

RESPONSE TO GRAND JURY REPORT FORM

Report Title: City of Ukiah vs. Ukiah Valley Sanitation District - Round Three

Report Date: April 3, 2013

Response by: City of Ukiah

Title: City Council and City Manager


FINDINGS

- I (we) agree with the findings numbered: _____
- I (we) disagree wholly or partially with the findings numbered: F1, F2, F3, F4, F5
(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered R1 (already done prior to report) have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 6/6/13

Signed: 

Number of pages attached 37

The Grand Jury report precedes its findings with Summary and Background sections and adds a Discussion section at the conclusion of the report. In addition to its response to the grand jury's findings and recommendations, required by Penal Code Section 933.05, the City will also respond to these additional sections in the report.

RESPONSE TO SUMMARY

Introduction:

In addressing the relationship between the City and the Ukiah Valley Sanitation District, the Grand Jury has gotten the wrong answer by asking the wrong question. It has asked why there are difficulties in the current relationship between the City and the UVSD, concluding that the problems stem from a poorly worded Participation Agreement and poor communication by the City.

The Grand Jury should have asked why the City and the UVSD worked harmoniously together for more than 53 years (from 1955 to 2007), during all of which time the City administered the sewer system, including billing and collections, for both entities. In February 1985, the City and the District entered a Fourth Supplemental Agreement to the original 1955 agreement. The Fourth Supplemental Agreement read substantially the same as the 1995 Participation Agreement. The City and the District were able to successfully negotiate changes to the Participation Agreement in 1999 and 2004, and a Financing Agreement in 2006.

What changed in 2008? In that year the District Board decided unilaterally to convert from a representative board composed of two members of the Board of Supervisors and one City Council member to a directly elected board of five members. Before changing the composition of the Board, there was no attempt by the District to discuss with the City the impact that this change could have on the interaction between the two entities or on the Participation Agreement, or the impact upon the day to day administration and operations of the system provided for under the Participation Agreement. There was no consideration of the impact this change could have on the cost of providing sewer service to the residents of the City and the District.

In addressing the Grand Jury's findings, the City will point out how asking the wrong question has caused the Grand Jury to reach the wrong conclusions as to the nature and cause of the current relationship between the City and the District.

REQUIRED RESPONSE TO FINDINGS

1. Disagree. The City has not withheld information from the Ukiah Valley Sanitation District (UVSD). City staff makes every reasonable effort to keep UVSD staff informed of all of the areas of concern, and in fact, issues a monthly financial statement to the District, and has done so for several years. Public Works, Sewer and Engineering staff and the City's Finance staff have open communication on a frequent basis with District staff. City staff recollects that UVSD's former Director Kennedy used the Freedom of Information Act request to collect information in order to prepare a lawsuit regarding the Mendocino Brewery Connection Fee. To date that is the only Public Information Request from the District.

Although the City's administrative and operational duties under the Participation Agreement were conducted for 50 plus years, the advent in 2008 of an elected board, served by District administrative staff, created new dynamics in the relationship between the two entities. There was no consultation and/or discussion with the City as to how those new dynamics could be dealt with in the best interest of all concerned, and in accordance, with the Participation Agreement. It has been confusing and difficult for both parties, since 2008, to address the various consequences of the change in the District's governance model.

REQUIRED RESPONSE TO RECOMMENDATIONS

- 1) The City of Ukiah should provide UVSD with a copy of their customer list per the FOIA request.**

Response: The City Finance Department gives the UVSD a copy of their customer list at a minimum of once a year for the UVSD rate reviews. The Sanitation District has to calculate the water usage for their customers so they can set the annual rate for each customer. The City supplies the UVSD staff with the customer list so that calculation can happen.

June 4, 2013

Response to Grand Jury Report Form

FINDINGS IN DISPUTE

F1 See Required Response

F2 Disagree. The city of Ukiah's financial system has adequately accounted for all transactions and financial matters related to the Wastewater Enterprise, over the course of the Participation Agreement, as evidenced by annual independent audits conducted on the City's financial transactions. Friction has been caused as a result of the change in the governance model, where the District has sought to have data developed and provided separately for the District, and in formats beyond the scope of the existing Wastewater Enterprise structure, and outside of provisions in the Participation Agreement.

F3 Disagree. Under the terms of the Participation Agreement, the City of Ukiah administers the wastewater collection systems of the City and the District and the City's Wastewater Treatment Plant (WWTP) as one system, and has done so since 1953. This is not unilateral management by the City. Rather, the City manages the combined City/District sewer system in accordance with the terms of the Participation Agreement to which both parties have agreed. The fees and fines incurred by the operation of the WWTP are much lower than other systems in the Russian River Watershed and Northern California. The City has received few complaints from the District regarding its operation of the systems.

F4 Disagree. The Fourth Supplemental Agreement was entered in 1985 and with slight modifications, the Participation Agreement was entered into by both parties in 1995. The agreements were workable and caused few conflicts for more than 20 years. Rather than express a bias toward the City, the agreements have provided a cost-effective means of providing sewer service in the City and the District by avoiding unnecessary or duplicative administrative and overhead costs. What changed in 2008, was the governance of the District and the resulting increase in administrative costs, which provide no benefit to City residents in the overlap area. The City recognizes the right of the District to have an elected board, as well as to hire staff to administer the District. However, the District boundaries overlap the City of Ukiah, and nearly half of District rate payers also live in the City of Ukiah, and are already represented by the City Council. It is this duplication of representation that leads to conflict, along with the fact that the Participation Agreement did not contemplate the current governance arrangement because it was not in place when the Fourth Supplemental Agreement was entered in 1985 or the Participation Agreement was entered into in 1995. The City Council appointed an active Ad/Hoc Committee to meet with an ad hoc committee of the District Board to discuss amending the Participation Agreement. Those meetings produced a report from a facilitator hired by the City and the District to facilitate those discussions. The City Council formally responded to those proposed

changes. In that response, the City Council stated its willingness to finalize the proposed revisions to the Participation Agreement. In the letter the City also explained why, in the City Council's opinion, detachment of the overlap area from the District has to be included in any discussion of revisions to the Participation Agreement (See page 2 of that letter.) Attached is a copy of the City Council's letter regarding those proposed changes, including a study the City undertook to show the financial feasibility of detachment of the overlap area from the District. The City Manager subsequently followed up with the District a year later, to seek a response from the District, to the City's proposal. To the City's knowledge, the District has not responded to the City's letter of 2011 other than to refuse to discuss detachment.

F5 Disagree in part. The City of Ukiah and UVSD are connected together by the Participation Agreement and the Financing Agreement, which include their respective obligation to repay the long term bonded debt for improvements to the Wastewater Treatment Plant. These existing contract agreements cannot be resolved by LAFCO, or any other agency. They must be resolved by the parties to the agreements. The City of Ukiah does agree that LAFCO can play a role in helping to resolve the duplication of government services that now exists in the overlap area, through the detachment process that LAFCO oversees and that LAFCO would be involved in any proposal to consolidate the District with water districts in the Ukiah Valley.



October 13, 2011

Board of Directors
Ukiah Valley Sanitation District
387 North State Street, Suite 101
Ukiah, CA 95482

Dear Board members:

The City Council has reviewed the Draft Revised Participation Agreement prepared by Dave Smith which the City Council understands sets out those changes to the Participation Agreement, including Amendment No. 1, but not Amendment No. 2, which have been agreed upon by a majority of the combined City and District ad hoc committee members.

The City Council has considered input from City staff and the City Attorney in its review of the proposed changes. It appears to the City Council from Dave Smith's comments in the right-hand margin that there may need to be further revisions to the proposed changes to the agreement, based on additional input from staff and the ad hoc committees.

It is also possible that the City Council does not fully understand the intent behind some of the proposed changes and that its concerns, as expressed in this letter, will be addressed by a better understanding of that intent.

With these caveats the City Council believes that a formal written response to the work of the ad hoc committees, at this time, is timely and may provide a path for reaching final agreement on changes to the Participation Agreement that will address most, if not all, of the difficulties which have plagued the relationship between the City Council and the District Board, since it was expanded and became directly elected.

The City Council has some preliminary general comments which are followed by comments on the specific proposed revisions to the Participation Agreement, including some changes proposed by the City Council which were not considered by the ad hoc committees.

Preliminary General Comments

In relation to changes to the Participation Agreement, the City Council's primary responsibility is to the City's sewer system ratepayers and to the residents of the City. That responsibility comes before adopting any changes to the Participation Agreement proposed by the 2008 ad hoc committee or the Board of the Sanitation District. Accordingly, before the City Council can agree to any changes to the Participation Agreement, it must determine how that change will affect City ratepayers and City residents. The City Council may agree to changes that primarily benefit the District, if

that change is made in exchange for a change that benefits the City ratepayers and residents.

Based on this standard, the City Council has concluded that any change to the Participation Agreement must include an agreement on detaching City territory from the Sanitation District. It makes no sense for some City residents to receive sewer service from the City and other City residents to receive sewer service from the District, especially now that the District's monthly sewer charges and connection fees are different from the City's. The arrangement is inherently confusing to ratepayers and is necessarily inefficient, since City employees using City equipment actually provide the service to all City residents as well as District ratepayers. There is no rational justification for a separate governing board and the inevitable separate bureaucracy to provide sewer service to some City residents, when all City residents have representation through their election of City Council members and when the City is already providing the service to all City residents.

