

CITY OF THOUSAND OAKS

WASTEWATER CIP FINANCIAL PLAN UPDATE AND RATE STUDY

July 2009

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EXECUTIVE SUMMARY

The wastewater system of the City of Thousand Oaks is in sound financial shape. The extensive Capital Improvement Program (CIP) that the City has undertaken is proceeding according to plan and the long-term financial forecast for the wastewater system is strong. The City's wastewater CIP projects spending nearly \$26.2 million over the next five fiscal years. The wastewater capital program has a projected overall reserve fund of approximately \$21.2 million by the end of FY2009. These reserve funds, plus the projected wastewater revenues from rates and connection fees, can fully fund the CIP on a pay-as-you-go basis. Under this scenario, the projected wastewater revenues plus reserves will cover all of the wastewater operating expenses, the capital costs and the City's existing debt service obligations. These expenses will be covered without any proposed increase to the monthly service charge in either FY2009 or FY2010. The City's proposed wastewater connection charge remains indexed to an inflation factor to maintain equity between new and existing users.

FINDINGS AND RECOMMENDATIONS

- The City is accomplishing the wastewater Capital Improvement Program (CIP) according to plan. About \$26.2 million of projects are planned over the next five years.
- CIP costs are allocated between current and future users. Connection charge revenues fund the future users' share of costs. Current users pay their share of costs from a capital component of service charges.
- Connection charges are indexed to an inflation factor to maintain equity based on the timing of new connections.
- The current monthly service charge is \$25.45 per service unit (SU) and consists of three components: \$17.60 for operations, \$1.00 for capital facilities replacement, and \$6.85 for existing customer's share of CIP.
- Current City Council policy establishes an operating reserve target of between 5 to 15 percent of operating expenses. This policy needs to be modified and BWA recommends that the City's long-term operating reserve target be at least 3 months (25%) of annual operating expenses. The City's Wastewater Operations Fund balance currently exceeds this 25% minimum target and it is projected to do so over the next two fiscal years.
- As the City nears build-out, connection charge revenue will decrease and the capital components of the monthly service charge will become more important. For the next two fiscal years, no increase to the capital facilities replacement charge or the capital improvements charge is recommended.
- The operations and maintenance (O&M) component of the monthly wastewater charge is unchanged over FYs 2010 and 2011.
- The current monthly surcharge for wastewater accounts outside city limits is \$0.45 and no change in this rate is recommended at this time. However, this rate will need to be increased whenever the City increases its wastewater rates in the future and undergoes the Prop 218 process for all its wastewater accounts.

- The table below summarizes the components of the monthly service charge:

	Current Charge	Nov. 16, 2009	July 1, 2010
Operation and Maintenance (Fund 621)	\$17.60	\$17.60	\$17.60
Capital Facilities Replacement (Fund 623)	\$1.00	\$1.00	\$1.00
Capital Improvements (Fund 624)	<u>\$6.85</u>	<u>\$6.85</u>	<u>\$6.85</u>
Total	\$25.45	\$25.45	\$25.45
Monthly Surcharge on Accounts Outside City Limits	\$0.45	\$0.45	\$0.45

- The City collects special interceptor charges for Units A and E. These charges are levied to offset above average interceptor costs serving certain areas of the City. Future development potential remains in the areas served by Units A and E, so these charges should continue.
- City Council policy requires review of the financing plan every two years concurrent with the City's biennial budget process.

INTRODUCTION

Bartle Wells Associates prepared a capital improvement financing plan in October 1995 for the City's wastewater system Capital Improvement Program. This is the seventh biennial update of that plan pursuant to Council direction that the plan be updated concurrent with the City's biennial budget process. The City's wastewater CIP is progressing as planned.

Estimated capital expenditure for FYs 2010 and 2011 is expected to total about \$11.7 million and a total of nearly \$26.2 million in CIP costs are expected through FY2014. This \$26.2 million forecasted over the next five years will be financed on a pay-as-you-go basis using revenues from the monthly wastewater charge, connection fees and the City's wastewater reserve funds.

Existing debt financing has provided a total of about \$54.3 million, including \$22.075 million of COPs and \$32.2 million in two State Revolving Fund (SRF) loans. The COPs will be fully retired not later than 2024 and the SRF loans in the year 2022. Total annual debt service is about \$3.6 million, which is currently budgeted and funded from a combination of capital service charges and connection charges. With useful lives exceeding 25 years, the facilities will last beyond the term of all outstanding debt.

The City has implemented this massive capital financing program with nominal hardship. The program has been spread over fifteen years to lessen its impact. The plan was established early on and has been followed consistently ever since. The plan provided the flexibility to obtain low-interest SRF loans and the option of prepayment of a portion of COP debt which was done in FY2009. The plan is in place to complete the capital program. The biennial reviews provide a reasonable means to measure progress and implement modifications to maintain viability of the program.

WASTEWATER FINANCING POLICY

Thousand Oaks has well-established policies that serve as a guide for all wastewater financing plans. These policies have been established over the years by City Council action and also by considerable citizen input in the form of the Franchise Advisory Board review during the 1980s and the Community Budget Task Force in 1995.

Key City financial policies that formed the basis of the 1995 financing plan and biennial updates include the following:

- Projects that serve future development will be funded entirely by future users.
- To the extent possible, wastewater capital project costs will be funded on a pay-as-you-go basis. This means that the use of debt financing will be minimized.
- Use low interest State Revolving Fund loans for project financing.
- Annual ongoing costs for operation and maintenance will be funded from current revenue in the form of service charges to those receiving the service.
- Service charges and connection charges will be developed on an equitable basis to insure that individual users and customer classes are paying only for their share of wastewater system costs.
- Establish surcharge zones for existing vested tract maps to recover, through increased wastewater service charges, the difference between connection charges that can be levied on vested tract map developments and those that can be levied on other new construction.
- Prepare a comprehensive review of all aspects of the wastewater system financial plan, conducted by the City Council or a committee thereof on a two-year basis, concurrent with the biennial budget process.

WASTEWATER SYSTEM

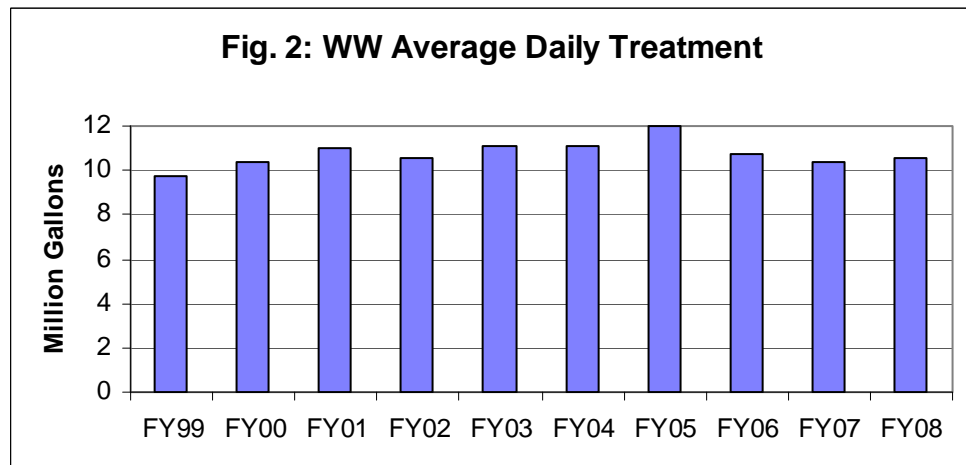
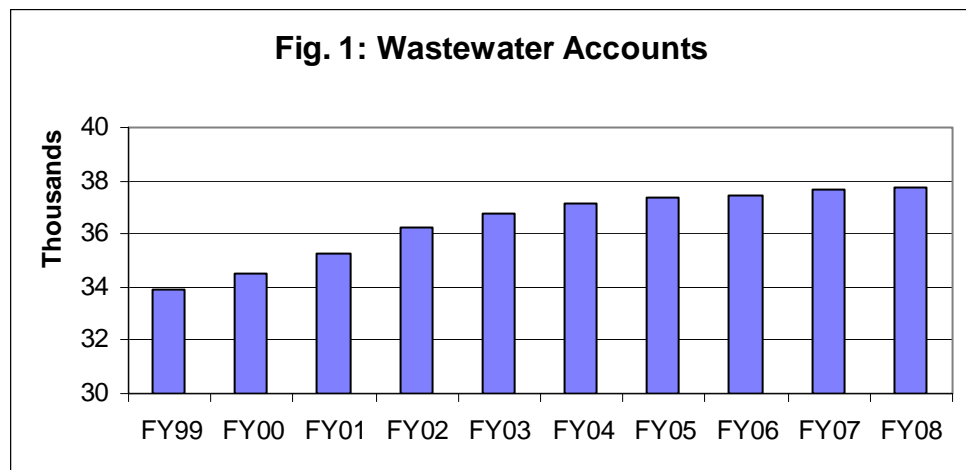
Organization

The City's Public Works Department is responsible for planning, administration, operation, and maintenance of the wastewater collection and interceptor systems, as well as the Hill Canyon Wastewater Treatment Plant.

