



City of Lemon Grove
City Council Regular Meeting Agenda
Tuesday, February 7, 2017, 6:00 p.m.
Lemon Grove Community Center
3146 School Lane, Lemon Grove, CA

The City Council also sits as the Lemon Grove Housing Authority, Lemon Grove Sanitation District Board, Lemon Grove Roadway Lighting District Board, and Lemon Grove Successor Agency Board

Call to Order

Pledge of Allegiance

Changes to the Agenda

Public Comment

(Note: In accordance with State Law, the general public may bring forward an item not scheduled on the agenda; however, the City Council may not take any action at this meeting. If appropriate, the item will be referred to staff or placed on a future agenda.)

1. Consent Calendar

(Note: The items listed on the Consent Calendar will be enacted in one motion unless removed from the Consent Calendar by Council, staff, or the public. Items that are pulled will be considered at the end of the agenda.)

A. Approval of Meeting Minutes

January 17, 2017 – Regular Meeting

Members present: Vasquez, Arambula, Jones, J. Mendoza, and M. Mendoza

B. City of Lemon Grove Payment Demands

Reference: Gilbert Rojas, Interim Finance Director

Recommendation: Ratify Demands

C. Waive Full Text Reading of All Ordinances on the Agenda

Reference: James P. Lough, City Attorney

Recommendation: Waive the full text reading of all ordinances included in this agenda; Ordinances shall be introduced and adopted by title

D. Agreement for a Special District Financing Services

The City Council will consider an agreement for a Special District Financing Services for the Lemon Grove Roadway Lighting District.

Reference: Mike James, Assistant City Manager/Public Works

Recommendation: Adopt Resolution

E. Termination and Equipment Transfer Agreement with Cricket Communications, LLC

The City Council will consider a resolution approving the termination and equipment transfer with Cricket Communications, LLC.

Reference: Mike James, Assistant City Manager/Public Works Director

Recommendation: Adopt Resolution

- F Lease Agreement with Healthy Opportunities Progressive Education, Incorporated for Lemon Grove Community Center Office Space

The City Council will consider a resolution approving a Lease Agreement between the City and Healthy Opportunities Progressive Education, Incorporated for the use of the Lemon Grove Community Center Office Space.

Reference: Mike James, Assistant City Manager/Public Works Director
Recommendation: Adopt Resolution

- G. Rejection of Claim

The City Council will consider rejection of the claim submitted by Ruben Estrada.

Reference: Mike James, Assistant City Manager/Public Works Director
Recommendation: Approve Staff Recommendation

- H. Agreement for a Special District Financing Services

The City Council will consider an agreement for a Special District Financing Services for the Sanitation District.

Reference: Mike James, Assistant City Manager/Public Works
Recommendation: Adopt Resolution

2. Wastewater Rate Case Study

The Lemon Grove Sanitation District will consider wastewater rate options, accept wastewater rate case study and reserve allocations and begin the Proposition 218 noticing requirements.

Reference: Mike James, Assistant City Manager/Public Works Director
Recommendation:

- a) Select one of the four rate options.
- b) Accept the wastewater rate case study and reserve allocations.
- c) Direct staff to work with NBS Governmental Finance Group to notice and manage the proposition 218 noticing requirements.

3. Ordinance Amending Lemon Grove Municipal Code Chapter 8.64 (Prohibition of Recreational Marijuana Businesses) and Amendment of Lemon Grove Municipal Code Section 17.12.070 (Uncertainty of Use Classification)

The City Council will consider adopting an ordinance that reaffirms prohibitions against recreational marijuana dispensaries, deliveries, and cultivation in all zones in the City of Lemon Grove and amends LGMC Section 17.12.070 to eliminate the ban on medical marijuana sales.

Reference: James P. Lough, City Attorney
Recommendation: Conduct Second Reading and Adopt Ordinance

City Council Oral Comments and Reports on Meetings Attended at the Expense of the City.

(GC 53232.3 (d) states that members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body.)

Department Director Reports (Non-Action Items)

Closed Session

Conference with Legal Counsel - Anticipated Litigation Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One case

Conference with Legal Counsel - Existing Litigation - City of Lemon Grove v. The Grove Collective, et al. San Diego Superior Court Case No.: 37-2016-00015271-CU-BC-CTL

Adjournment

In compliance with the Americans with Disabilities Act (ADA), the City of Lemon Grove will provide special accommodations for persons who require assistance to access, attend and/or participate in meetings of the City Council. If you require such assistance, please contact the City Clerk at (619) 825-3800 or email sgarcia@lemongrove.ca.gov prior to the meeting. A full agenda packet is available for public review at City Hall.