Some of the proposed changes to the Participation Agreement make detachment even more important. Under the proposed changes, the District reserves the right to discontinue using the City for billing and collections. This change creates the potential for some City residents to receive a consolidated utility bill (water, sewer, garbage, electricity, street lights) which is administered and paid through the Civic Center and the City's website, and other City residents to either receive a separate sewer bill from the District or be forced to pay sewer fees through their property tax bills.

Moreover, the impact of these and other proposed changes to the Participation Agreement on the City and its residents is very different, if the District includes City territory or that territory has been detached from the District. This provides another reason supporting the City Council's conclusion that these changes to the Participation Agreement cannot be negotiated separately from detachment.

Finally, the District has proposed changes to sections 3 and 5 of the Participation Agreement that enhance its ability to serve an as yet undetermined District sphere of influence and District annexations. The City should not be expected to ignore detachment in discussing these changes to the Participation Agreement, when the District is seeking changes to enhance its ability to serve areas outside its existing boundaries.

The City has commissioned an assessment of the financial impact on the District and the City of detaching City territory from the District. That study is enclosed. The City Council is prepared to discuss this study with the District and is open to discussing ways to mitigate any potential financial impacts on the District resulting from detachment. The City Council is also prepared to discuss sharing with District the cost of operating and maintaining the trunk line from the WWTP to Ford Road on the same basis that it shares the use of the WWTP with the District. The City Council also notes that under Amendment No. 2 to the Participation Agreement, the City and the District have agreed to revise the allocation of ESSUs from the expansion of the WWTP in the event of such

changes as detachment of City territory from the District. Those negotiations can also mitigate the financial impact on the District from detachment.

The City Council also does not believe that the current practice of negotiating changes to the Participation Agreement solely between elected members of the subcommittees is the most efficient way to achieve final agreement. At this point in the process, the City Council believes that staff from both the District and the City, including legal counsel, should participate in all future meetings. The elected officials can benefit from the expertise available from staff and staff will better serve elected officials, if they can be present during the discussions rather than depend on the elected subcommittee members or the outside consultant to describe those discussions for staff and other Board and Council members.

Specific responses to the proposed changes to the Participation Agreement.

1. Section 1.

General comment on Changes. In the City Council's opinion, the proposed changes to section 1 of the Participation Agreement will make budgeting and accounting much more complicated than the current system of treating the combined City-District systems as one system and sharing all expenses of the entire system in proportion to sewer service units. Since the District is seeking these changes, it should bear all of the added costs.

A. Apportioning annual costs of treating sewage, including operation, repair and replacement, upgrading and debt service of WWTP based on ratio of City to District sewer service units.

Comment: The City Council is not opposed to treating capital projects that increase capacity separately from these other costs and making separate agreements on apportioning the costs of such capital projects on a case by case basis.

B. Apportioning costs of repair, rehabilitation, replacement and capacity upsizing to meet demand of existing connections of the Trunk Sewer from WWTP to Ford Road, including any future debt service based on ratio of City to District sewer service units at time of repair, etc.

Comment: The amendment should address how the parties will make a decision to repair, upsize, etc.? The City Council would also like a description of the circumstances that could require an increase in capacity of the trunk line to meet demand of existing connections.

C. Apportioning annual costs for maintenance and operation of City and District sewer collection system, including trunk sewers based on actual cost to be allocated

to the parties at the end of each fiscal year and estimated for the next fiscal year according to Section 13.

Comment: As previously stated, this proposal places a significant new burden on City to set up a system for tacking expenses and then using the system on an on-going basis. Since this is a method for charging cost sought by District, it should pay the added cost for developing and using it.

D. Each party to pay the cost to repair, rehabilitate, replace, upsize and expand (to meet demand of existing connections) and any associated debt service for its collection system, including trunk sewers, except District trunk sewer from WWTP to Ford Road.

Comment: In the City Council's opinion this change has very different impacts on both parties, depending on whether City territory is detached from District territory. The City Council's willingness to change the Participation Agreement from the current approach of a unified system depends on detaching City territory from the District.

E. Apportioning annual cost for providing insurance and financial services relating to operation and maintenance of WWTP and City and District collection systems, including trunk sewers, based upon ratio of City revenue to District revenue from monthly sewer fees.

Comment: The rationale is unclear for sharing these costs based on income and other shared expenses based on sewer service units. It is not necessarily true that the burden of financial services, including billing and collections, is more proportional to income than sewer service units. The City Council is willing to consider this change if the rationale is further explained and the City Council is convinced that apportioning these costs on a different basis than other costs is sufficiently important to justify the added complexity.

F. District can reject proposed costs established by City for providing billing and collection services to District. City can refuse to provide billing and collection services. Either party can make that election on 90 days notice.

Comment: This change to Section 1 of the Participation Agreement does not address the time and costs associated with the transition, other issues associated with the transition, or the City's liability for bills in collection, when a 90 day notice is given. If the District elects to take over billing and collection, it should be required to provide adequate time for the transition to occur, provision must be made for the transfer, including bills in various stages of collection, and the costs incurred by the City to make this transition. The District should also be required to indemnify, defend and hold City harmless from any liability to District or District customers arising out of or resulting from the transfer of billing and collection functions from the City to the District. As

previously stated, this provision negatively impacts City residents, if it were adopted before detachment.

Section 2

Continues City obligation to provide \$5 M liability and property loss insurance with comment that provision should be revised to provide E&O insurance for District Engineer and work done by each entity for the other.

Suggested addition by City: The City Council proposes the following change to Section 2 that was not considered by the ad hoc committees: The City's liability to the District for any services provided by the City pursuant to this Agreement shall be limited to claims within the scope of coverage and policy limits of the insurance. District waives and agrees to hold City harmless from any claims by District not covered and paid by the insurer issuing the policy required by this paragraph. The insurer must waive any recourse against the District or the City for claims covered by and paid by the insurer. References to City in this paragraph include the City's employees, officials, and officers.

Reason: The District currently shares the cost of operating the sewer system based on the budget which reflects the actual cost to provide the service. The budget does not include funds set aside to cover damages claims by the District against the City that the City has failed to perform those services in accordance with the Participation Agreement or has been negligent in the performance of those services. Under these circumstances the City is exposed to liability to the District, but it is not paid to assume that liability. Under this addition to the Participation Agreement, the parties would share the cost of insurance and the District would agree to restrict its recourse against the City to claims which are covered by the insurance. In that way the City is protected from assuming a liability it has not been paid to assume.

Section 3

A. City shall not unreasonably deny a request from the District to expand WWTP to accommodate "lawful" growth in District and its sphere of influence. The District is liable for all costs of the expansion, if the expansion serves only future District customers and customers in its sphere of influence.

Comment: The term "lawful" should be revised to "growth that is permitted by Mendocino County's general plan and zoning ordinance."

The City Council does not object to this language as it applies within the District's boundaries, after detachment. However, the District doesn't currently have a sphere of influence. Before the City Council can agree to this proposal, it needs to know what territory the District contemplates as being within that sphere and the revision would have to describe that area. The City Council is unlikely to agree, if the District

contemplates a sphere of influence that will overlap with the sphere of influence proposed by the City's 1995 General Plan.

B. Introduces for first time the statement that title and control of Trunk Sewer from WWTP to Ford Road remains with District. This provision includes a parallel provision to A, that District won't unreasonably deny a City request to upsize or extend the Trunk Sewer for purpose of accommodating lawful growth in City with the City liable for improvements which only serve new connections in the City.

Comment: The term "lawful" should be revised to: "growth that is permitted by the City's general plan and zoning ordinance."

The proposed revision is limited to the City limits. If A will apply within the District's sphere of influence, the City Council will expect this provision to include the City's sphere of influence.

Section 4

This section is changed to prohibit the City from contracting to operate its treatment plant for any person, firm or corporation without the consent of the District.

Comment: The City Council does not understand the meaning of "operate its treatment plant for any person," etc. This phrase needs to be explained before the City Council can comment.

Section 5

The section currently requires approval from the City for the District to provide sewage treatment for any person, firm or corporation outside District's boundaries. The revision allows the District at its expense to utilize packaged treatment system or systems to treat sewage within "the annexed area" or within the District and to discharge pre-treated effluent to sewer trunk lines as long as the District does not exceed its allotted sewer service units.

Comment: Currently, the District does not have a sphere of influence. Accordingly, it cannot annex additional territory. As stated previously, the District needs to identify the area it intends to annex in order for the City Council to consider this proposal.

In addition, in the City Council's opinion, the use of packaged treatment or pre-treatment systems is more complicated than the proposed revision acknowledges. Dave Smith's comment recognizes that a definition is needed of how the level of treatment relates to ESSU reduction. There are a number of other issues that will have to be addressed, including the procurement of the systems, the installation, operation and maintenance of

the systems, repair and replacement of the systems, the funding for the systems, including depreciation and replacement, and liability arising from the operation, maintenance, repair and replacement of the systems. All of these issues can affect the City's WWTP.