The City provides wastewater service to all areas of the City except the eastern portion of North Ranch and the Westlake area south of the U.S. 101 Freeway. The wastewater system serves about 90% of the incorporated area of the City and some unincorporated area. Triunfo Sanitation District serves the remainder of the City. Detail on the wastewater system facilities is contained in the 1995 report.

System Users

Figure 1 shows the growth in wastewater accounts over the past ten years. For the past five years, growth has been very slight and the overall number of wastewater accounts has remained consistent. Figure 2 shows the City's average daily treatment in millions of gallons over the past ten years as well and it has also been relatively stable, especially over the



past three fiscal years. Table 1 shows the number of wastewater accounts by user group as of May 2009. The overwhelming majority of wastewater accounts (97%) serve residential users. Approximately 5% of wastewater customers reside outside city limits.

Table 1
City of Thousand Oaks Wastewater System
Summary of Wastewater Active Accounts, as of May 2009

User Group	Water & WW Locations	WW Only Locations	Total
Residential	15,541	20,879	36,420
Commercial	523	617	1,140
Standby	<u>0</u>	<u>0</u>	<u>0</u>
Total	16,064	21,496	37,560
Inside City Limits	15,712	19,813	35,525
Outside City Limits	<u>352</u>	<u>1,683</u>	<u>2,035</u>
Total	16,064	21,496	37,560

WASTEWATER FINANCES

Wastewater Rate Ordinance

Wastewater rates and fees are set by City ordinance. On May 5, 2009, the City passed its most recent ordinance dealing with wastewater rates and fees (Ordinance No. 1517-NS). Monthly service charges and one-time connection charges are based on the estimated flow, biochemical oxygen demand (BOD), and suspended solids (SS) of a user's discharge to the wastewater system.

An ERU is established to represent the discharge to the wastewater system equal to that from an average residential unit. One ERU is equal to 20 plumbing fixture units or a discharge of 285 gallons per day of average-strength wastewater.

A plumbing fixture unit (PFU) is an assignment in the Uniform Plumbing Code to various plumbing appurtenances. The unit count of each fixture type is as defined in the current edition of the code using the water demand of standard plumbing fixtures. For fixture types not listed in the code, the Public Works Director determines a weight in fixture units in relation to the amount of waste contributed.

A service unit (SU) is the result of multiplying the number of ERUs by adjustment factors for the user group to reflect the strength and volume of the discharge from that user group. The discharge from the average residential user is defined as being equal to one service unit.

The formula for service unit determination is as follows:

$$SU = (ERU) \times (\text{strength factor}) \times (\text{flow factor}), \text{ or:}$$

$$SU = (ERU) \times (\text{combined factor})$$

Service Charges

The current monthly service charge for a single family residence or equivalent is \$25.45. For wastewater service provided to customers outside the City limits, the service charge has an additional surcharge of \$0.45 per month. The City's wastewater service charge is currently composed of an operation and maintenance expense charge, a capital facilities replacement charge, and a capital improvement charge. Table 2 shows the existing monthly service charge and the charge for each of the three components.

Table 2
Monthly Service Charge
City of Thousand Oaks Wastewater System

	FY09
Operation and Maintenance (Fund 621)	\$17.60
Capital Facilities Replacement (Fund 623)	\$1.00
Capital Improvements (Fund 624)	<u>\$6.85</u>
Total (1)	\$25.45
 Monthly Surcharge on Accounts Outside City Limits (2)	 \$0.45

1 - Monthly residential service charge has been \$25.45 since Nov 2004. Accounts are billed bimonthly.

2 - Necessary to pay Ventura County property tax for wastewater lines going through county land.

Source: Ordinance No. 1517-NS, May 5, 2009

The City has defined three categories of wastewater customers: residential, commercial, and industrial. Residential customers are single family residences, condominiums, apartments, mobile homes, congregate care, or hotel/motel units with kitchen charged one service unit. Commercial and industrial customers are assigned adjustment factors that account for the differing flow and strength of their particular wastewater discharge in relation to a residential account. Table 3 shows the adjustment factors for the various commercial and industrial categories that are applied to the base residential monthly service charge of \$25.45.

Table 3
 Adjustment Factors for Monthly Service Charge
 City of Thousand Oaks Wastewater System

User Group	Adjustment Factor	Current Charge/SU
All Residential	1.0	\$25.45
Commercial (10 of more PFUs)		
Bakery	2.5	63.63
Retail/professional	1.0	25.45
Restaurant, cafeteria	2.5	63.63
School	0.67	17.05
Service station	1.0	25.45
Church	1.0	25.45
Medical	1.0	25.45
Mortuary	2.0	50.90
Market	2.0	50.90
Major retail	1.0	25.45
Motel/hotel without kitchens (per DU)	1.0	25.45
Laundromat	1.0	25.45
All others	1.0	25.45
Industrial		
Non-regulated or normal volume discharge	1.0	25.45
Regulated industrial waste or high-volume discharge and car washes		(1)

1 - Based on estimated discharge.

Source: Ordinance 1517-NS, effective May 5, 2009.

Connection Charges

The City collects a connection charge on new connections to the wastewater system to finance capital facilities serving new growth. Revenue from connection charges is not used to pay operating and maintenance expenses. Table 4 shows the current connection charges for the various residential, commercial, and industrial user groups. As was the case with the monthly charge, an adjustment factor is applied to each user group based on the number of connected plumbing fixture units and in some cases on strength and flow factors. The charge for a single-family detached home or condo is \$9,521. Connection charges for other residential units are set at 80% of the single-family detached unit. The full list of connection charges is displayed in Table 4.

Table 4
 Adjustment Factors for Connection Charge
 City of Thousand Oaks Wastewater System

User Group	Adjustment Factor	Connection Charge
Residential		
Single family detached home	1.0	\$9,521
Single family detached condo	1.0	9,521
Residential condos, townhouses, mobile homes	0.8	7,617
Apartment, duplex, secondary unit (per DU)	0.8	7,617
Motel, hotel and congregate care units, with kitchens (per DU)	0.8	7,617
Commercial (1)		
Bakery (2)	2.5	23,803
Retail/professional	1.0	9,521
Restaurant, cafeteria (2)	2.5	23,803
School	0.67	6,379
Service station	1.0	9,521
Church	1.0	9,521
Medical	1.0	9,521
Mortuary (2)	2.0	19,042
Market (2)	2.0	19,042
Major retail	1.0	9,521
Motel, hotel and congregate care units, without kitchens (per DU)	1.0	9,521
Laundromat	1.0	9,521
All others	1.0	9,521
Industrial		
Non-regulated or normal volume discharge	1.0	9,521
Regulated industrial waste or high-volume discharge and car washes		(3)

1 - Commercial users with low volume of wastewater discharge and 10 or less PFUs will be assigned 1/2 of a SU.

All other commercial users will be charged using the actual # of PFUs (minimum of 20 PFUs).

2 - ERUs for bakery, market, restaurant & mortuary = actual # of installed FU (minimum of 10 PFUs).

3 - Industrial waste to be regulated determined by the Public Works Director. Charge per service unit is \$9,521, # of SUs = (WW gpd)/285 * [.6 + (BOD/200 * .2) + (SS/200 * .2)]

Note: Connection charges, and the special interceptor charges of \$343 for Unit E Zone and \$848 for Unit A Zone, are increased in December of each year based on the change from the preceding July to July period of the ENR CCI for Los Angeles. July 2008 ENR CCI of 9335.69 will be the base for future adjustments.

Source: Ordinance 1517-NS, effective May 5, 2009.