**MINUTES OF A MEETING OF
THE LEMON GROVE CITY COUNCIL**

January 17, 2017

The City Council also sits as the Lemon Grove Housing Authority, Lemon Grove Sanitation District Board, Lemon Grove Roadway Lighting District Board, and Lemon Grove Successor Agency

Call to Order

Members present: Mayor Racquel Vasquez, Mayor Pro Tem Jennifer Mendoza, Councilmember Jerry Jones, Councilmember David Arambula, and Councilmember Matt Mendoza.

Members absent: None.

City Staff present: Lydia Romero, City Manager; David De Vries, Development Services Director; Mike James, Assistant City Manager/Public Works Director; James P. Lough, City Attorney; and Lt. Chris May, Sheriff's Department; Corinne Russell, HR Manager; and Fire Chief Colin Stowell.

Public Comment

Katie Dexter commented on the January 27, 2017 homeless count in Lemon Grove.

Lani Stacks commented on the condition of animals in Lemon Grove Pet Store.

John L. Wood commented on a Helix Water District Board meeting where an appointment was declined therefore opening a position on the Board and added that their meeting hours have changed.

1. Consent Calendar

Mayor Pro Tem J. Mendoza requested the item number 1. G be removed from the Consent Calendar for discussion.

A. Approval of City Council Minutes

December 20, 2016 Regular Meeting

B. Ratification of Payment Demands

C. Waive Full Text Reading of All Ordinances and Resolutions on the Agenda

D. Recognized Obligation Payment Schedule (July 1, 2017– June 30, 2018)

E. Grant Award Acceptance of Department of Justice Funds for Bicycle Patrol Program

F. Grant Application to SANDAG for GO by BIKE Mini-Grant for Lemon Grove Bike to Work and School Day

Action: Motion by Mayor Pro Tem Mendoza, seconded by Councilmember Jones, to approve the Consent Calendar passed, by the following vote:

Ayes: Vasquez, Arambula, Jones, J. Mendoza, M. Mendoza

Resolution No. 2017 – 3483: Resolution of the City Council of the City of Lemon Grove, California Authorizing the Submittal of an Application to SANDAG for the Lemon Grove GO by Bike to Work and School Day and Directing the City Manager to Execute Any Grant Related Documents Upon Award

Resolution No. 2017 – 3484: Resolution of the City Council of the City of Lemon Grove, California Accepting the Grant Funding for the Department of Justice Edward Byrne Memorial Justice Assistance Grant Program and Directing the City Manager to Execute any Grant Related Documents

2. Ordinance Amending Lemon Grove Municipal Code Chapter 8.64 (Prohibition of Recreational Marijuana Businesses) and Amendment of Lemon Grove Municipal Code Section 17.12.070 (Uncertainty of Use Classification)

City Attorney James Lough reported that this Ordinance makes changes to the Lemon Grove Municipal Code (“LGMC”) to confirm a ban on recreational marijuana businesses in Lemon Grove and to make other code changes that begin the steps to allow medicinal marijuana businesses, with a conditional use permit, in Lemon Grove pursuant to Measure V. The current language in the LGMC bans recreational and medicinal marijuana business operations. Adoption of this Ordinance will clarify that the recreational marijuana ban is still in place and that the City is taking the first of several steps to implement Measure V and its legalization of medicinal marijuana land uses.

In November 2016, the voters of California approved Proposition 64, which allowed the cultivation, processing and sale of recreational marijuana in California. The Initiative sets an implementation date for commercial operations of January 1, 2018. Proposition 64 allowed cities to ban all or part of the uses allowed under its provisions.

Ordinance No. 444 (443 number corrected) serves two main purposes. First, it reaffirms the City Council policy to prohibit recreational marijuana businesses from locating in Lemon Grove. As stated above, Proposition 64 allows cities to regulate and/or outright ban recreational marijuana businesses from locating in Lemon Grove.