Section 6

The City Council seeks a revision to Section 6, not considered by the ad hoc committee, to address its concern about the District's right to approve the sewer budget, which was gained by the District for the first time in Amendment No. 1 to the Participation Agreement, which amendment was approved before the District adopted a five member directly elected Board. The current system disrupts the City operations and the dispute resolution provision is awkward and does not provide a timely resolution for disputed items. It also becomes less necessary to involve the District in the City's budgeting process as the agreement morphs from a sharing of the unified costs of the entire system to sharing costs of the WWTP and each party paying for the costs to maintain its separate collection system and possibly billing, collections and other financial services.

The City Council would like to negotiate an alternative through the ad hoc committees that makes sense for both parties.

Section 9

Comment: The City Council proposes to revise the agreement to reflect current practice by giving the City the option of installing sewer laterals for new connections or requiring a property owner or developer to install the lateral subject to inspection and approval by the City.

Section 11

No changes are proposed to this section which provides that the District will establish by ordinance or resolution such rules and regulations as are necessary for the orderly administration of the District's system. The City Council proposes the following revisions, not considered by the ad hoc committees, which are underlined:

District will establish by ordinance or resolution, as appropriate, such rules and regulations as are necessary for the orderly administration of District's collection system; provided, however, that any rules and regulations governing the trunk line from the WWTP to Ford Road must be approved by the City Council. These rules and regulations shall include the use of the public sewers and drains, the installation of sewer lines and connections in buildings, the installation of sewer laterals and public sewer mains and the extension of these, the discharge of waters and wastes into the public sewer system, and sewer fees and charges, including connection fees, service fees, and capacity charges. Said rules and regulations shall meet all regulatory requirements governing sewage

collection systems, including waste discharge requirements for the District's collection system and the Waste Water Treatment Plant.

Section 12

City Council proposes to change "will" to "shall" in the first sentence in this section.

Section 13

(1) The changes to this section require all revenues received from City and District sewer system customers to be held in separate accounts. (2) The proposed changes require the City to implement and use a work order or other job tracking system to keep track of hours worked, equipment used, and materials used, when working on the City's collection system and the District's collection system. The tracking system will be used to allocate the actual cost of maintenance, repair, and rehabilitation of the City's collection system to the City and the District's collection system to the District. The proposed changes are somewhat unclear on this point, but it appears that the actual costs for the past year will determine the allocation of costs in the upcoming budget year. (3) The proposed changes to the agreement require the City to charge the District "cost-based" fees for providing engineering services, management and administrative oversight related to the maintenance and operation of the District's collection system. (4) The City and the District must agree during the annual budget process on the charges for engineering services, management and administration for the WWTP.

Comments:

(1) This change conforms to current practice, although it should be made clear that the term "accounts" refers to accounts established within the City's budget by account number and does not refer to different bank accounts.

(2) Since the District is requesting and is the primary beneficiary of this change, the District should pay the cost to establish and use this system. If the parties decide that the City should propose a fee for maintaining, repairing and rehabilitating the District's collection system, the tracking system would be useful for verifying that the City's charges are based on its actual costs, but the hourly rates for labor and equipment rental should include an amount to account for direct and indirect overhead as well as the direct expense for those items.

(3) and (4) The terms "engineering services," "management," "administrative oversight," and "administration" need additional definition. (3) appears to refer to the City charges for these services. The City assumes that since it operates and maintains the WWTP that the engineering services, management and administration for the WWTP refers to those expenses incurred by the City.

Letter to UVSD Board of Directors
Subject: Ad hoc committee proposals
Dated: October 13, 2011

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Clarification of these provisions could address the on-going dispute over sharing administrative costs and could afford an opportunity to resolve the dispute over the 2009-10, 10-11 and 11-12 budget years.

Section 14

This proposal should be discussed by the City Council and the District Board. The City Council notes that Water Code Section 1210 provides, in pertinent part, as follows: "The owner of a waste water treatment plant operated for the purpose of treating wastes from a sanitary sewer system shall hold the exclusive right to the treated waste water as against anyone who has supplied the water discharged into the waste water collection and treatment system, including a person using water under a water service contract, unless otherwise provided by agreement."

The current Participation Agreement does not agree to grant the District a right to treated waste water. As stated in the Preliminary General Comments, the City Council would have to be convinced that it is a benefit to the City's residents and sewer system ratepayers to share waste water produced by the WWTP with the District.

The City Council looks forward to productive negotiations through the ad hoc committees on the changes to the Participation Agreement discussed by the ad hoc committees and the issues contained in this letter.

Very truly yours,



Mari Rodin, Mayor

cc: City Council
City Attorney
City Manager

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches and City takes half of expansion ESSUs	
ESSUs - July 2011						
For Allocating Shared Expenses						
City of Ukiah						
Inside City and inside District	0		2,778		2,778	
Inside City and outside District	6,257		6,257		6,257	
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%
UVSD						
Inside City	2,778		0		0	
Outside City	2,878		2,878		2,878	
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%
For Allocating Plant Expansion Debt Service						
City of Ukiah						
Inside City and inside District	0		0		780	
Inside City and outside District	840		840		840	
Total - City	840	35.00%	840	35.00%	1,620	67.50%
UVSD						
Inside City	780		780		0	
Outside City	780		780		780	
Total - UVSD	1,560	65.00%	1,560	65.00%	780	32.50%
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%
Revenue Requirement (FY 11/12 Budget)						
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Shared Expenses (Fund 612)						
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,288	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434
Subtotal	(\$6,721,504)	(\$3,358,899)	(\$3,362,635)	(\$4,686,352)	(\$2,025,152)	(\$5,015,502)
Direct Expenses						
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$829)
Total Rate Revenue (FY 11/12 Budget)						
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662
Rate Increases						
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112
Revenue Requirement						
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)
Reserves (1)	\$2,412,333	\$1,267,288	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	\$0
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$298,860
% Rate Increase Needed to balance budget		-3%	3%	-10%	38%	-5%
Portion of rate increase related to detachment				-7%	33%	-2%
Sewer Rates (as of 7/1/2011)						
Residential						
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$45.22	\$72.74	\$47.92	\$64.28
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.78	\$4.63	\$1.88	\$4.09
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$60.31	\$112.05	\$63.91	\$85.12
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$724	\$1,457	\$767	\$1,021
Commercial Rates						
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$6.63	\$10.76	\$7.03	\$9.51
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.09	\$11.51	\$7.51	\$10.17
Medium Strength Users (\$/HCF)	\$13.99	\$14.96	\$12.54	\$20.35	\$13.29	\$17.98
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$16.16	\$26.20	\$17.12	\$23.15
Fund Balances (as of 6/30/2012)						
Estimated Ending Balance (as of 6/30/2012)	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Shared Funds						
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$238,002)	(\$438,290)	(\$455,147)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712
Direct Funds						
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537
641 - District Operations Fund	\$2,311,723		\$2,311,723			\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752			\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)			(\$267,160)
820 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138
Total Funds	\$13,719,543	\$8,087,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,901,590

780

[1] Allocated using 'For Shared Expenses' ESSUs as shown above
 [2] Allocated using 'Plant Expansion' ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

Gordon's comments:
 It doesn't appear that the connection fee revenue is included in this computation.
 If connection fee revenue is not included, the result is that the rate payers are funding 100% of the expansion debt payment.
 Fund balance is distributed on ESSU ratio for Fund #612. This is not correct

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches; City takes 805 expansion ESSUs and reimburses (No District rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and inside District	0		0		805		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,845	68.54%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		755		
Total - UVSD	1,560	65.00%	1,560	65.00%	755	31.46%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$8,721,504)	(\$3,358,869)	(\$3,302,635)	(\$4,696,352)	(\$2,025,152)	(\$5,025,731)	(\$1,695,773)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$9,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$630)	(\$639)
Total Rate Revenue (FY 11/12 Budget)							
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	(\$329,379)	\$329,379
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	(\$40,746)	(\$68,004)
% Rate Increase Needed to balance budget		-3%	3%	-10%	36%	1%	3%
Portion of rate increase related to detachment				-7%	33%	4%	0%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$45.22	\$72.74	\$50.78	\$55.27	
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.78	\$4.63	\$1.99	\$3.51	
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$60.31	\$112.05	\$67.73	\$73.20	
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$724	\$1,457	\$813	\$878	
Commercial Rates							
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$6.63	\$10.76	\$7.45	\$8.18	
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.09	\$11.51	\$7.96	\$8.75	
Medium Strength Users (\$/HCF)	\$13.99	\$14.98	\$12.54	\$20.35	\$14.09	\$15.46	
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$16.16	\$26.20	\$18.14	\$19.91	
Fund Balances (as of 6/30/2012)							
Estimated Ending Balance (as of 6/30/2012)	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,128	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$462,171)	(\$212,121)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$8,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,894,566	\$7,307,717