Revenue and Expense

Table 5 shows the Wastewater Operations Fund actual revenue and expense for the last three fiscal years, the estimated prorated revenue for FY2009 based on YTD revenue through June 18, 2009, and the budget figures for FYs 2010 and 2011. Operating expenses for the most recently completed

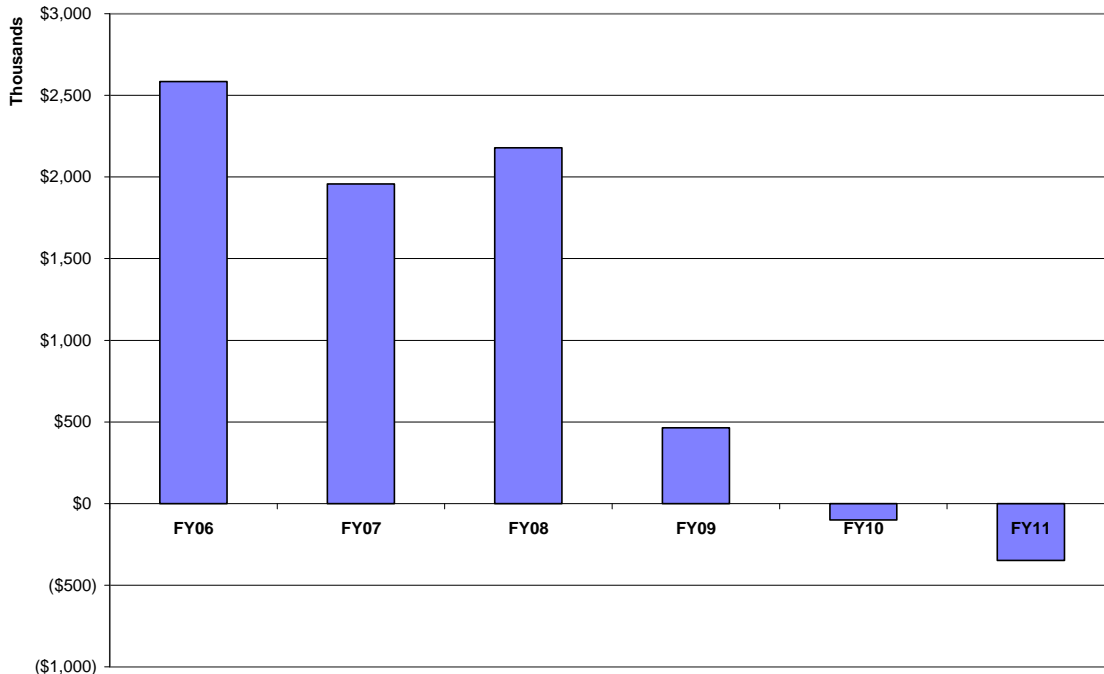
fiscal year (2008) were approximately \$11.9 million. As Table 5 shows, budgeted expenses are projected to increase to nearly \$14 million by FY2011. As a result, small annual deficits are forecasted for FYs 2010 and 2011 (see Figure 3). While this is not something the City should allow to persist in the long-term, this is not a concern right now given an Operations Fund Reserve of over \$13.9 million at the beginning of FY2009. Additionally, the City has historically budgeted conservatively and actual expenditures may well be less than budgeted resulting in no deficit at all.

Table 5
City of Thousand Oaks Wastewater System
Wastewater Operations Summary

	Actual FY06	Actual FY07	Actual FY08	Estimated FY09	Budget FY10	Budget FY11
Revenue						
Residential Service Charge	\$8,716,500	\$8,589,300	\$8,849,300	\$9,021,900	\$8,980,300	\$8,980,300
Commercial Service Charge	2,055,600	2,080,800	2,261,500	2,355,500	2,163,200	2,163,200
Industrial Service Charge	743,100	732,400	792,000	826,900	765,400	765,400
Inspection Fees	51,300	71,500	103,400	69,100	53,500	53,500
Plan Checking/Filing Fee	15,300	32,200	8,800	5,200	5,800	5,800
Interest Income	396,900	657,400	950,000	288,500	775,700	775,700
Miscellaneous Revenue (1)	1,128,600	1,100,500	1,070,900	452,500	866,900	866,900
Total Revenue	13,107,300	13,264,100	14,035,900	13,019,600	13,610,800	13,610,800
Expense						
Salaries	3,348,800	3,400,000	3,617,200	3,606,300	4,542,200	4,675,000
Fringe Benefits	1,635,200	1,700,000	1,877,500	1,897,700	2,042,000	1,905,800
Maintenance and Operations	5,551,800	6,221,900	6,379,200	7,069,700	7,147,600	7,398,900
Charge Backs	(12,500)	(15,000)	(16,700)	(18,700)	(20,800)	(20,800)
Capital Outlay	-	-	-	400	-	-
Total Operating Expenses	10,523,300	11,306,900	11,857,200	12,555,400	13,711,000	13,958,900
Operations Fund Net Revenue	2,584,000	1,957,200	2,178,700	464,200	(100,200)	(348,100)

1 - Reclaimed water; sale of salvaged equipment; unspecified residential, commercial, industrial, & other fees, and other misc. revenue.

Fig. 3: Operations Fund Net Revenue



While Table 1 earlier showed the number of wastewater accounts the City has, Table 6 shows the number of wastewater service units (SUs). The monthly wastewater charge that was shown in Table 2 is not charge per account, but rather per service unit. The explanation behind the differing numbers of accounts v. service units for commercial and industrial is explained by the adjustment factors that were outlined in Tables 3 and 4. For the residential user group, the answer lies in that the

wastewater residential group includes apartment complexes, mobile home parks, congregate care homes and hotel/motel units with kitchens (Ordinance 1517, IV 2(a)). As such, a single account can serve multiple units, with each unit charged the residential rate of \$25.45.

	Actual FY07	Actual FY08	Estimated FY09
<u>Service Units</u>			
Residential	40,669	41,900	42,717
Commercial	9,852	10,708	11,153
Industrial	<u>3,468</u>	<u>3,750</u>	<u>3,915</u>
Total	53,989	56,358	57,786

Note: Service Units estimate based on Operating Fund Revenues divided by monthly charge.

Table 7 shows a summary of the Wastewater Capital Funds actual revenue and expense for the last three fiscal years, the estimated prorated revenue for FY2009 based on YTD revenue through June 18, 2009, and the budget figures for FYs 2010 and 2011. The most noteworthy item is that in FYs 2009 and 2010, the City projects spending \$14.5 million in capital and maintenance improvements. As a result, there are annual deficits forecast for both of these fiscal years.

The revenue figures for FYs 2010 and 2011 are based on the Proposed Operating Budget, FYs 2009-2010 and 2010-2011 that was prepared for the June 9, 2009 City Council meeting. Since that budget was prepared, the Wastewater CIP schedule of projects and budget has been adjusted. The Capital Projects figures for FYs 2010 and 2011 included in Table 7 therefore reflect the more recent and accurate costs of the CIP projects and not the June 9th Proposed Operating Budget figures.

Table 7
City of Thousand Oaks Water System
Wastewater Capital Program Summary

	Actual FY06	Actual FY07	Actual FY08	Estimated FY09	Budget FY10	Budget FY11
Revenue						
Residential Service Charge	\$4,025,900	\$3,733,500	\$3,967,400	\$4,010,300	\$3,956,000	\$3,956,000
Commercial Service Charge	851,100	904,400	905,400	973,800	957,600	957,600
Industrial Service Charge	307,600	318,300	315,800	359,400	343,700	343,700
Residential Connection Fees	620,600	526,300	504,500	285,200	168,000	168,700
Commercial Connection Fees	3,602,900	1,470,400	2,774,200	1,672,500	1,868,100	1,886,800
Interest Income	603,900	981,900	1,428,500	391,300	1,071,600	1,071,600
Miscellaneous Revenue (1)	<u>234,300</u>	<u>436,200</u>	<u>88,500</u>	<u>48,900</u>	<u>32,600</u>	<u>32,600</u>
Total Revenue	10,246,300	8,371,000	9,984,300	7,741,400	8,397,600	8,417,000
Expense						
Capital Projects (2)	3,280,100	2,299,900	4,859,900	6,179,600	8,295,300	3,413,000
Capital Equipment	-	-	-	306,600	-	-
Debt Service	<u>2,281,200</u>	<u>3,670,900</u>	<u>2,697,300</u>	<u>4,146,100</u>	<u>3,616,500</u>	<u>3,619,200</u>
Total Expenses	5,561,300	5,970,800	7,557,200	10,632,300	11,911,800	7,032,200
Capital Program Net Revenue	4,685,000	2,400,200	2,427,100	(2,890,900)	(3,514,200)	1,384,800

1 - Reimbursements, other charges, and other misc. revenue.

2 - Includes Maintenance and Operations, Capital Improvements, and Maintenance Improvements expenses.

