.45	6.00	6.53	7.11	7.75								
Block 4	26+	4.0%	140%	5.27	6.15	7.00	7.61	8.30	9.04								
Commercial Tiers																	
Block 1	0-5 hcf	6.50%	90%	\$4.52	\$4.52	\$4.89	\$5.33	\$5.81									
Block 2	6+ hcf	93.50%	105%	4.84	4.84	5.25	5.71	6.22	6.78								

Table 26 - Mid-Peninsula Water District Cash Flow Projections With Modified Rate Structure

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Overall Rate Adjustment			9%	9%	9%	9%	9%	9%	4%	3%
Median Residential Bill (8 hcf)	\$40.79	\$45.70	\$50.73	\$55.21	\$60.19	\$65.59	\$71.49	\$74.35	\$76.58	\$78.88
Average Residential Bill (10 hcf)	\$49.17	\$54.90	\$60.73	\$66.09	\$72.05	\$78.51	\$85.58	\$89.00	\$91.67	\$94.42
Growth in Service Connections	0.0%	-2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual % Change in Water Sales	-6.5%	1,335,000	1,300,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000
Total Water Sales (hcf)	1,450,000	1,415,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000	1,380,000
SFPUC Water Purchases (hcf)	\$1.65	\$1.90	\$2.09	\$2.71	\$2.85	\$3.21	\$3.87	\$3.99	\$4.11	\$4.23
SFPUC Rate per ccf	0.75%	1.0%	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest Earnings Rate	0.735,857	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Cost Escalation										
Beginning Fund Balances	\$3,400,000	\$1,822,000	\$1,724,000	\$2,000,000	\$2,036,000	\$2,499,000	\$3,145,000	\$3,386,000	\$3,726,000	\$4,059,000
REVENUES										
Monthly Service Charges	900,000	1,481,000	1,584,000	1,727,000	1,882,000	2,051,000	2,236,000	2,325,000	2,395,000	2,467,000
Water Sales	5,600,000	5,922,000	6,336,000	6,906,000	7,528,000	8,205,000	8,943,000	9,301,000	9,588,000	9,867,000
Facilities Maintenance Charges	420,000	0	0	0	0	0	0	0	0	0
Subtotal	6,920,000	7,403,000	7,920,000	8,633,000	9,410,000	10,256,000	11,179,000	11,626,000	11,975,000	12,334,000
Property Taxes	140,000	143,000	146,000	149,000	152,000	155,000	158,000	161,000	164,000	167,000
Facilities/Connection Fees	0	0	0	0	0	0	0	0	0	0
Interest Income on Reserves	26,000	18,000	26,000	40,000	51,000	62,000	79,000	85,000	93,000	101,000
Cellular/Other	200,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Revenues	7,286,000	7,814,000	8,342,000	9,072,000	9,863,000	10,723,000	11,666,000	12,122,000	12,482,000	12,852,000
EXPENSES										
Operating & Maintenance										
Labor	1,942,000	2,020,000	2,101,000	2,185,000	2,272,000	2,363,000	2,458,000	2,556,000	2,658,000	2,764,000
Water Purchases	2,393,000	2,689,000	2,884,000	3,740,000	3,933,000	4,430,000	5,341,000	5,506,000	5,672,000	5,837,000
SFWD Contract Maint	57,000	59,000	61,000	63,000	66,000	69,000	72,000	75,000	78,000	81,000
Purchase Power	225,000	234,000	243,000	253,000	263,000	274,000	285,000	296,000	308,000	320,000
Customer Billing	85,000	88,000	92,000	96,000	100,000	104,000	108,000	112,000	116,000	121,000
Maintenance and General	612,000	636,000	661,000	687,000	714,000	743,000	773,000	804,000	836,000	869,000
Insurance	120,000	125,000	130,000	135,000	140,000	146,000	152,000	158,000	164,000	171,000
Legal Services	75,000	78,000	81,000	84,000	87,000	90,000	94,000	98,000	102,000	106,000
Directors Fees and Benefits	105,000	109,000	113,000	118,000	123,000	128,000	133,000	138,000	144,000	150,000
Other (doublecheck)	600,000	624,000	649,000	675,000	702,000	730,000	759,000	789,000	821,000	854,000
Subtotal	6,214,000	6,662,000	7,015,000	8,036,000	8,400,000	9,077,000	10,175,000	10,532,000	10,899,000	11,273,000
Non-Operating										
Debt Service, Dairylane Note	150,000	150,000	51,000	0	0	0	0	0	0	0
Capital Improvements & Maint	2,500,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,250,000	1,250,000	1,250,000	1,250,000
Subtotal	2,650,000	1,250,000	1,051,000	1,000,000	1,000,000	1,000,000	1,250,000	1,250,000	1,250,000	1,250,000
Total Expenses	8,864,000	7,912,000	8,066,000	9,036,000	9,400,000	10,077,000	11,425,000	11,782,000	12,149,000	12,523,000
Revenues Less Expenses	(1,578,000)	(98,000)	276,000	36,000	463,000	646,000	241,000	340,000	333,000	329,000
Ending Fund Balances	1,822,000	1,724,000	2,000,000	2,036,000	2,499,000	3,145,000	3,386,000	3,726,000	4,059,000	4,388,000
Fund Reserve Target	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000

Table A-1
Mid-Peninsula Water District
5-Year Capital Improvement Plan

2010/2011	Capital (\$750,000)	Facilities Maintenance (\$350,000)	Total \$1,100,000
\$500,000 Alameda \$250,000 Meters		\$200,000 Main Replacement \$80,000 State Smog Vehicles \$25,000 Hydrants \$25,000 Pumps/Regulators \$20,000 Valves	
2011/2012	Capital (\$750,000)	Facilities Maintenance (\$250,000)	Total \$1,000,000
\$500,000 Buckland Tanks \$250,000 Meters		\$175,000 Main Replacement \$25,000 Hydrants \$25,000 Pumps/Regulators \$25,000 Valves	
2012/2013	Capital (\$750,000)	Facilities Maintenance (\$250,000)	Total \$1,000,000
\$500,000 El Camino Real from F St./F St. to Old County \$250,000 Meters		\$175,000 Main Replacements \$25,000 Hydrants \$25,000 Pumps/Regulators \$25,000 Valves	
2013/2014	Capital (\$750,000)	Facilities Maintenance (\$250,000)	Total \$1,000,000
\$500,000 ElCamino Real Oniell to Broadway to Harbor \$250,000 Meters		\$100,000 Main Replacement \$75,000 New Vehicles \$25,000 Hydrants \$25,000 Pumps/Regulators \$25,000 Valves	
2014/2015	Capital (\$750,000)	Facilities Maintenance (\$250,000)	Total \$1,000,000
\$500,000 El Camino Real from Middle to Davey Glen \$250,000 Meters		\$175,000 Main Replacement \$25,000 Hydrants \$25,000 Pumps/Regulators \$25,000 Valves	