805

(1) Allocated using "For Shared Expenses" ESSUs as shown above
 (2) Allocated using "Plant Expansion" ESSUs as shown above
 (3) Reimbursed over 5 years
 (4) Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches, ESSUs: City takes 550 expansion ESSUs and reimburses (No City rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and Inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and inside District	0		0		550		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,390	57.92%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		1,010		
Total - UVSD	1,560	65.00%	1,560	65.00%	1,010	42.08%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$588,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,899)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$4,921,393)	(\$1,800,111)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$681,750)	(\$519,775)	(\$681,750)	(\$519,775)	(\$681,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$618)	(\$875)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$588,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	(\$225,042)	\$225,042
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$167,927	(\$276,679)
% Rate Increase Needed to balance budget		-3%	3%	-10%	36%	-3%	14%
Portion of rate increase related to detachment				-7%	33%	0%	11%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$45.22	\$72.74	\$49.02	\$60.81
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.78	\$4.63	\$1.92	\$3.87
Average User bill (8.5 units of water) - Monthly		\$87.27	\$70.81	\$60.31	\$112.05	\$65.38	\$80.62
Average User bill (8.5 units of water) - Annually		\$807	\$650	\$724	\$1,457	\$785	\$966
Commercial Rates							
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$6.63	\$10.76	\$7.19	\$9.00
Moderate Strength Users (\$/HCF)		\$7.91	\$8.46	\$7.09	\$11.51	\$7.89	\$9.62
Medium Strength Users (\$/HCF)		\$13.99	\$14.98	\$12.54	\$20.35	\$13.60	\$17.01
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$16.18	\$26.20	\$17.51	\$21.90
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
812 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
811 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$390,527)	(\$283,765)
814 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
822 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
820 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,087,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,968,210	\$7,236,073

(1) Allocated using 'For Shared Expenses' ESSUs as shown above
 (2) Allocated using 'Plant Expansion' ESSUs as shown above
 (3) Reimbursed over 5 years
 (4) Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment	District detaches and retains 1,560 expansion ESSUs		District detaches and City takes half of expansion ESSUs			
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and Inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033		
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878		
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910		
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and Inside District	0		0		780		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,620		
UVSD							
Inside City	780		780		0		
Outside City	780		780		780		
Total - UVSD	1,560	65.00%	1,560	65.00%	780		
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400		
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)	(\$319,150)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$5,015,502)	(\$1,706,002)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,625)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)	(\$2,424,502)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$629)	(\$842)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555	\$218,220
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)	(\$319,150)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)	(\$2,424,502)
Reimbursement of Debt Service - WWTP Expansion (3)		\$0	\$0	\$0	\$0	\$0	\$0
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$818,010	(\$728,763)	\$298,860	(\$407,613)
Surplus/(Deficit), including Connection Fee Revenue		\$173,708	\$99,067	\$672,565	(\$508,543)	\$353,415	(\$189,393)
% Rate Increase Needed to balance budget		0%	0%	0%	26%	0%	9%
Portion of rate increase related to detachment				0%	26%	0%	9%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$50.44	\$68.95	\$50.44	\$58.49
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.98	\$4.26	\$1.98	\$3.72
Average User bill (8.5 units of water) - Monthly		\$67.27	\$70.81	\$67.27	\$103.14	\$67.27	\$77.46
Average User bill (8.5 units of water) - Annually		\$807	\$850	\$807	\$1,341	\$807	\$930
Commercial Rates							
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$7.40	\$9.90	\$7.40	\$8.85
Moderate Strength Users (\$/HCF)		\$7.91	\$8.46	\$7.91	\$10.59	\$7.91	\$9.25
Medium Strength Users (\$/HCF)		\$13.99	\$14.96	\$13.99	\$18.73	\$13.99	\$16.36
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$18.02	\$24.12	\$18.02	\$21.07
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$455,147)	(\$219,145)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$8,120,735	\$7,081,548	\$5,901,590	\$7,300,893

780

[1] Allocated using 'For Shared Expenses' ESSUs as shown above
 [2] Allocated using 'Plant Expansion' ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

Gordon's comments:
 It doesn't appear that the connection fee revenue is included in this computation.
 If connection fee revenue is not included, the result is that the rate payers are funding 100% of the expansion debt payment.
 Fund balance is distributed on ESSU ratio for Fund #612. This is not correct

	Status Quo - No Detachment				District detaches and retains 1,560 expansion ESSUs		District detaches; City takes 805 expansion ESSUs and reimburses (No District rate increase)	
	Total	City of Ukiah	UVSD		City of Ukiah	UVSD	City of Ukiah	UVSD
ESSUs - July 2011								
For Allocating Shared Expenses								
City of Ukiah								
Inside City and inside District		0		2,776		2,776		
Inside City and outside District		6,257		6,257		6,257		
Total - City		6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD								
Inside City		2,776		0		0		
Outside City		2,878		2,878		2,878		
Total - UVSD		5,653	47.47%	2,878	24.18%	2,878	24.18%	
Total - City and UVSD		11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service								
City of Ukiah								
Inside City and inside District		0		0		805		
Inside City and outside District		840		840		840		
Total - City		840	35.00%	840	35.00%	1,645	68.54%	
UVSD								
Inside City		780		780		0		
Outside City		780		780		755		
Total - UVSD		1,560	65.00%	1,560	65.00%	755	31.48%	
Total - City and UVSD		2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Shared Expenses (Fund 612)								
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)	
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)	
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)	
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)	
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899	
Subtotal	(\$6,721,504)	(\$3,358,889)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$5,025,731)	(\$1,895,773)	
Direct Expenses								
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	
Capital Projects	(\$1,181,525)	(\$681,750)	(\$519,775)	(\$681,750)	(\$519,775)	(\$681,750)	(\$519,775)	
Subtotal	(\$1,380,250)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)	
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$630)	(\$839)	
Total Rate Revenue (FY 11/12 Budget)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890	
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555	\$218,220	
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701	
Rate Increases								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890	
Revenue Requirement								
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)	
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)	
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)	
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)	
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899	
Direct Expenses	(\$1,380,250)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	(\$681,750)	(\$718,500)	
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)	
Reimbursement of Debt Service - WWTP Expansion (3)		\$0	\$0	\$0	\$0	(\$329,379)	(\$329,379)	
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	(\$40,748)	(\$68,004)	
Surplus/(Deficit), Including Connection Fee Revenue		\$173,708	\$99,087	\$672,565	(\$508,543)	\$13,807	\$150,216	
% Rate Increase Needed to balance budget		0%	0%	0%	25%	0%	0%	
Portion of rate increase related to detachment				0%	25%	0%	0%	
Sewer Rates (as of 7/1/2011)								
Residential								
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$50.44	\$66.95	\$50.44	\$53.47	
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.98	\$4.26	\$1.98	\$3.40	
Average User bill (8.5 units of water) - Monthly		\$67.27	\$70.81	\$67.27	\$103.14	\$67.27	\$70.81	
Average User bill (8.5 units of water) - Annually		\$807	\$850	\$807	\$1,341	\$807	\$850	
Commercial Rates								
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$7.40	\$9.90	\$7.40	\$7.91	
Moderate Strength Users (\$/HCF)		\$7.91	\$8.48	\$7.91	\$10.59	\$7.91	\$8.48	
Medium Strength Users (\$/HCF)		\$13.99	\$14.96	\$13.99	\$18.73	\$13.99	\$14.96	
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$18.02	\$24.12	\$18.02	\$19.26	
Fund Balances (as of 6/30/2012)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Estimated Ending Balance (as of 6/30/2012)								
Shared Funds								
812 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552	
811 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$462,171)	(\$212,121)	
814 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	
Direct Funds								
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537		
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723	
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752	
850 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)	
820 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138		
Total Funds	\$13,713,543	\$6,087,161	\$7,135,122	\$8,120,735	\$7,081,548	\$5,894,566	\$7,307,717	

805

(1) Allocated using 'For Shared Expenses' ESSUs as shown above
 (2) Allocated using 'Plant Expansion' ESSUs as shown above
 (3) Reimbursed over 5 years
 (4) Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches ESSUs; City takes 550 expansion ESSUs and reimburses (No City rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and Inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and Inside District	0		0		550		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,390	57.92%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		1,010		
Total - UVSD	1,560	65.00%	1,560	65.00%	1,010	42.08%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,636)	(\$4,698,352)	(\$2,025,152)	(\$4,921,393)	(\$1,800,111)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$618)	(\$875)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555	\$218,220
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Reimbursement of Debt Service - WWTP Expansion (2)		\$0	\$0	\$0	\$0	(\$225,042)	\$225,042
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$167,927	(\$276,679)
Surplus/(Deficit), including Connection Fee Revenue		\$173,708	\$99,067	\$672,565	(\$508,543)	\$222,482	(\$58,459)
% Rate Increase Needed to balance budget		0%	0%	0%	25%	0%	3%
Portion of rate increase related to detachment					25%	0%	3%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$50.44	\$66.95	\$50.44	\$55.02
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.98	\$4.26	\$1.98	\$3.50
Average User bill (8.5 units of water) - Monthly		\$67.27	\$70.81	\$67.27	\$103.14	\$67.27	\$72.86
Average User bill (8.5 units of water) - Annually		\$807	\$850	\$807	\$1,341	\$807	\$874
Commercial Rates							
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$7.40	\$9.90	\$7.40	\$8.14
Moderate Strength Users (\$/HCF)		\$7.91	\$8.46	\$7.91	\$10.59	\$7.91	\$8.71
Medium Strength Users (\$/HCF)		\$13.99	\$14.98	\$13.99	\$18.73	\$13.99	\$15.39
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$18.02	\$24.12	\$18.02	\$19.82
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$390,527)	(\$283,765)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,966,210	\$7,236,073

[1] Allocated using "For Shared Expenses" ESSUs as shown above
 [2] Allocated using "Plant Expansion" ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated



ITEM NO.: 13c
MEETING DATE: October 5, 2011

UKIAH CITY COUNCIL AGENDA SUMMARY REPORT

SUBJECT: CONSIDERATION AND POSSIBLE APPROVAL OF LETTER TO BOARD OF UKIAH VALLEY SANITATION DISTRICT ADDRESSING AD HOC COMMITTEE PROPOSED CHANGES TO PARTICIPATION AGREEMENT BETWEEN CITY AND DISTRICT

SUMMARY: The City Council appointed an ad hoc committee, consisting of Vice Mayor Mary Ann Landis and Councilmember Phil Baldwin, to meet with an ad hoc committee of the Ukiah Valley Sanitation District. The two committees were formed to discuss possible changes to the Participation Agreement between the City and the District under which the City provides sewer service to the District, and the City and the District share the expenses of operating, maintaining and improving the collection systems serving both jurisdictions and the City's Wastewater Treatment Plant ("WWTP"). The range of changes discussed by the two committees was based on the final report of a City/District Joint Ad Hoc Committee which issued a final report on suggested changes to the Participation Agreement on August 14, 2008.