Note: Source of revenue figures for FYs 2010 & 2011 is the Proposed Operating Budget, FYs 2009-2010 and 2010-2011, prepared for June 9, 2009 City Council meeting. The Capital Projects expense figures for those years come from the latest CIP budget which has been updated since the June 9th Operating Budget was prepared.

Wastewater Debt

As part of the implementation of the CIP, the City issued \$22,075,000 COPs in 1998 to finance about \$20 million of construction costs for Unit W Lower Canyon, Unit F, Hill Canyon Phase 1, Unit W Upper Canyon, and Hill Canyon Phase 2 design. The remaining CIP has and is being financed with available reserves, low-interest SRF loans, and pay-as-you-go.

Table 8 shows the debt service schedule for the 1998 COP issue. Interest on the COPs is well below five percent. The issue will be fully retired in 2024. The COP reserve fund will be applied toward the final debt service payments.

Table 8
City of Thousand Oaks Wastewater System
1998 Certificates of Participation - \$22.075 Million

	October 1			April 1		Coupon Rate - %
	Interest	Principal	Total	Interest	FY Total	
FY1999	\$ -	\$ -	\$ -	\$ 483,580.00	\$ 483,580.00	
FY2000	483,580.00	535,000.00	1,018,580.00	474,485.00	1,493,065.00	3.400%
FY2001	474,485.00	550,000.00	1,024,485.00	465,135.00	1,489,620.00	3.400%
FY2002	465,135.00	570,000.00	1,035,135.00	455,445.00	1,490,580.00	3.400%
FY2003	455,445.00	590,000.00	1,045,445.00	445,120.00	1,490,565.00	3.500%
FY2004	445,120.00	610,000.00	1,055,120.00	434,140.00	1,489,260.00	3.600%
FY2005	434,140.00	630,000.00	1,064,140.00	422,327.50	1,486,467.50	3.750%
FY2006	422,327.50	655,000.00	1,077,327.50	409,882.50	1,487,210.00	3.800%
FY2007	409,882.50	680,000.00	1,089,882.50	396,962.50	1,486,845.00	3.800%
FY2008	396,962.50	1,205,000.00	1,601,962.50	383,215.00	1,985,177.50	3.900%
FY2009	371,027.50	1,235,000.00	1,606,027.50	356,327.50	1,962,355.00	4.000%
FY2010	344,140.00	760,000.00	1,104,140.00	328,560.00	1,432,700.00	4.100%
FY2011	328,560.00	795,000.00	1,123,560.00	311,865.00	1,435,425.00	4.200%
FY2012	311,865.00	825,000.00	1,136,865.00	294,127.50	1,430,992.50	4.300%
FY2013	294,127.50	860,000.00	1,154,127.50	275,207.50	1,429,335.00	4.400%
FY2014	275,207.50	900,000.00	1,175,207.50	254,957.50	1,430,165.00	4.500%
FY2015	254,957.50	940,000.00	1,194,957.50	233,337.50	1,428,295.00	4.600%
FY2016	233,337.50	985,000.00	1,218,337.50	210,559.38	1,428,896.88	4.625%
FY2017	210,559.38	1,030,000.00	1,240,559.38	186,354.38	1,426,913.76	4.700%
FY2018	186,354.38	1,075,000.00	1,261,354.38	160,823.13	1,422,177.51	4.750%
FY2019	160,823.13	1,130,000.00	1,290,823.13	133,985.63	1,424,808.76	4.750%
FY2020	133,985.63	1,180,000.00	1,313,985.63	105,665.63	1,419,651.26	4.800%
FY2021	105,665.63	1,010,000.00	1,115,665.63	81,046.88	1,196,712.51	4.875%
FY2022	81,046.88	1,060,000.00	1,141,046.88	55,209.38	1,196,256.26	4.875%
FY2023	55,209.38	1,105,000.00	1,160,209.38	28,275.00	1,188,484.38	4.875%
FY2024	28,275.00	1,160,000.00	1,188,275.00	-	1,188,275.00	4.875%
Total		22,075,000.00			36,823,813.82	

In 1999, the City received a low-interest SRF loan for \$2.36 million to finance a share of Hill Canyon Phase 1 projects. Table 9 shows the loan debt service for this twenty-year state loan. Another SRF loan commitment for about \$29.8 million was used to finance Hill Canyon Phase 2 projects. Payments on the second SRF loan began in 2003. Table 10 shows the debt service for this second SRF loan.

Table 9
City of Thousand Oaks Wastewater System
State Revolving Fund Loan #1
Actual Debt Service Schedule; \$2,355,514 Loan Amount*

Date	Interest	Principal	Total P paid	Total Payment	Ending Balance
					2,355,514.00
15-Jun-00	\$ 40,159.58	\$ 108,500.27	\$ 108,500.27	\$ 148,659.85	\$ 2,247,013.73
15-Jun-01	53,928.33	94,731.52	203,231.79	148,659.85	2,152,282.21
15-Jun-02	51,654.77	97,005.08	300,236.87	148,659.85	2,055,277.13
30-Jun-02	(40.99)	40.99	300,277.86	-	2,055,236.14
15-Jun-03	49,325.67	99,331.22	399,609.08	148,656.89	1,955,904.92
15-Jun-04	46,941.72	101,715.17	501,324.25	148,656.89	1,854,189.75
15-Jun-05	44,500.55	104,156.34	605,480.59	148,656.89	1,750,033.41
15-Jun-06	42,000.80	106,656.09	712,136.68	148,656.89	1,643,377.32
15-Jun-07	39,441.06	109,215.83	821,352.51	148,656.89	1,534,161.49
15-Jun-08	36,719.28	111,937.61	933,290.12	148,656.89	1,422,223.88
15-Jun-09	34,133.37	114,523.52	1,047,813.64	148,656.89	1,307,700.36
15-Jun-10	31,384.81	117,272.08	1,165,085.72	148,656.89	1,190,428.28
15-Jun-11	28,570.28	120,086.61	1,285,172.33	148,656.89	1,070,341.67
15-Jun-12	25,688.20	122,968.69	1,408,141.02	148,656.89	947,372.98
15-Jun-13	22,736.95	125,919.94	1,534,060.96	148,656.89	821,453.04
15-Jun-14	19,714.87	128,942.02	1,663,002.98	148,656.89	692,511.02
15-Jun-15	16,620.26	132,036.63	1,795,039.61	148,656.89	560,474.39
15-Jun-16	13,451.38	135,205.51	1,930,245.12	148,656.89	425,268.88
15-Jun-17	10,206.45	138,450.44	2,068,695.56	148,656.89	286,818.44
15-Jun-18	6,883.64	141,773.25	2,210,468.81	148,656.89	145,045.19
15-Jun-19	3,481.08	145,045.19	2,355,514.00	148,526.27	-
Total	617,502.06	2,355,514.00		2,973,016.06	

* Interest rate = 2.4%.

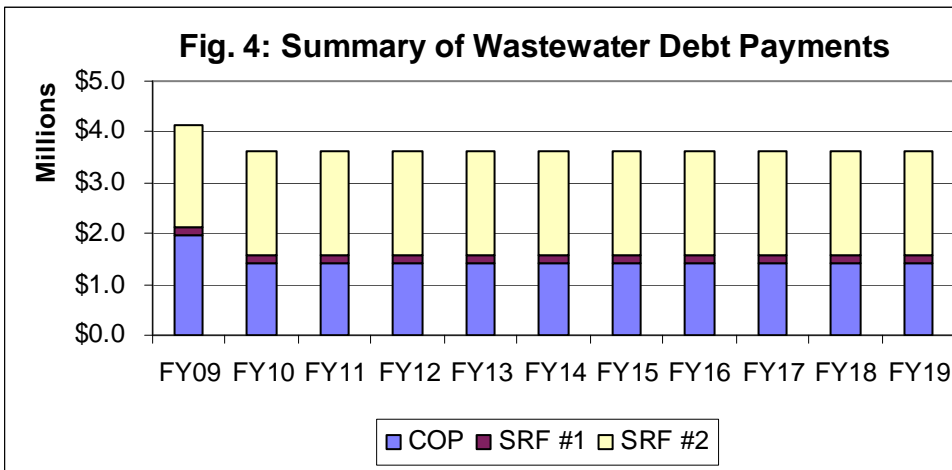
Figure 4 shows a summary of the three debt payments which total approximately \$3.6 million annually from FY2010 forward. The City made a \$500,000 prepayment on the COP in FY2009 to reduce the overall cost of the loan and save the City money. The City should certainly consider another COP prepayment at some point in the future and will most likely have the available money in reserve to do so, but it is not recommended at this present time. The City's water system is facing numerous revenue and expense uncertainties in the next several years. It is anticipated that the Water Capital Fund will need to borrow \$3 million in FY2010. The Water Operations Fund could be facing water penalties of up to \$6 million and the City is also planning on implementing a new water rate structure so predictions of water revenues are uncertain. Due to these factors, it is possible that wastewater reserves may need to be available to loan the water system money in the next couple of years. It is therefore recommended that the City wait and evaluate the overall financial picture for Public Works before moving ahead with additional COP prepayments.