Prior to the adoption of Proposition 64, the City Council had approved language in LGMC Chapter 8.64 that banned marijuana, to the extent that the City could regulate a matter not preempted by the State of California. Now that the state voters have legalized commercial operations for recreational marijuana, Lemon Grove can choose to continue its ban of recreational marijuana. While the Lemon Grove voters approved medical marijuana business establishments, subject to a City Council approved Conditional Use Permit, this approval did not address or limit the authority of the City Council to ban or regulate recreational marijuana businesses.

The second purpose of Ordinance No. 444 is to repeal the portion of the Zoning Code interpretation section, LGMC Section 17.12.070(c), which indicates medical marijuana is not an allowed use. With the passage of Measure V, the voters have lifted the City Council-imposed ban on medical marijuana business operations. LGMC Section 17.12.070(c) is recommended for repeal because it is inconsistent with Measure V. Repealing this subsection does not automatically allow applications for medicinal marijuana businesses. Measure V independently establishes a timetable for implementation of the new medicinal marijuana regulations. No medical marijuana businesses are allowed in Lemon Grove until the City’s regulatory process is put in place. No business can begin operating without a valid Conditional Use Permit issued by the City Council under the provisions of Measure V.

Public Speaker(s)

Dana Stevens, CASA, spoke in support of the ordinance.

Kathy Lipitt, San Diegans for Safe Neighborhoods, commented on the passage of Measure V.

Barbara Gordon expressed concern with the passage of Measure V.

Teresa Rosiak-Proffit commented on the business locations for sale and for rent. She recommended revitalization of the Broadway Business District.

Action: Motion by Councilmember Jones, seconded by Councilmember M. Mendoza, to introduce Ordinance 444 by title passed, by the following vote:

Ayes: Vasquez, Arambula, Jones, J. Mendoza, M. Mendoza

Ordinance No. 444: An Ordinance of the City Council of the City of Lemon Grove, California, Amending Lemon Grove Municipal Code Chapter 8.64 (Prohibition of Recreational Marijuana Businesses) and Amendment of Lemon Grove Municipal Code Section 17.12.070 (Uncertainty of Use Classifications)

1. G Appointment of City Councilmembers to Committees, Commissions and Boards

Mayor Pro Tem J. Mendoza provided comments on City Council appointments to Regional Committees, Commissions and Boards. She suggested establishing criteria such as experience and longevity, availability, fairness and seniority when appointing City Councilmembers as representatives to the various boards and commissions. She suggested that Councilmember Jones be appointed as primary to SANDAG, herself as the first alternate, and Mayor Vasquez as the second alternate. In addition naming her as the primary on the Heartland Communications JPA and Heartland Training Facility Authority with Councilmember Arambula named as the alternate.

Motion by Mayor Pro Tem Mendoza, seconded by Councilmember Jones, for the following changes to appointments: Councilmember Jones be appointed as primary to SANDAG, J. Mendoza as the first alternate, and Mayor Vasquez as the second alternate, on the Heartland Communications JPA and Heartland Training Facility Authority J. Mendoza as the primary and Councilmember Arambula as the alternate.

Public Speaker(s)

Thomas Clabby commented on the Mayor's employment with the City of San Diego and that the entire list of appointments should be discussed.

James Lough stated that Mayor Vasquez's employment position with the City of San Diego does not have a conflict of interest with the Lemon Grove City Council. Regarding SANDAG, he does not make conflict of interest opinions for SANDAG; however, using the same analysis, it probably does not prohibit the Mayor from sitting on the SANDAG Board.

Teresa Rosiak-Proffit reported the Lemon Grove residents want change.

Brenda Leuerette commented that residents want change in various areas of Lemon Grove.

Julie Cooper commented on Mayor Vasquez's election and that she should serve on the SANDAG Board.

Action: the motion passed by the following vote:

Ayes: Jones, J. Mendoza, M. Mendoza
Abstain: Arambula
Noes: Vasquez

City Council Oral Comments and Reports on Meetings Attended at the Expense of the City. (GC 53232.3 (d))

Mayor Vasquez attended a recent Lemon Grove community celebration at the Lagoon Lemon Grove Church on January 14, 2017.

City Manager and Department Director Reports

David De Vries reported that there will be a city clean-up event on January 28, 2017.

Lt. May reported that Coffee with the Community will be held on January 25, 2017, 8:00 a.m. to 10:00 a.m. at the Lemon Grove Community Center.