An outside consultant was hired to facilitate the meetings between the two committees. The consultant has delivered to the City and the District draft revisions to the Participation Agreement which were approved by a majority of the members of the combined ad hoc committees. These proposed changes are now under review by both the City Council and the District Board of Directors. To date, the City has not received a formal response to the report from the District's Board.

The City's ad hoc committee has met with City staff and a draft letter to the District Board has been prepared for consideration by the City Council. The letter describes the City Council's proposal for continuing negotiations to reach final agreement on changes to the Participation Agreement. In addition, the letter comments on each of the proposed changes to which a majority of the members of the ad hoc committees agreed and proposes some changes to the agreement which were not discussed by the ad hoc committee.

The attached draft letter takes the position that further negotiations must include detachment of City territory from the District and the participation of appropriate City and District staff and legal counsel in further meetings of the ad hoc committees.

Recommended Action(s): Review letter and authorize Mayor to sign letter on behalf of City Council.

Alternative Council Option(s): Revise the letter or decline to approve a letter.

Citizens advised:

Requested by: Ad hoc Participation Agreement Negotiating Committee

Prepared by: David J. Rapport, City Attorney

Coordinated with: Ad hoc committee, City Manager, Finance Director, Public Works Director

Attachments: Attachment 1 – Draft letter to UVSD Board of Directors

Attachment 2 – Financial analysis of detachment

Approved: 
Jane Chambers, City Manager

The letter encloses a spread sheet setting out an analysis of the financial impact on the City and the District of detaching City territory from the District. The analysis has been prepared by John Farnkopf, the consultant who conducted the City's sewer fee rate study, and Gordon Elton, Finance Director.

The letter should be reviewed for the comments on specific changes to the agreement.

Fiscal Impact:

Budgeted FY 11/12 New Appropriation Not Applicable Budget Amendment Required

[City letterhead]

[Date]

Board of Directors
Ukiah Valley Sanitation District
87 North State Street, Suite 101
Ukiah, CA 95482

Dear Board members:

The City Council has reviewed the Draft Revised Participation Agreement prepared by Dave Smith which the City Council understands sets out those changes to the Participation Agreement, including Amendment No. 1, but not Amendment No. 2, which have been agreed upon by a majority of the combined City and District ad hoc committee members.

The City Council has considered input from City staff and the City Attorney in its review of the proposed changes. It appears to the City Council from Dave Smith's comments in the right-hand margin that there may need to be further revisions to the proposed changes to the agreement, based on additional input from staff and the ad hoc committees.

It is also possible that the City Council does not fully understand the intent behind some of the proposed changes and that its concerns, as expressed in this letter, will be addressed by a better understanding of that intent.

With these caveats the City Council believes that a formal written response to the work of the ad hoc committees, at this time, is timely and may provide a path for reaching final agreement on changes to the Participation Agreement that will address most, if not all, of the difficulties which have plagued the relationship between the City Council and the District Board, since it was expanded and became directly elected.

The City Council has some preliminary general comments which are followed by comments on the specific proposed revisions to the Participation Agreement, including some changes proposed by the City Council which were not considered by the ad hoc committees.

Preliminary General Comments

In relation to changes to the Participation Agreement, the City Council's primary responsibility is to the City's sewer system ratepayers and to the residents of the City. That responsibility comes before adopting any changes to the Participation Agreement proposed by the 2008 ad hoc committee or the Board of the Sanitation District. Accordingly, before the City Council can agree to any changes to the Participation Agreement, it must determine how that change will affect City ratepayers and City residents. The City Council may agree to changes that primarily benefit the District, if

that change is made in exchange for a change that benefits the City ratepayers and residents.

Based on this standard, the City Council has concluded that any change to the Participation Agreement must include an agreement on detaching City territory from the Sanitation District. It makes no sense for some City residents to receive sewer service from the City and other City residents to receive sewer service from the District, especially now that the District's monthly sewer charges and connection fees are different from the City's. The arrangement is inherently confusing to ratepayers and is necessarily inefficient, since City employees using City equipment actually provide the service to all City residents as well as District ratepayers. There is no rational justification for a separate governing board and the inevitable separate bureaucracy to provide sewer service to some City residents, when all City residents have representation through their election of City Council members and when the City is already providing the service to all City residents.

Some of the proposed changes to the Participation Agreement make detachment even more important. Under the proposed changes, the District reserves the right to discontinue using the City for billing and collections. This change creates the potential for some City residents to receive a consolidated utility bill (water, sewer, garbage, electricity, street lights) which is administered and paid through the Civic Center and the City's website, and other City residents to either receive a separate sewer bill from the District or be forced to pay sewer fees through their property tax bills.

Moreover, the impact of these and other proposed changes to the Participation Agreement on the City and its residents is very different, if the District includes City territory or that territory has been detached from the District. This provides another reason supporting the City Council's conclusion that these changes to the Participation Agreement cannot be negotiated separately from detachment.

Finally, the District has proposed changes to sections 3 and 5 of the Participation Agreement that enhance its ability to serve an as yet undetermined District sphere of influence and District annexations. The City should not be expected to ignore detachment in discussing these changes to the Participation Agreement, when the District is seeking changes to enhance its ability to serve areas outside its existing boundaries.

The City has commissioned an assessment of the financial impact on the District and the City of detaching City territory from the District. That study is enclosed. The City Council is prepared to discuss this study with the District and is open to discussing ways to mitigate any potential financial impacts on the District resulting from detachment. The City Council is also prepared to discuss sharing with District the cost of operating and maintaining the trunk line from the WWTP to Ford Road on the same basis that it shares the use of the WWTP with the District. The City Council also notes that under Amendment No. 2 to the Participation Agreement, the City and the District have agreed to revise the allocation of ESSUs from the expansion of the WWTP in the event of such

changes as detachment of City territory from the District. Those negotiations can also mitigate the financial impact on the District from detachment.

The City Council also does not believe that the current practice of negotiating changes to the Participation Agreement solely between elected members of the subcommittees is the most efficient way to achieve final agreement. At this point in the process, the City Council believes that staff from both the District and the City, including legal counsel, should participate in all future meetings. The elected officials can benefit from the expertise available from staff and staff will better serve elected officials, if they can be present during the discussions rather than depend on the elected subcommittee members or the outside consultant to describe those discussions for staff and other Board and Council members.

Specific responses to the proposed changes to the Participation Agreement.

1. Section 1.

General comment on Changes. In the City Council's opinion, the proposed changes to section 1 of the Participation Agreement will make budgeting and accounting much more complicated than the current system of treating the combined City-District systems as one system and sharing all expenses of the entire system in proportion to sewer service units. Since the District is seeking these changes, it should bear all of the added costs.

A. Apportioning annual costs of treating sewage, including operation, repair and replacement, upgrading and debt service of WWTP based on ratio of City to District sewer service units.

Comment: The City Council is not opposed to treating capital projects that increase capacity separately from these other costs and making separate agreements on apportioning the costs of such capital projects on a case by case basis.

B. Apportioning costs of repair, rehabilitation, replacement and capacity upsizing to meet demand of existing connections of the Trunk Sewer from WWTP to Ford Road, including any future debt service based on ratio of City to District sewer service units at time of repair, etc.

Comment: The amendment should address how the parties will make a decision to repair, upsize, etc.? The City Council would also like a description of the circumstances that could require an increase in capacity of the trunk line to meet demand of existing connections.

C. Apportioning annual costs for maintenance and operation of City and District sewer collection system, including trunk sewers based on actual cost to be allocated

to the parties at the end of each fiscal year and estimated for the next fiscal year according to Section 13.

Comment: As previously stated, this proposal places a significant new burden on City to set up a system for tacking expenses and then using the system on an on-going basis. Since this is a method for charging cost sought by District, it should pay the added cost for developing and using it.

D. Each party to pay the cost to repair, rehabilitate, replace, upsize and expand (to meet demand of existing connections) and any associated debt service for its collection system, including trunk sewers, except District trunk sewer from WWTP to Ford Road.

Comment: In the City Council's opinion this change has very different impacts on both parties, depending on whether City territory is detached from District territory. The City Council's willingness to change the Participation Agreement from the current approach of a unified system depends on detaching City territory from the District.