Table 10
 City of Thousand Oaks Wastewater System
 State Revolving Fund Loan #2
 Actual Debt Service Schedule; \$29,827,506 Loan Amount*

Date	Interest	Principal	Total P paid	Total Payment	Ending Balance
					31,136,452.34 (1)
22-Dec-03	\$ 838,925.15	\$ 1,196,205.03	\$ 1,196,205.03	\$ 2,035,130.18	\$ 29,940,247.31
22-Dec-04	808,386.68	1,226,743.50	2,422,948.53	2,035,130.18	28,713,503.81
22-Dec-05	775,264.60	1,259,865.58	3,682,814.11	2,035,130.18	27,453,638.23
22-Dec-06	741,248.23	1,293,881.95	4,976,696.06	2,035,130.18	26,159,756.28
22-Dec-07	706,313.42	1,328,816.76	6,305,512.82	2,035,130.18	24,830,939.52
22-Dec-08	670,435.37	1,364,694.81	7,670,207.63	2,035,130.18	23,466,244.71
22-Dec-09	633,588.61	1,401,541.57	9,071,749.20	2,035,130.18	22,064,703.14
22-Dec-10	595,746.98	1,439,383.20	10,511,132.40	2,035,130.18	20,625,319.94
22-Dec-11	556,883.64	1,478,246.54	11,989,378.94	2,035,130.18	19,147,073.40
22-Dec-12	516,970.98	1,518,159.20	13,507,538.14	2,035,130.18	17,628,914.20
22-Dec-13	475,980.68	1,559,149.50	15,066,687.64	2,035,130.18	16,069,764.70
22-Dec-14	433,883.65	1,601,246.53	16,667,934.17	2,035,130.18	14,468,518.17
22-Dec-15	390,649.99	1,644,480.19	18,312,414.36	2,035,130.18	12,824,037.98
22-Dec-16	346,249.03	1,688,881.15	20,001,295.51	2,035,130.18	11,135,156.83
22-Dec-17	300,649.24	1,734,480.94	21,735,776.45	2,035,130.18	9,400,675.89
22-Dec-18	253,818.25	1,781,311.93	23,517,088.38	2,035,130.18	7,619,363.96
22-Dec-19	205,722.83	1,829,407.35	25,346,495.73	2,035,130.18	5,789,956.61
22-Dec-20	156,328.83	1,878,801.35	27,225,297.08	2,035,130.18	3,911,155.26
22-Dec-21	105,601.19	1,929,528.99	29,154,826.07	2,035,130.18	1,981,626.27
22-Dec-22	53,503.91	1,981,626.27	31,136,452.34	2,035,130.18	-
Total	9,566,151.26	31,136,452.34		40,702,603.60	

1 - Includes loan amount of \$29,827,506 plus interest amount accrued during construction of \$1,308,946.34.

* Interest rate = 2.7%.



WASTEWATER CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program Cost Allocation

CIP costs are attributable to several factors:

- Capacity expansion
- Permit compliance
- Required reliability
- Facilities replacements

Capacity Expansion. Capacity expansion projects are those required to serve projected growth and increased wastewater flows from future wastewater system users.

Permit Compliance. Projects required for permit compliance are those necessary to meet more strict requirements of the Regional Board. These projects are required of the City to meet the requirements for its wastewater discharge permit.

Required Reliability. Projects for required reliability are needed to meet operational or peaking requirements of the system. For example, two digesters are in use during normal operating conditions. If one digester is off line for routine maintenance, then two others must be in operation. Thus, for plant design, three digesters are required.

Facilities Replacements. Facilities replacement projects are necessary to replace worn out or obsolete facilities.

The connection charge plan developed in 1995 reflects the cost allocations to future and current users. As of the 1995 financing plan, then current wastewater flows to HCTP averaged about 8.4 million gallons per day (mgd). Then current design capacity was 11 mgd and future plant capacity was 14 mgd. Therefore, the flow from then current users was about 76% of 11 mgd design capacity and about 60% of then future design capacity. These percentages were used to allocate costs between current users and future users.

Prior to implementation of the CIP, current users had funded the City's entire existing wastewater system. Certain existing facilities and assets are available for future users. Many of the wastewater system's assets such as land, pipelines, and treatment facilities are available to benefit future users. Current users have financed a considerable amount of current excess capacity which facilitates operations. Consistent with City policy, future users must pay the costs of facilities required for future flows. Future users must also fund enough reliability capacity to allow continued efficient plant operations.

Capital Improvement Program Projects

The City's updated wastewater CIP includes improvements to the Hill Canyon Treatment Plant, wastewater interceptor pipelines, and other projects. The CIP also includes ongoing replacement and repair projects for existing facilities. Project phasing and costs have been developed by Public Works Department staff, and consulting engineers. The program is a long-range projection of project requirements, phasing, and cost estimates with a total of about \$26.2 million of projects in current dollars through FY2014.

Wastewater capital projects are funded via three separate funds: (1) the Wastewater Capital Program (Developer Fees) Fund – Fund 622; (2) the Wastewater Capital Facilities Replacement Fund – Fund 623, and (3) the Wastewater Capital Program (Service Charges) Fund – Fund 624. Ongoing O&M costs are funded primarily from wastewater rates.

Tables 11, 12 and 13 show the projects and associated project costs for each of these three funds through FY2014. Many of the projects are listed in more than one table. This is due to those projects deriving their funding from multiple funds. A project that serves both new users and existing users receives funding from the Developer Fees (Fund 622) and the Capital Program Service Charge (Fund 624). If a CIP project is solely growth-related, it will only be in Fund 622. Similarly, if a project involves replacement or improvement of the wastewater system that is not tied to new development, no Developer Fee funding will be used on that project. Rather, funding will come from revenue from the existing users' monthly wastewater charge which is deposited in Funds 623 (Capital Facilities Replacement) and 624.

Table 11
City of Thousand Oaks Wastewater System
Capital Improvement Program
Fund 622 - Developer Fees Fund

Project	FY10	FY11	FY12	FY13	FY14	Total
Interceptor CIP Phase III - Units E & V	\$ -	\$ -	\$ 1,400,000	\$ 1,750,000	\$ -	\$ 3,150,000
Wastewater Asset Management	10,000	10,000	-	-	-	20,000
HCTP Biosolids Management	440,000	-	-	-	-	440,000
HCTP Cogen Facility Expansion/Buyout	-	-	-	-	286,000	286,000
HCTP North and South Headworks	380,000	-	-	-	-	380,000
TMDL Implementation	-	-	100,000	420,000	700,000	1,220,000
Interceptor CIP Phase IV - Units A & Y	200,000	200,000	-	-	-	400,000
HCTP Secondary Access	20,000	80,000	-	-	-	100,000
Wastewater Flowmeter Installation	25,000	-	-	-	-	25,000
TMDL Monitoring	29,000	32,000	32,000	32,000	32,000	157,000
HCTP Wetlands Mitigation Bank	50,000	-	-	-	-	50,000
Unit W Wastewater Interceptor Mitigation	28,000	28,000	-	-	-	56,000
MSC Expansion	259,300	-	-	-	-	259,300
Total (in present dollars)	1,441,300	350,000	1,532,000	2,202,000	1,018,000	6,543,300
Total (escalated @ 6% - average ENR CCI for LA, 12/03-08)	1,441,300	371,000	1,721,000	2,623,000	1,285,000	7,441,300

Source: FY 2009-2010/2010-2011 CIP Budget.

The wastewater system must fund annual facilities replacements and repairs on an ongoing basis. Table 12 shows the scheduled, as well as unscheduled, repair and replacement projects. As the system ages, repairs and replacements will become an increasingly important element of annual costs. Currently, repairs and replacements are funded through a \$1.00 share of the monthly service charge collected from all wastewater users.