Lydia Romero reported that the City's Public Works crews have been working to prepare for the upcoming storms and residents can pick-up sandbags at the Fire Department.

Closed Session

Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: Two Cases

Conference with Real Property Negotiators Government Code Section 54956.8
APN: 475-490-12-00 (Dan Kunkle Park)
Agency Negotiator: Mike James, Assistant City Manager/Public Works Director
Negotiating parties: Roger Rataj, Fracton Technologies, on behalf of Cricket Wireless
Under negotiation: Price and Terms of Transaction

Conference with Real Property Negotiators Government Code Section 54956.8
APN: 480-271-15-00 (Lemon Grove Community Center Community Center)
Agency Negotiator: Mike James, Assistant City Manager/Public Works Director
Negotiating parties: Arthur Camacho Jr. and Luis Fernandez, Healthy Opportunities Progressive Education, Inc.
Under negotiation: Price and Terms of Lease

Closed Session Report: A claim submitted by Ruben Estrada was rejected.

Adjournment

There being no further business to come before the City Council, Housing Authority, Sanitation District Board, Lemon Grove Roadway Lighting District Board, and the Lemon Grove Successor Agency the meeting was adjourned at 7:42 p.m.

Susan Garcia

Susan Garcia, City Clerk

City of Lemon Grove Demands Summary

Approved as Submitted:

Gilbert Rojas, Interim Finance Director

For Council Meeting: 02/07/17

ACH/AP Checks 12/22/16-01/18/17

935,082.58

Payroll - 01/17/17

119,308.40

Total Demands

1,054,390.98

Check No	Vendor No	Vendor Name	Check Date	Vendor Name	Check Amount	CHECK AMOUNT
CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
ACH	Dec20 16	US Treasury	12/22/2016	Federal Taxes 12/20/16	27,473.45	27,473.45
ACH	Dec20 16	Employment Development Department	12/22/2016	State Taxes 12/20/16	6,032.81	6,032.81
ACH	Refill 12/22/16	Pitney Bowes Global Financial Services LLC	12/23/2016	Postage Usage 12/22/16	250.00	250.00
ACH	Nov16	WEX Wright Express Fleet Services	12/28/2016	Fuel - Fire Dept - Nov'16	708.86	708.86
ACH	Dec16	Dharma Merchant Services	01/03/2017	Merchant Fees - Dec'16	539.29	539.29
ACH	Jan17	Pers Health	01/04/2017	Pers Health Insurance - Jan'17	51,325.55	51,325.55
ACH	Dec16	Power Pay Blz/Evo	01/04/2017	Online Credit Card Processing - Dec'16	57.19	57.19
ACH	Dec16	Authorize Net	01/04/2017	Merchant Fees In Store & Online - Dec'16	40.29	40.29
ACH	Jan3 17	Employment Development Department	01/05/2017	State Taxes 1/3/17	11,302.80	11,302.80
ACH	Dec7-Dec20 16	Calpers Supplemental Income 457 Plan	01/06/2017	457 Plan 12/07/16-12/20/16	4,390.21	4,390.21
ACH	Nov16	San Diego County Sheriff's Department	01/10/2017	Law Enforcement Services - Nov'16	435,760.74	435,760.74
ACH	Jan3 17	US Treasury	01/10/2017	Federal Taxes 1/3/17	39,154.60	39,154.60
ACH	Jan11 17	Wage Works	01/11/2017	FSA Disbursement 1/11/17	15.00	15.00
ACH	Dec16	Wells Fargo Bank	01/11/2017	Bank Service Charge - Dec'16	682.10	682.10
ACH	Dec16	Home Depot Credit Services	01/13/2017	Home Depot Purchases - Dec'16	1,329.43	1,329.43
ACH	Jan17 17	Wage Works	01/17/2017	FSA Disbursement 1/17/17	872.00	872.00
ACH	Refill 1/13/17	Pitney Bowes Global Financial Services LLC	01/17/2017	Postage Usage 1/13/17	250.00	250.00
ACH	Jan03 17 Jan17 17	Southern CA Firefighters Benefit Trust	01/18/2017	LG Firefighters Benefit Trust 1/03/17 LG Firefighters Benefit Trust 1/17/17	876.85 876.85	1,753.70
ACH	Dec7-Jan3	California Public Empl Retirement System	01/18/2017	Pers Retirement 12/07/16-01/03/17	66,051.52	66,051.52
ACH	Dec21-Jan3 17	Calpers Supplemental Income 457 Plan	01/18/2017	457 Plan 12/21/16-1/03/17	4,390.21	4,390.21
ACH	Jan18 17	Wage Works	01/18/2017	FSA Disbursement 1/18/17	237.10	237.10
6989	0235 0441 0500 29923 29925	A Aaron Lock & Key	01/11/2017	Keys Keys Keys Install Entry Lock - Courtyard Restroom Install & Rekey Mortise Lock - Sheriff's Exterior Door	28.43 21.32 6.46 456.35 713.06	1,225.62
6990	C2229 C2296	A-Pot Rentals	01/11/2017	Portable Restroom Rental - Bonfire - 12/2/16-12/5/16 Portable Restroom Rental 12/9/16-1/8/17	286.60 132.20	418.80
6991	5534 5535	Aguirre & Associates	01/11/2017	7443 Tweed - Street Dedication - Dec '16 8150 Ildica - Map Review - Dec '16	275.00 57.50	332.50
6992	Alonso	Alonso, Theresa	01/11/2017	Refund/Alonso, Theresa/Deposit- LBH-12/17/16 Refund/Alonso, Theresa/Overpayment- LBH-12/17/16	200.00 50.00	250.00
6993	1952026 1956404 1962161	American Fence Company Inc.	01/11/2017	North & Olive Temp Fence Rental 10/17/16-11/16/16 North & Olive Temp Fence Rental 11/17/16-12/16/16 North & Olive Temp Fence Rental 12/17/16-1/16/17	65.00 65.00 65.00	195.00
6994	L1072895RA	American Messaging	01/11/2017	Pager Replacement Program - 1/1/17-1/31/17	40.68	40.68
6995	9041864	AT&T	01/11/2017	Fire Backup Phone Line- 11/22/16-12/21/16	37.50	37.50
6996	15079L-IN 29786-IN	Aztec Landscaping Inc.	01/11/2017	Senior Center - Strip & Wax Floor Landscape Mgmt Svc - Nov'16	790.00 9,629.00	10,419.00
6997	4546567	Bearcom	01/11/2017	Portable Radios Monthly Contract 12/22/16-1/21/17	150.00	150.00
6998	1140025-IN	Boot World Inc.	01/11/2017	Work Boots - PW Crew	117.16	117.16
6999	1701026	California Aquatics	01/11/2017	Fountain Repair Service - Dec '16	140.00	140.00