E. Apportioning annual cost for providing insurance and financial services relating to operation and maintenance of WWTP and City and District collection systems, including trunk sewers, based upon ratio of City revenue to District revenue from monthly sewer fees.

Comment: The rationale is unclear for sharing these costs based on income and other shared expenses based on sewer service units. It is not necessarily true that the burden of financial services, including billing and collections, is more proportional to income than sewer service units. The City Council is willing to consider this change if the rationale is further explained and the City Council is convinced that apportioning these costs on a different basis than other costs is sufficiently important to justify the added complexity.

F. District can reject proposed costs established by City for providing billing and collection services to District. City can refuse to provide billing and collection services. Either party can make that election on 90 days notice.

Comment: This change to Section 1 of the Participation Agreement does not address the time and costs associated with the transition, other issues associated with the transition, or the City's liability for bills in collection, when a 90 day notice is given. If the District elects to take over billing and collection, it should be required to provide adequate time for the transition to occur, provision must be made for the transfer, including bills in various stages of collection, and the costs incurred by the City to make this transition. The District should also be required to indemnify, defend and hold City harmless from any liability to District or District customers arising out of or resulting from the transfer of billing and collection functions from the City to the District. As

previously stated, this provision negatively impacts City residents, if it were adopted before detachment.

Section 2

Continues City obligation to provide \$5 M liability and property loss insurance with comment that provision should be revised to provide E&O insurance for District Engineer and work done by each entity for the other.

Suggested addition by City: The City Council proposes the following change to Section 2 that was not considered by the ad hoc committees: The City's liability to the District for any services provided by the City pursuant to this Agreement shall be limited to claims within the scope of coverage and policy limits of the insurance. District waives and agrees to hold City harmless from any claims by District not covered and paid by the insurer issuing the policy required by this paragraph. The insurer must waive any recourse against the District or the City for claims covered by and paid by the insurer. References to City in this paragraph include the City's employees, officials, and officers.

Reason: The District currently shares the cost of operating the sewer system based on the budget which reflects the actual cost to provide the service. The budget does not include funds set aside to cover damages claims by the District against the City that the City has failed to perform those services in accordance with the Participation Agreement or has been negligent in the performance of those services. Under these circumstances the City is exposed to liability to the District, but it is not paid to assume that liability. Under this addition to the Participation Agreement, the parties would share the cost of insurance and the District would agree to restrict its recourse against the City to claims which are covered by the insurance. In that way the City is protected from assuming a liability it has not been paid to assume.

Section 3

A. City shall not unreasonably deny a request from the District to expand WWTP to accommodate "lawful" growth in District and its sphere of influence. The District is liable for all costs of the expansion, if the expansion serves only future District customers and customers in its sphere of influence.

Comment: The term "lawful" should be revised to "growth that is permitted by Mendocino County's general plan and zoning ordinance."

The City Council does not object to this language as it applies within the District's boundaries, after detachment. However, the District doesn't currently have a sphere of influence. Before the City Council can agree to this proposal, it needs to know what territory the District contemplates as being within that sphere and the revision would have to describe that area. The City Council is unlikely to agree, if the District

contemplates a sphere of influence that will overlap with the sphere of influence proposed by the City's 1995 General Plan.

B. Introduces for first time the statement that title and control of Trunk Sewer from WWTP to Ford Road remains with District. This provision includes a parallel provision to A, that District won't unreasonably deny a City request to upsize or extend the Trunk Sewer for purpose of accommodating lawful growth in City with the City liable for improvements which only serve new connections in the City.

Comment: The term "lawful" should be revised to: "growth that is permitted by the City's general plan and zoning ordinance."

The proposed revision is limited to the City limits. If A will apply within the District's sphere of influence, the City Council will expect this provision to include the City's sphere of influence.

Section 4

This section is changed to prohibit the City from contracting to operate its treatment plant for any person, firm or corporation without the consent of the District.

Comment: The City Council does not understand the meaning of "operate its treatment plant for any person," etc. This phrase needs to be explained before the City Council can comment.

Section 5

The section currently requires approval from the City for the District to provide sewage treatment for any person, firm or corporation outside District's boundaries. The revision allows the District at its expense to utilize packaged treatment system or systems to treat sewage within "the annexed area" or within the District and to discharge pre-treated effluent to sewer trunk lines as long as the District does not exceed its allotted sewer service units.

Comment: Currently, the District does not have a sphere of influence. Accordingly, it cannot annex additional territory. As stated previously, the District needs to identify the area it intends to annex in order for the City Council to consider this proposal.

In addition, in the City Council's opinion, the use of packaged treatment or pre-treatment systems is more complicated than the proposed revision acknowledges. Dave Smith's comment recognizes that a definition is needed of how the level of treatment relates to ESSU reduction. There are a number of other issues that will have to be addressed, including the procurement of the systems, the installation, operation and maintenance of

the systems, repair and replacement of the systems, the funding for the systems, including depreciation and replacement, and liability arising from the operation, maintenance, repair and replacement of the systems. All of these issues can affect the City's WWTP.

Section 6

The City Council seeks a revision to Section 6, not considered by the ad hoc committee, to address its concern about the District's right to approve the sewer budget, which was gained by the District for the first time in Amendment No. 1 to the Participation Agreement, which amendment was approved before the District adopted a five member directly elected Board. The current system disrupts the City operations and the dispute resolution provision is awkward and does not provide a timely resolution for disputed items. It also becomes less necessary to involve the District in the City's budgeting process as the agreement morphs from a sharing of the unified costs of the entire system to sharing costs of the WWTP and each party paying for the costs to maintain its separate collection system and possibly billing, collections and other financial services.

The City Council would like to negotiate an alternative through the ad hoc committees that makes sense for both parties.

Section 9

Comment: The City Council proposes to revise the agreement to reflect current practice by giving the City the option of installing sewer laterals for new connections or requiring a property owner or developer to install the lateral subject to inspection and approval by the City.

Section 11

No changes are proposed to this section which provides that the District will establish by ordinance or resolution such rules and regulations as are necessary for the orderly administration of the District's system. The City Council proposes the following revisions, not considered by the ad hoc committees, which are underlined:

District will establish by ordinance or resolution, as appropriate, such rules and regulations as are necessary for the orderly administration of District's collection system; provided, however, that any rules and regulations governing the trunk line from the WWTP to Ford Road must be approved by the City Council. These rules and regulations shall include the use of the public sewers and drains, the installation of sewer lines and connections in buildings, the installation of sewer laterals and public sewer mains and the extension of these, the discharge of waters and wastes into the public sewer system, and sewer fees and charges, including connection fees, service fees, and capacity charges. Said rules and regulations shall meet all regulatory requirements governing sewage

collection systems, including waste discharge requirements for the District's collection system and the Waste Water Treatment Plant.

Section 12

City Council proposes to change "will" to "shall" in the first sentence in this section.

Section 13

(1) The changes to this section require all revenues received from City and District sewer system customers to be held in separate accounts. (2) The proposed changes require the City to implement and use a work order or other job tracking system to keep track of hours worked, equipment used, and materials used, when working on the City's collection system and the District's collection system. The tracking system will be used to allocate the actual cost of maintenance, repair, and rehabilitation of the City's collection system to the City and the District's collection system to the District. The proposed changes are somewhat unclear on this point, but it appears that the actual costs for the past year will determine the allocation of costs in the upcoming budget year. (3) The proposed changes to the agreement require the City to charge the District "cost-based" fees for providing engineering services, management and administrative oversight related to the maintenance and operation of the District's collection system. (4) The City and the District must agree during the annual budget process on the charges for engineering services, management and administration for the WWTP.

Comments:

(1) This change conforms to current practice, although it should be made clear that the term "accounts" refers to accounts established within the City's budget by account number and does not refer to different bank accounts.

(2) Since the District is requesting and is the primary beneficiary of this change, the District should pay the cost to establish and use this system. If the parties decide that the City should propose a fee for maintaining, repairing and rehabilitating the District's collection system, the tracking system would be useful for verifying that the City's charges are based on its actual costs, but the hourly rates for labor and equipment rental should include an amount to account for direct and indirect overhead as well as the direct expense for those items.

(3) and (4) The terms "engineering services," "management," "administrative oversight," and "administration" need additional definition. (3) appears to refer to the City charges for these services. The City assumes that since it operates and maintains the WWTP that the engineering services, management and administration for the WWTP refers to those expenses incurred by the City.

Letter to UVSD Board of Directors
Subject: Ad hoc committee proposals
Dated:

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Clarification of these provisions could address the on-going dispute over sharing administrative costs and could afford an opportunity to resolve the dispute over the 2009-10, 10-11 and 11-12 budget years.

Section 14

This proposal should be discussed by the City Council and the District Board. The City Council notes that Water Code Section 1210 provides, in pertinent part, as follows: "The owner of a waste water treatment plant operated for the purpose of treating wastes from a sanitary sewer system shall hold the exclusive right to the treated waste water as against anyone who has supplied the water discharged into the waste water collection and treatment system, including a person using water under a water service contract, unless otherwise provided by agreement."

The current Participation Agreement does not agree to grant the District a right to treated waste water. As stated in the Preliminary General Comments, the City Council would have to be convinced that it is a benefit to the City's residents and sewer system ratepayers to share waste water produced by the WWTP with the District.