Table 12
City of Thousand Oaks Wastewater System
Capital Improvement Program
Fund 623 - Capital Facilities Replacement Fund

Project	FY10	FY11	FY12	FY13	FY14	Total
HCTP Unscheduled Repairs & Replacements	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 1,500,000
HCTP Equipment Replacement	150,000	150,000	150,000	150,000	150,000	750,000
High Maintenance Repair Projects - Wastewater Lines	100,000	100,000	100,000	100,000	100,000	500,000
MSC Expansion	136,000	-	-	-	-	136,000
Total (in present dollars)	686,000	550,000	550,000	550,000	550,000	2,886,000
Total (escalated @ 6% - average ENR CCI for LA, 12/03-08)	686,000	583,000	618,000	655,000	694,000	3,236,000

Source: FY 2009-2010/2010-2011 CIP Budget.

Table 13
City of Thousand Oaks Wastewater System
Capital Improvement Program
Fund 624 - Capital Program Service Charge Fund

Project	FY10	FY11	FY12	FY13	FY14	Total
Runoff and Groundwater Recovery Project	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Interceptor CIP Phase III - Units E & V	-	-	600,000	750,000	-	1,350,000
Wastewater Asset Management	40,000	40,000	-	-	-	80,000
HCTP Biosolids Management	1,760,000	-	-	-	-	1,760,000
HCTP Cogen Facility Expansion/Buyout	-	-	-	-	234,000	234,000
HCTP North and South Headworks	1,520,000	-	-	-	-	1,520,000
TMDL Implementation	-	-	400,000	1,680,000	2,800,000	4,880,000
Interceptor CIP Phase IV - Units A & Y	800,000	800,000	-	-	-	1,600,000
Olsen Road Lift Station Upgrades	350,000	-	-	-	-	350,000
Waste Processing Facility	120,000	-	-	-	-	120,000
HCTP Secondary Access	80,000	320,000	-	-	-	400,000
Wastewater Flowmeter Installation	100,000	-	-	-	-	100,000
Wastewater Line Relining Program	500,000	500,000	500,000	200,000	200,000	1,900,000
Inflow/Infiltration Program - Manhole Rehab	250,000	250,000	-	-	-	500,000
Wastewater Unscheduled Repairs - Wastewater Lines	150,000	150,000	150,000	150,000	150,000	750,000
TMDL Monitoring	116,000	128,000	128,000	128,000	128,000	628,000
HCTP Wetlands Mitigation Bank	20,000	20,000	20,000	20,000	20,000	100,000
Unit W Wastewater Interceptor Mitigation	112,000	112,000	-	-	-	224,000
Total (in present dollars)	6,168,000	2,320,000	1,798,000	2,928,000	3,532,000	16,746,000
Total (escalated @ 6% - average ENR CCI for LA, 12/03-08)	6,168,000	2,459,000	2,020,000	3,487,000	4,459,000	18,593,000

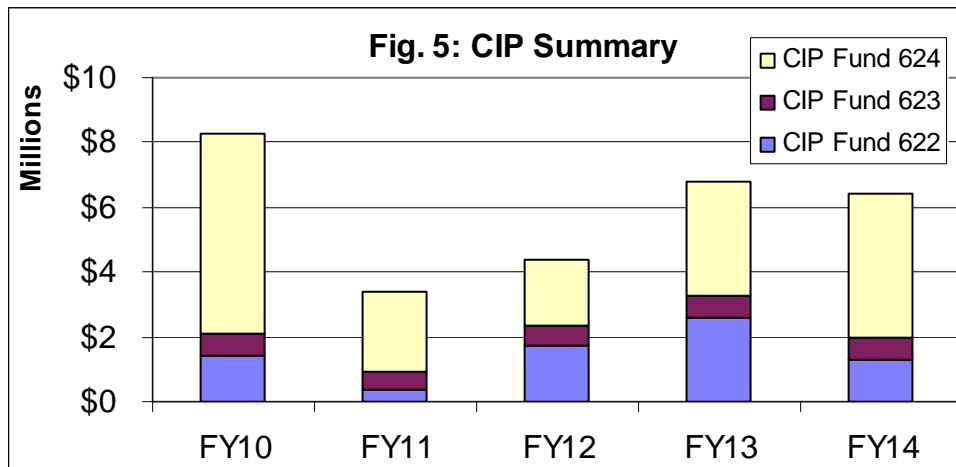
Source: FY 2009-2010/2010-2011 CIP Budget.

Table 14 summarizes the three capital funds and shows the total CIP from FY2010 through FY2014, amounting to \$26.2 million in present dollars. Figure 5 also illustrates the overall level of CIP project cost over the next five fiscal years.

Table 14
City of Thousand Oaks Wastewater System
Capital Improvement Program Summary

Project	FY10	FY11	FY12	FY13	FY14	Total
Runoff and Groundwater Recovery Project	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Interceptor CIP Phase III - Units E & V	-	-	2,000,000	2,500,000	-	4,500,000
Wastewater Asset Management	50,000	50,000	-	-	-	100,000
HCTP Biosolids Management	2,200,000	-	-	-	-	2,200,000
HCTP Cogen Facility Expansion/Buyout	-	-	-	-	520,000	520,000
HCTP North and South Headworks	1,900,000	-	-	-	-	1,900,000
TMDL Implementation	-	-	500,000	2,100,000	3,500,000	6,100,000
Interceptor CIP Phase IV - Units A & Y	1,000,000	1,000,000	-	-	-	2,000,000
Olsen Road Lift Station Upgrades	350,000	-	-	-	-	350,000
Waste Processing Facility	120,000	-	-	-	-	120,000
HCTP Secondary Access	100,000	400,000	-	-	-	500,000
Wastewater Flowmeter Installation	125,000	-	-	-	-	125,000
Wastewater Line Relining Program	500,000	500,000	500,000	200,000	200,000	1,900,000
Inflow/Infiltration Program - Manhole Rehab	250,000	250,000	-	-	-	500,000
Wastewater Unscheduled Repairs - Wastewater Lines	150,000	150,000	150,000	150,000	150,000	750,000
TMDL Monitoring	145,000	160,000	160,000	160,000	160,000	785,000
HCTP Wetlands Mitigation Bank	70,000	20,000	20,000	20,000	20,000	150,000
Unit W Wastewater Interceptor Mitigation	140,000	140,000	-	-	-	280,000
HCTP Unscheduled Repairs & Replacements	300,000	300,000	300,000	300,000	300,000	1,500,000
HCTP Equipment Replacement	150,000	150,000	150,000	150,000	150,000	750,000
High Maintenance Repair Projects - Wastewater Lines	100,000	100,000	100,000	100,000	100,000	500,000
MSC Expansion	395,300	-	-	-	-	395,300
Total (in present dollars)	8,295,300	3,220,000	3,880,000	5,680,000	5,100,000	26,175,300
Total (escalated @ 6% - average ENR CCI for LA, 12/03-08)	8,295,300	3,413,000	4,359,000	6,765,000	6,438,000	29,270,300

Source: FY 2009-2010/2010-2011 CIP Budget.



RECOMMENDED FINANCING METHOD

Connection Charges

A connection charge based on an equitable allocation of engineering cost estimates for new wastewater facilities is a key element of the City's overall financing plan. Revenue from connection charges is available to pay the proportionate costs of system improvements and to pay for expansion. State law precludes the use of such revenue to pay any portion of operation and maintenance expenses. This is consistent with current City policy.

State law (Government Code §66000 *et seq.*) requires that a reasonable relationship exist between the amount of a connection charge and the cost of the associated public facility. Future users must be treated in a consistent manner and funds collected must be used for certain capital purposes. Because COP and SRF loan proceeds are used for project financing, the connection charge should include a component of debt issuance and interest costs.

Previous financing plans developed the basis and amount of the City's current connection charge. The charge was established in 1995 at \$5,310 and has been updated each year using the Engineering News Record (ENR) Construction Cost Index, with reference to, and comparison with, the Implicit Price Deflator Index. The connection charge was also increased by \$1,389 in 1999 because of future users' share of the COP issue and increased interceptor costs (mainly Unit W). The current connection charge is \$9,521. The connection charge requires no further increase at this time beyond the annual ENR adjustment. The charge continues to meet equity requirements and the requirements of Government Code 66000 *et seq.* The charge, collected from new users as they connect to the system, will equitably fund future users' share of capital costs.

The connection charge of \$9,521 is based on current dollars and is indexed to an inflation factor to maintain equity based on the timing of new connections. The intent is to collect the same amount in current dollars from each new ERU. The connection charge is annually adjusted based on a comparison of the then current ENR with the base index. Ordinance No. 1517-NS, passed on May 5, 2009, established that the basis for future adjustments to the wastewater connection charge is the July 2008 ENR Construction Cost Index for Los Angeles which was 9335.69.