7000	Jan 2017	California Dental Network Inc.	01/11/2017	California Dental Insurance - Jan17	324.42	324.42
7001	16851862	Canon Financial Services Inc.	01/11/2017	Canon Copier Contract Charge Jan '17 Basement	81.35	81.35
7002	694289837 694292385 694292386 694297455	Clintas Corporation #694	01/11/2017	Janitorial Supplies - 12/15/16 Janitorial Supplies - Fire - 12/22/16 Janitorial Supplies - 12/22/16 Janitorial Supplies - 1/5/17	170.47 304.49 966.33 170.10	1,611.39
7003	06875 06876 06877	Cloud Security Systems	01/11/2017	Electronic Security System Monitoring - Rec Ctr -Jan '17-Dec '17 Electronic Security System Monitoring - Sr. Ctr -Jan '17-Dec '17 Electronic Security System Monitoring - LBH#2 -Jan '17-Dec '17	216.00 240.00 240.00	696.00
7004	81762969	Corelogic Information Solutions Inc.	01/11/2017	RealQuest Graphics Package- Dec '16	300.00	300.00
7005	17CTOFLGN06	County of San Diego- RCS	01/11/2017	800 MHZ Network - Dec '16	2,860.00	2,860.00
7006	12/19/2016 1/1/2017 12/30/2016	Cox Communications	01/11/2017	Phone/PW Yard/2873 Skyline- 12/19/16-1/18/17 Phone/City Hall- 1/1/17-1/31/17 Internet/Community Ctr- 12/30/16-1/29/17	211.11 972.46 75.00	4,145.14