The City Council looks forward to productive negotiations through the ad hoc committees on the changes to the Participation Agreement discussed by the ad hoc committees and the issues contained in this letter.

Very truly yours,

Mari Rodin, Mayor

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches and City takes half of expansion ESSUs		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,267		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and inside District	0		0		780		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,620	67.50%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		780		
Total - UVSD	1,560	65.00%	1,560	65.00%	780	32.50%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund #12)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)	(\$319,150)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$5,015,502)	(\$1,706,002)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)	(\$2,424,502)
Average Annual Revenue Requirement per ESSU	(\$880)	(\$643)	(\$722)	(\$593)	(\$953)	(\$629)	(\$842)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)	(\$319,150)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)	(\$2,424,502)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$298,860	(\$407,613)
% Rate Increase Needed to balance budget		-3%	3%	-10%	38%	-5%	20%
Portion of rate increase related to detachment				-7%	33%	-2%	17%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$45.22	\$72.74	\$47.92	\$64.28
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.78	\$4.63	\$1.88	\$4.09
Average User bill (8.5 units of water) - Monthly		\$87.27	\$70.81	\$80.31	\$112.05	\$69.91	\$85.12
Average User bill (8.5 units of water) - Annually		\$807	\$650	\$724	\$1,457	\$767	\$1,021
Commercial Rates							
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$6.63	\$10.76	\$7.03	\$9.51
Moderate Strength Users (\$/HCF)		\$7.91	\$6.46	\$7.09	\$11.51	\$7.51	\$10.17
Medium Strength Users (\$/HCF)		\$13.99	\$14.98	\$12.54	\$20.35	\$13.29	\$17.98
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$16.16	\$28.20	\$17.12	\$23.15
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$238,002)	(\$438,290)	(\$238,002)	(\$438,290)	(\$455,147)	(\$219,145)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,901,580	\$7,300,693

[1] Allocated using "For Shared Expenses" ESSUs as shown above
 [2] Allocated using "Plant Expansion" ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

Gordon's comments:
 It doesn't appear that the connection fee revenue is included in this computation.
 If connection fee revenue is not included, the result is that the rate payers are funding 100% of the expansion debt payment.
 Fund balance is distributed on ESSU ratio for Fund #612. This is not correct

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches; City takes 805 expansion ESSUs and reimburses (No District rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and inside District	0		0		805		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,645	68.54%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		755		
Total - UVSD	1,560	65.00%	1,560	65.00%	755	31.46%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$5,025,731)	(\$1,695,773)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$630)	(\$839)
Total Rate Revenue (FY 11/12 Budget)							
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	(\$328,379)	\$329,379
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	(\$40,748)	(\$68,004)
% Rate Increase Needed to balance budget		-3%	3%	-10%	36%	1%	3%
Portion of rate increase related to detachment				-7%	33%	4%	0%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$45.22	\$72.74	\$50.78	\$56.27	
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.76	\$4.63	\$1.99	\$3.51	
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$60.31	\$112.05	\$67.73	\$73.20	
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$724	\$1,457	\$813	\$876	
Commercial Rates							
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$6.63	\$10.76	\$7.45	\$8.18	
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.09	\$11.51	\$7.96	\$8.75	
Medium Strength Users (\$/HCF)	\$13.99	\$14.98	\$12.54	\$20.35	\$14.09	\$15.46	
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$16.16	\$26.20	\$18.14	\$19.91	
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$482,171)	(\$212,121)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$287,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,894,568	\$7,307,717

[1] Allocated using "For Shared Expenses" ESSUs as shown above
 [2] Allocated using "Plant Expansion" ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches - ESSUs; City takes 550 expansion ESSUs and reimburses (No City rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and inside District	0		0		550		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,390	57.92%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		1,010		
Total - UVSD	1,560	65.00%	1,560	65.00%	1,010	42.08%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,896,352)	(\$2,025,152)	(\$4,921,393)	(\$1,800,111)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,558,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$518)	(\$875)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,558,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Reimbursement of Debt Service - WWTP Expansion (3)	\$0	\$0	\$0	\$0	\$0	\$225,042	\$225,042
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$167,927	(\$276,679)
% Rate Increase Needed to balance budget		-3%	3%	-10%	36%	-3%	14%
Portion of rate increase related to detachment				-7%	33%	0%	11%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$45.22	\$72.74	\$49.02	\$80.81	
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.78	\$4.63	\$1.92	\$3.87	
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$60.31	\$112.05	\$65.38	\$80.52	
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$724	\$1,457	\$785	\$966	
Commercial Rates							
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$6.63	\$10.76	\$7.19	\$9.00	
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.09	\$11.51	\$7.69	\$9.62	
Medium Strength Users (\$/HCF)	\$13.99	\$14.96	\$12.54	\$20.35	\$13.80	\$17.01	
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$16.16	\$26.20	\$17.51	\$21.90	
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$390,527)	(\$283,765)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,087,161	\$7,135,122	\$8,120,735	\$7,081,548	\$5,966,210	\$7,236,073

[1] Allocated using "For Shared Expenses" ESSUs as shown above
 [2] Allocated using "Plant Expansion" ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches and City takes half of expansion ESSUs	
ESSUs - July 2011						
For Allocating Shared Expenses						
City of Ukiah						
Inside City and Inside District	0		2,776		2,776	
Inside City and outside District	6,257		6,257		6,257	
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%
UVSD						
Inside City	2,776		0		0	
Outside City	2,878		2,878		2,878	
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%
For Allocating Plant Expansion Debt Service						
City of Ukiah						
Inside City and Inside District	0		0		780	
Inside City and outside District	840		840		840	
Total - City	840	35.00%	840	35.00%	1,620	67.50%
UVSD						
Inside City	780		780		0	
Outside City	780		780		780	
Total - UVSD	1,560	65.00%	1,560	65.00%	780	32.50%
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%
Revenue Requirement (FY 11/12 Budget)						
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Shared Expenses (Fund 612)						
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,891)	(\$2,955,509)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434
Subtotal	(\$6,721,504)	(\$3,358,859)	(\$3,362,635)	(\$4,686,352)	(\$2,025,152)	(\$5,015,502)
Direct Expenses						
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$553)	(\$629)
Total Rate Revenue (FY 11/12 Budget)						
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662
Rate Increases						
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112
Revenue Requirement						
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,891)	(\$2,955,509)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$662,850)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,677,252)
Reimbursement of Debt Service - WWTP Expansion (3)		\$0	\$0	\$0	\$0	\$0
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$298,860
Surplus/(Deficit), including Connection Fee Revenue		\$173,708	\$99,067	\$672,565	(\$508,543)	\$353,415
% Rate Increase Needed to balance budget		0%	0%	0%	26%	9%
Portion of rate increase related to detachment				0%	26%	9%
Sewer Rates (as of 7/1/2011)						
Residential						
Fixed (per Dwelling per Month)		\$50.44	\$53.47	\$50.44	\$68.95	\$50.44
Flow Unit Rate (\$/HCF)		\$1.98	\$3.40	\$1.98	\$4.26	\$1.98
Average User bill (8.5 units of water) - Monthly		\$67.27	\$70.81	\$67.27	\$103.14	\$67.27
Average User bill (8.5 units of water) - Annually		\$807	\$850	\$807	\$1,341	\$807
Commercial Rates						
Low Strength Users (\$/HCF)		\$7.40	\$7.91	\$7.40	\$9.90	\$7.40
Moderate Strength Users (\$/HCF)		\$7.91	\$8.46	\$7.91	\$10.59	\$7.91
Medium Strength Users (\$/HCF)		\$13.99	\$14.98	\$13.99	\$18.73	\$13.99
High Strength Users (\$/HCF)		\$18.02	\$19.26	\$18.02	\$24.12	\$18.02
Fund Balances (as of 6/30/2012)						
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah
Estimated Ending Balance (as of 6/30/2012)						
Shared Funds						
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$238,002)	(\$438,290)	(\$238,002)	(\$438,290)	(\$455,147)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712
Direct Funds						
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723	
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752	
650 - District CIP Fund	(\$287,160)		(\$267,160)		(\$267,160)	
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138
Total Funds	\$13,713,543	\$6,087,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,901,590

780

[1] Allocated using 'For Shared Expenses' ESSUs as shown above
 [2] Allocated using 'Plant Expansion' ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

Gordon's comments:
 It doesn't appear that the connection fee revenue is included in this computation.
 If connection fee revenue is not included, the result is that the rate payers are funding 100% of the expansion debt payment.
 Fund balance is distributed on ESSU ratio for Fund #612. This is not correct.