Service Charges

Service charges are the main revenue source used to support the CIP for costs related to current users' share of permit compliance and upgrades/replacements. Once the connection charge is equitably established and sized to reflect future users' share of costs, the service charge revenue is needed to fund the balance of costs allocated to the current users' share. Service charges provide

greater flexibility than connection charges because they are within the purview of the City. There is no corresponding control of revenue from connection charges in the event of an economic downturn and resulting construction slowdown.

A monthly capital component service charge for CIP purposes was initially established at \$5.20 in the 1995 financing plan. An increase to \$5.70 per month was approved following the 1999 financing plan because of an increase in costs associated with Unit W. The charge has since been adjusted several times to reflect estimated inflation. The current capital improvements component of the monthly service charge is \$6.85. As the City nears build-out, connection charge revenue will decrease and the capital component of the service charge will become increasingly important.

Funds and Fund Balances

Table 15 shows balances for the funds maintained in the wastewater enterprise for the year ending June 30, 2008.

Table 15
City of Thousand Oaks Wastewater System
Wastewater Fund Balances

Fund	6/30/08
Operations Fund 621	\$ 11,689,300
Fixed Asset Replacement Fund 629	2,214,300
Total Operations Fund Balance	13,903,600
Capital Program (Developer Fees) Fund 622	15,893,000
Capital Program (Special Interceptor Charges) Fund 622	<u>884,700</u>
Subtotal Fund 622	16,777,700
Capital Facilities Replacement Fund 623	1,734,000
Capital Program (Services Charges) Fund 624	5,501,500
Total Capital Program Funds Balance	24,013,200

Source: Enterprise Funds Equity Report, June 30, 2008.

Operations Revenue and Expense

BWA recommends that Thousand Oak maintain at least three months of annual operating expenses as an operating reserve. This is equivalent to 25% of expenses. Due to the volatility of wastewater regulatory requirements, maintaining a reserve equal to at least three months of expense is prudent. In addition to financing future regulatory requirements, the reserve is also beneficial because it allows the City to weather any unforeseen emergencies without a sudden rate increase. If rate increases are needed, a healthy reserve fund, such as the City's, can allow the rate increases to be gradually phased in causing minimal disruption.

Table 16
City of Thousand Oaks Wastewater System
Operations Fund Cash Flow Projection

	FY09	July 1, 2009 - Nov 15, 2009	Nov 16, 2009 - June 30, 2010	FY11
Service Units (1)	57,786	57,786	57,786	57,786
O & M Component of Monthly Service Charge	\$17.60	\$17.60	\$17.60	\$17.60
Rate Increase	0%	0.0%	0.0%	0.0%
Operations Fund Beginning Balance	\$ 13,903,600	\$ 14,368,200	\$ 14,366,000	\$ 14,362,200
Revenue				
Service Charges	12,204,300	4,576,600	7,627,700	12,204,300
Inspection Fees	69,100	20,100	33,400	53,500
Plan Checking/Filing Fee	5,200	2,200	3,600	5,800
Interest Income (2)	288,500	215,500	359,200	574,500
Miscellaneous Revenue	452,500	325,100	541,800	866,900
Total Revenue	13,019,600	5,139,500	8,565,700	13,705,000
Expense				
Salaries	3,606,300	1,703,300	2,838,900	4,675,000
Fringe Benefits	1,897,700	765,800	1,276,300	1,905,800
Maintenance and Operations	7,069,700	2,680,400	4,467,300	7,398,900
Charge Backs	(18,700)	(7,800)	(13,000)	(20,800)
Total Expense	12,555,000	5,141,700	8,569,500	13,958,900
Operations Fund Net Revenue	464,600	(2,200)	(3,800)	(253,900)
Operations Fund Ending Balance	14,368,200	14,366,000	14,362,200	14,108,300
Minimum Operations Reserve Fund Target (3)	3,139,000	1,285,000	2,142,000	3,490,000

1 - See Table 6 for FYs 08 & 09. For FYs 10 & 11, no new growth is projected.
2 - Estimated at 4% of beginning balance for FYs 10 & 11.
3 - Recommended minimum balance target is at least 3 months (25%) of annual operating expenses.

Table 16 shows a projection of operating revenue and expense for the next two years. There is no recommended rate increase in the O&M component of the monthly wastewater charge in each of the next two fiscal years. As a result, there is an Operations Fund annual deficit forecast in each of the next two fiscal years, but the reserve fund is more than large enough to absorb these deficits in the short-term. Even with the projected operating deficits, the Operations Fund Reserve is far in excess of the minimum 25% of annual operating expenses that BWA recommends.

The City will review the adequacy of the monthly service charge operations element, the replacement charge, and the capital component as part of a comprehensive review of

wastewater system finances every two years, concurrent with the City's biennial budget process.

Capital Improvement Project Financing

The capital cash flow projection shown on Table 17 starts from the June 30, 2008 fund balance found on Table 15. Table 17 projects capital revenue and expense beginning in FY2009 with CIP project costs assumed to escalate 6% annually. This represents the five-year average increase in the EBR CCI for Los Angeles from December 2003 to December 2008. This escalation to the CIP costs was included in Tables 11, 12, 13, and 14. As a financing safeguard, a minimum ending fund balance of not less than \$1 million is recommended. This minimum target is exceeded throughout the planning period. Revenue includes that from connection charges to fund the portion of project costs assigned to future users. This revenue is dependent on development activity within the wastewater service area. Table 17 also projects revenue from the two capital components of the monthly charge – the capital facilities replacement charge and the capital improvement charge. With the number of new connections declining, connection charge revenue will decrease and the capital components of the monthly service charge will become more significant.

Table 17
City of Thousand Oaks Wastewater System
Capital Cash Flow Projection

	FY09	July 1, 2009 - Nov 16, 2009 -		FY11	FY12	FY13	FY14
		Nov 15, 2009	June 30, 2010				
Service Units (SUs)	57,786	57,823	57,886	57,948	58,048	58,148	58,248
Number of New SUs (1)		38	63	100	100	100	100
Connection Charge (Fund 622)	\$9,521	\$9,521	\$10,092	\$10,698	\$11,340	\$12,020	\$12,741
Connection Charge % Rate Increase (2)			6%	6%	6%	6%	6%
Capital Fac Repl Charge (Fund 623)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
% Rate Increase			0.0%	0.0%	0.0%	0.0%	0.0%
Capital Improvements Charge (Fund 624)	\$6.85	\$6.85	\$6.85	\$6.85	\$6.85	\$6.85	\$6.85
% Rate Increase			0.0%	0.0%	0.0%	0.0%	0.0%
Beginning Fund Balance (3)	\$ 24,013,200	\$ 21,222,200	\$ 19,485,100	\$ 16,586,400	\$ 16,778,300	\$ 16,110,200	\$ 13,088,300
Revenue							
Connection Charge (Fund 622)	1,957,700	357,000	630,800	1,069,800	1,134,000	1,202,000	1,274,100
Capital Fac Repl Charge (Fund 623)	693,400	260,200	434,100	695,400	696,600	697,800	699,000
Capital Improvements Charge (Fund 624)	4,750,000	1,782,400	2,973,900	4,763,300	4,771,500	4,779,800	4,788,000
Miscellaneous Revenue	48,900	12,200	20,400	32,600	32,600	32,600	32,600
Interest Income (4)	391,300	318,000	487,000	663,000	671,000	644,000	524,000
Total Revenue	7,841,300	2,729,800	4,546,200	7,224,100	7,305,700	7,356,200	7,317,700
Expense							
Capital Projects (5)	6,179,600	3,110,700	5,184,600	3,413,000	4,359,000	6,765,000	6,438,000
Capital Equipment	306,600	-	-	-	-	-	-
Debt Service	4,146,100	1,356,200	2,260,300	3,619,200	3,614,800	3,613,100	3,614,000
Total Expenses	10,632,300	4,466,900	7,444,900	7,032,200	7,973,800	10,378,100	10,052,000
Capital Fund Net Revenue	(2,791,000)	(1,737,100)	(2,898,700)	191,900	(668,100)	(3,021,900)	(2,734,300)
Ending Fund Balance	21,222,200	19,485,100	16,586,400	16,778,300	16,110,200	13,088,300	10,354,000

1 - Based on input from City staff, conservatively estimating growth of 100 SUs despite budget projections of over 200.

2 - ENR average for LA over the past five years is 6.1%.

3 - Major capital fund balance. See Table 15.

4 - Estimated at 4% of beginning balance for FYs 10 & 11.

5 - Includes Maintenance and Operations, Capital Improvements, and Maintenance Improvements expenses. See Table 14.

No increase over the next two fiscal years is recommended in either of the capital components of the monthly service charge. Table 17 shows a sizable deficit for FY2010, but the wastewater capital reserve fund is able to absorb this deficit easily. In the long-term, not increasing the capital components of the monthly charge results in projected deficits in FY2012 and beyond, so an increase to the capital facilities replacement charge and the capital improvements charge should be considered during the next biennial wastewater financial plan update.

Projected connection charge revenue is based on 100 new SUs per year over the five years of the CIP budget. With a connection charge based on future costs including a component for future debt issuance, the City will collect a fair share of costs from future users. The remaining costs are attributable to current users. Current users will pay their share of the costs from a capital component of service charges.

Because of the high levels of capital needed, an initial COP issue was sold in October 1998. The annual debt service to retire these bonds is included in Table 17 as an annual capital expense. No additional bond issues are currently planned during the five-year planning period. The City currently has two SRF loans. Debt service on the first loan began in 1999 and will end in 2019. Debt service payments on the second SRF Loan began in 2003 and will conclude in 2022. SRF loans are the lowest-cost borrowing available to the Wastewater Division.

Table 18 shows the City’s debt service coverage ratios and the City’s net wastewater revenue is sufficient to cover its annual debt service.

Table 18
City of Thousand Oaks Wastewater System
Debt Service Coverage

	FY09	FY10	FY11
Wastewater Operating Revenue	\$13,019,600	\$13,705,200	\$13,705,000
Wastewater Capital Revenue	<u>\$7,841,300</u>	<u>\$7,276,000</u>	<u>\$7,224,100</u>
Total Wastewater Revenue	\$20,860,900	\$20,981,200	\$20,929,100
O&M Expense	\$12,555,000	\$13,711,200	\$13,958,900
Net Wastewater Revenue	\$8,305,900	\$7,270,000	\$6,970,200
Annual Debt Service	\$4,146,100	\$3,616,500	\$3,619,200
Debt Service Coverage	2.00	2.01	1.93

Proposed Monthly Service Charge

Approximately 5% of the City’s wastewater accounts are outside city limits. These accounts currently pay a \$0.45 monthly surcharge in addition to the \$25.45 monthly wastewater charge. This surcharge is to cover the cost of the property taxes paid to Ventura County for the City’s wastewater lines that go through county land to serve these outside city limits customers. Table 19 shows the amount of these taxes for FY2009 and that the current \$0.45 surcharge is a bit low and should be \$0.53. Table 19 also projects the estimated appropriate surcharge for FYs 2010 and 2011 based on a presumed 4% increase in the City’s tax bill.

Table 19
 City of Thousand Oaks Wastewater System
 Surcharge for Accounts Outside City Limits

	FY09	FY10	FY11
Parcel ID # 000-40-002-77	\$8,066		
Parcel ID # 000-40-001-77	<u>\$4,897</u>		
Total Tax Bill Paid to Ventura County (1)	\$12,963	\$13,482	\$14,021
Monthly Share of Tax Bill	\$1,080	\$1,123	\$1,168
Number of Active WW Locations Outside City Limits	2,035	2,035	2,035
Estimated Monthly Surcharge on Out of City Accounts	\$0.53	\$0.55	\$0.57

1 - Property tax paid on wastewater lines going through county land. FY10 and FY 11 tax bills estimated to increase 4% annually.

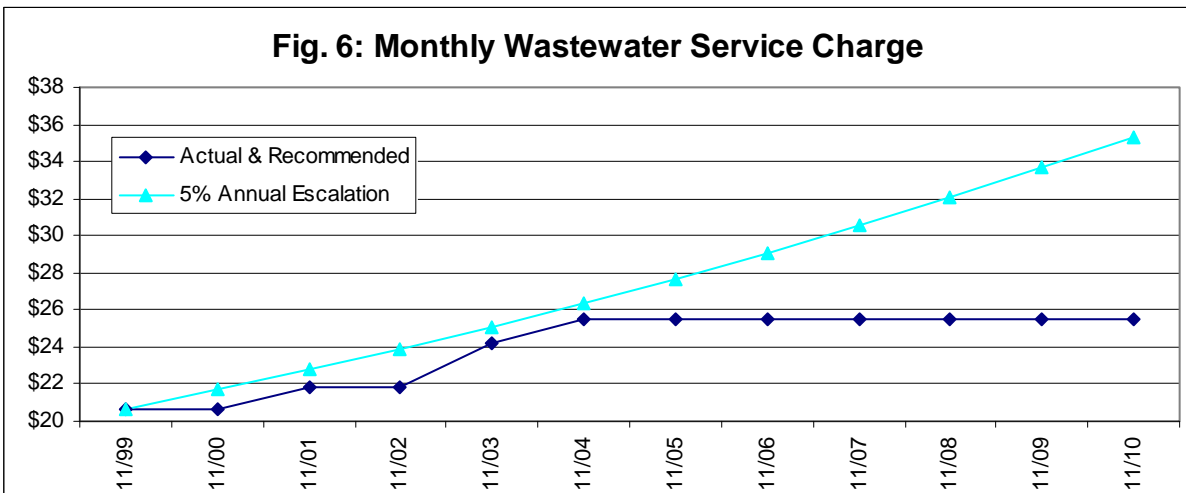
Despite the figures shown in Table 19, no increase in this rate is recommended at this time. The total FY2010 lost revenue from this charge being lower than calculated is approximately \$2,500. Existing wastewater reserves can cover this lost revenue amount and it is not cost-efficient to send out Prop 218 notices to the approximately 2,000 wastewater accounts to try and adjust this fee now. However, whenever rates are adjusted in the future and a full-blown Prop 218 process is undertaken for wastewater, the outside city limit surcharge will need to be increased to appropriately reflect the total costs.

Table 20 summarizes the three components of the wastewater monthly charge over the next two fiscal years. There is no recommended increase to any of the wastewater rates. Figure 6 compares the City's actual monthly wastewater service charges over the past 10 years to hypothetical rates if an annual 5% increase had been enacted each year.

Table 20
Proposed Monthly Service Charge
City of Thousand Oaks Wastewater System

	Current Charge	Nov. 16, 2009	July 1, 2010
Operation and Maintenance (Fund 621)	\$17.60	\$17.60	\$17.60
Capital Facilities Replacement (Fund 623)	\$1.00	\$1.00	\$1.00
Capital Improvements (Fund 624)	<u>\$6.85</u>	<u>\$6.85</u>	<u>\$6.85</u>
Total (1)	\$25.45	\$25.45	\$25.45
Monthly Surcharge on Accounts Outside City Limits	\$0.45	\$0.45	\$0.45

1 - Monthly service charge has been \$25.45 since November 2004. Accounts are billed bimonthly.
Source: Ordinance No. 1517-NS, May 5, 2009



Comparison of Rates and Charges

Tables 21 and 22 compare the City of Thousand Oaks current and proposed rates and charges to those of other Ventura County cities. The City of Ventura's service charge is based on cubic feet increments during winter usage (November 1 – April 30). Comparing Ventura's rate of \$34.26 with Thousand Oaks' proposed rate of \$25.45 shows that Ventura is 35% higher. Flat rate service charges in Triunfo Sanitation District are the highest for the area.

Table 21
City of Thousand Oaks Wastewater System
Monthly Single Family Service Charges Comparison
As of June 2009

City/Agency	Monthly User Charge
Triunfo Sanitation District	\$44.00
City of Ventura*	\$34.26
City of Camarillo	\$26.87
City of Oxnard	\$26.36
City of Simi Valley	\$26.08
City of Thousand Oaks (current & proposed rate)	\$25.45

* Assumed 17+ hcf, based on winter water use.

Table 22 shows a comparison of connection charges. Thousand Oaks' connection charge is the second highest of those shown in the comparison.

Table 22
City of Thousand Oaks Wastewater System
Connection Fee Comparison
As of June 2009

City/Agency	Connection Fee/ERU
Triunfo Sanitation District	\$10,525
City of Thousand Oaks	\$9,521
City of Ventura*	\$6,301
City of Oxnard	\$5,256
City of Simi Valley	\$4,107
City of Camarillo	\$2,913

* For a 1" meter - required for new development fire flow.