	Status Quo - No Detachment		District detaches and retains 1,550 expansion ESSUs		District detaches; City takes 805 expansion ESSUs and reimburses (No District rate increase)		
ESSUs - July 2011							
For Allocating Shared Expenses							
City of Ukiah							
Inside City and Inside District	0		2,776		2,776		
Inside City and outside District	6,257		6,257		6,257		
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%	
UVSD							
Inside City	2,776		0		0		
Outside City	2,878		2,878		2,878		
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%	
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%	
For Allocating Plant Expansion Debt Service							
City of Ukiah							
Inside City and Inside District	0		0		805		
Inside City and outside District	840		840		840		
Total - City	840	35.00%	840	35.00%	1,645	68.54%	
UVSD							
Inside City	780		780		0		
Outside City	780		780		755		
Total - UVSD	1,560	65.00%	1,560	65.00%	755	31.48%	
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%	
Revenue Requirement (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Shared Expenses (Fund 612)							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Subtotal	(\$8,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,698,352)	(\$2,025,152)	(\$5,025,731)	(\$1,695,773)
Direct Expenses							
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)
Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$630)	(\$839)
Total Rate Revenue (FY 11/12 Budget)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555	\$218,220
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701
Rate Increases							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890
Revenue Requirement							
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$673,079)	(\$308,921)
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,687,481)	(\$2,414,273)
Reimbursement of Debt Service - WWTP Expansion (3)		\$0	\$0	\$0	\$0	(\$329,379)	\$329,379
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	(\$40,748)	(\$68,004)
Surplus/(Deficit), Including Connection Fee Revenue		\$173,708	\$99,067	\$672,565	(\$508,543)	\$13,807	\$150,216
% Rate Increase Needed to balance budget	0%	0%	0%	0%	25%	0%	0%
Portion of rate increase related to detachment				0%	25%	0%	0%
Sewer Rates (as of 7/1/2011)							
Residential							
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$50.44	\$66.95	\$50.44	\$53.47	
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.98	\$4.26	\$1.98	\$3.40	
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$67.27	\$103.14	\$67.27	\$70.81	
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$807	\$1,341	\$807	\$850	
Commercial Rates							
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$7.40	\$9.90	\$7.40	\$7.91	
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.91	\$10.59	\$7.91	\$8.46	
Medium Strength Users (\$/HCF)	\$13.99	\$14.96	\$13.99	\$18.73	\$13.99	\$14.96	
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$18.02	\$24.12	\$18.02	\$19.26	
Fund Balances (as of 6/30/2012)							
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD
Estimated Ending Balance (as of 6/30/2012)							
Shared Funds							
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$462,171)	(\$212,121)
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971
Direct Funds							
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537	
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138	
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,894,566	\$7,307,717

[1] Allocated using "For Shared Expenses" ESSUs as shown above
 [2] Allocated using "Plant Expansion" ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated

	Status Quo - No Detachment		District detaches and retains 1,560 expansion ESSUs		District detaches ESSUs; City takes 550 expansion ESSUs and reimburses (No City rate increase)			
ESSUs - July 2011								
For Allocating Shared Expenses								
City of Ukiah								
Inside City and inside District	0		2,776		2,776			
Inside City and outside District	6,257		6,257		6,257			
Total - City	6,257	52.53%	9,033	75.84%	9,033	75.84%		
UVSD								
Inside City	2,776		0		0			
Outside City	2,878		2,878		2,878			
Total - UVSD	5,653	47.47%	2,878	24.16%	2,878	24.16%		
Total - City and UVSD	11,910	100.00%	11,910	100.00%	11,910	100.00%		
For Allocating Plant Expansion Debt Service								
City of Ukiah								
Inside City and inside District	0		0		550			
Inside City and outside District	840		840		840			
Total - City	840	35.00%	840	35.00%	1,390	57.92%		
UVSD								
Inside City	780		780		0			
Outside City	780		780		1,010			
Total - UVSD	1,560	65.00%	1,560	65.00%	1,010	42.08%		
Total - City and UVSD	2,400	100.00%	2,400	100.00%	2,400	100.00%		
Revenue Requirement (FY 11/12 Budget)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Shared Expenses (Fund 612)								
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)	
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)	
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)	
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)	
Contribution (to)/from Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899	
	Subtotal	(\$6,721,504)	(\$3,358,869)	(\$3,362,635)	(\$4,696,352)	(\$2,025,152)	(\$4,921,393)	(\$1,800,111)
Direct Expenses								
Operations	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	\$0	(\$198,725)	
Capital Projects	(\$1,181,525)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	(\$661,750)	(\$519,775)	
	Subtotal	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)
Total	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)	
Average Annual Revenue Requirement per ESSU	(\$680)	(\$643)	(\$722)	(\$593)	(\$953)	(\$618)	(\$875)	
Total Rate Revenue (FY 11/12 Budget)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Rate Revenue	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890	
Connection Fee Revenue		\$54,555	\$218,220	\$54,555	\$218,220	\$54,555	\$218,220	
Average Annual Rate Revenue per ESSU	\$680	\$662	\$701	\$662	\$701	\$662	\$701	
Rate Increases								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Rate Revenue from existing rates	\$8,101,754	\$4,139,772	\$3,961,982	\$5,976,112	\$2,016,890	\$5,976,112	\$2,016,890	
Revenue Requirement								
Operations (1)	(\$3,883,787)	(\$2,040,294)	(\$1,843,493)	(\$2,945,337)	(\$938,450)	(\$2,945,337)	(\$938,450)	
WWTP Debt Service for Upgrades (1)	(\$3,897,200)	(\$2,047,340)	(\$1,849,860)	(\$2,955,509)	(\$941,691)	(\$2,955,509)	(\$941,691)	
WWTP Debt Service for Expansion Component (2)	(\$982,000)	(\$343,700)	(\$638,300)	(\$343,700)	(\$638,300)	(\$568,742)	(\$413,258)	
Capital Projects (1)	(\$370,850)	(\$194,821)	(\$176,029)	(\$281,240)	(\$89,610)	(\$281,240)	(\$89,610)	
Reserves (1)	\$2,412,333	\$1,267,286	\$1,145,047	\$1,829,434	\$582,899	\$1,829,434	\$582,899	
Direct Expenses	(\$1,380,250)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	(\$661,750)	(\$718,500)	
	Subtotal	(\$8,101,754)	(\$4,020,619)	(\$4,081,135)	(\$5,358,102)	(\$2,743,652)	(\$5,583,143)	(\$2,518,611)
Reimbursement of Debt Service - WWTP Expansion (3)		\$0	\$0	\$0	\$0	(\$225,042)	\$225,042	
Surplus/(Deficit)	\$0	\$119,153	(\$119,153)	\$618,010	(\$726,763)	\$167,927	(\$276,679)	
Surplus/(Deficit), including Connection Fee Revenue		\$173,708	\$99,087	\$672,565	(\$508,543)	\$222,482	(\$58,459)	
% Rate Increase Needed to balance budget		0%	0%	0%	25%	0%	3%	
Portion of rate increase related to detachment					25%		3%	
Sewer Rates (as of 7/1/2011)								
Residential								
Fixed (per Dwelling per Month)	\$50.44	\$53.47	\$50.44	\$66.95	\$50.44	\$55.02		
Flow Unit Rate (\$/HCF)	\$1.98	\$3.40	\$1.98	\$4.26	\$1.98	\$3.50		
Average User bill (8.5 units of water) - Monthly	\$67.27	\$70.81	\$67.27	\$103.14	\$67.27	\$72.86		
Average User bill (8.5 units of water) - Annually	\$807	\$850	\$807	\$1,341	\$807	\$874		
Commercial Rates								
Low Strength Users (\$/HCF)	\$7.40	\$7.91	\$7.40	\$9.90	\$7.40	\$8.14		
Moderate Strength Users (\$/HCF)	\$7.91	\$8.46	\$7.91	\$10.59	\$7.91	\$8.71		
Medium Strength Users (\$/HCF)	\$13.99	\$14.96	\$13.99	\$18.73	\$13.99	\$15.39		
High Strength Users (\$/HCF)	\$18.02	\$19.26	\$18.02	\$24.12	\$18.02	\$19.82		
Fund Balances (as of 6/30/2012)								
	Total	City of Ukiah	UVSD	City of Ukiah	UVSD	City of Ukiah	UVSD	
Estimated Ending Balance (as of 6/30/2012)								
Shared Funds								
612 - Shared Operations Fund (1)	\$229,902	\$120,776	\$109,126	\$174,350	\$55,552	\$174,350	\$55,552	
611 - Shared Debt Payment Fund (2)	(\$674,292)	(\$236,002)	(\$438,290)	(\$236,002)	(\$438,290)	(\$390,527)	(\$283,765)	
614 - Shared Capital Projects Fund (4)	\$3,922,943	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	\$1,997,712	\$1,413,971	
Direct Funds								
622 - City of Ukiah Rate Stabilization Fund	\$3,749,537	\$3,749,537		\$3,749,537		\$3,749,537		
641 - District Operations Fund	\$2,311,723		\$2,311,723		\$2,311,723		\$2,311,723	
642 - District Rate Stabilization Fund	\$4,005,752		\$4,005,752		\$4,005,752		\$4,005,752	
650 - District CIP Fund	(\$267,160)		(\$267,160)		(\$267,160)		(\$267,160)	
620 - City of Ukiah CIP Fund	\$435,138	\$435,138		\$435,138		\$435,138		
Total Funds	\$13,713,543	\$6,067,161	\$7,135,122	\$6,120,735	\$7,081,548	\$5,966,210	\$7,236,073	

[1] Allocated using 'For Shared Expenses' ESSUs as shown above
 [2] Allocated using 'Plant Expansion' ESSUs as shown above
 [3] Reimbursed over 5 years
 [4] Allocation was provided in FY11-12 budget; \$511,522 of the total funds are considered unallocated