	12/31/2016		Peg Circuit Svc - 12/30/16-1/29/17	2,886.57	
7007	Jan-Jun 17 Jul-Dec 16	Ek, James	01/11/2017 Retiree Health Benefit - Jan '17-Jun '17 Retiree Health Benefit - Jul '16-Dec '16	1,200.00 1,200.00	2,400.00
7008	1/2-5/17 12/19-22/16	Esgil Corporation	01/11/2017 75% Building Fees- 1/2/17-1/5/17 75% Building Fees- 12/19/16-12/22/16	1,829.07 4,229.10	6,058.17
7009	562	Geary Floors, Inc.	01/11/2017 Scrub Gym Floor w/Cleaner & Grit Screens/Apply Urethane Finish	3,150.00	3,150.00
7010	107916282	Globalstar USA, Inc.	01/11/2017 Satellite Service 11/16/16-12/15/16	101.14	101.14
7011	10/26-12/27	Helix Water District	01/11/2017 Water Services- 10/26/16-12/27/16	14,345.09	14,345.09
7012	Hernandez	Hernandez, Jeffrey	01/11/2017 Refund/Hernandez, Jeffrey/Deposit-LBH-12/10/16	300.00	300.00
7013	61001/60412	House of Automation	01/11/2017 PW Yard Security Gate Install (Automated) &Relocate Card	12,055.71	12,055.71
7014	Jarvis	Jarvis, Nicolette & August	01/11/2017 Refund/Jarvis, Nicolette&August/Partial Deposit-LBH-8/26/17	200.00	200.00
7015	7020503	LEAF	01/11/2017 Ricoh C3502 Copier System-PW Yard - Dec '16	192.21	192.21
7016	07-2216 07-2215	Lemon Grove School District	01/11/2017 Fuel Services-PW: Dec '16 Fuel Services-Fire Stn- Dec '16	1,303.78 1,112.75	2,416.53
7017	0115567-IN	Municipal Maintenance Equipment Inc.	01/11/2017 Camera Hook Gaffing Tool - Swivel Type	151.19	151.19
7018	202119	Ninyo & Moore	01/11/2017 Starbucks Project Inspection Svcs thru 9/30/16	482.00	482.00
7019	WO-33456-1	Office Advantage, Inc.	01/11/2017 Office Supplies - 2017 Calendars	304.69	304.69
7020	123496	Orange Commercial Credit- Best Tire Buy	01/11/2017 Flat Repair - LGPW Street - Trailer	7.16	7.16
7021	141925 145017	Pacific Sweeping	01/11/2017 Power Washing/Bus Shelters - Nov '16 Street Sweeping/Parking Lot - Dec '16	6,655.15 6,655.15	13,310.30
7022	31021283	RCP Block & Brick, Inc.	01/11/2017 Bulk Concrete Sand - Fire Station	142.55	142.55
7023	17546B(7) 17546B(7) 17546B(7)	Rick Engineering Company	01/11/2017 Prof Svc: City Engineer Svcs/Signal Timing 10/29/16-11/25/16 Prof Svc: Sanitation District Services 10/29/16-11/25/16 Prof Svc: Metro Wastewater/JPA Proj Mgmt 10/29/16-11/25/16	10,271.58 1,540.00 3,200.00	15,011.58
7024	1052-02	SC Valley Engineering Inc.	01/11/2017 LG Sewer Upsizing Proj- 11/30/16-12/31/16	137,265.60	137,265.60
7025	0291619	SCS Engineers	01/11/2017 Env Consulting Svc: LGA Realignment 11/1/16-11/30/16	3,967.00	3,967.00
7026	11/21/2016	SDG&E	01/11/2017 3500 1/2 Main- 10/19/16-11/17/16	181.09	181.09
7027	8108	Spring Valley Lawn Mower Shop	01/11/2017 Makita Blower Kill Switch/Throttle Control Lever/Choke Lever	32.12	32.12
7028	209168	State of California- Department of Justice	01/11/2017 Fingerprint Apps- Dec '16	256.00	256.00
7029	835312 837183	Superior Ready Mix Concrete LP	01/11/2017 Recycled Class II Asphalt - Pothole Repair	320.88 120.96	441.84
7030	48056	The East County Californian	01/11/2017 Notice of Decision 16-09 - 12/22/16	175.00	175.00
7031	1220160377	Underground Service Alert	01/11/2017 51 New Ticket Charges - Dec '16	76.50	76.50
7032	3035804-CA 3039154-CA	US HealthWorks Medical Group, PC	01/11/2017 Medical Exam - 12/6/16 Medical Exam - 12/5/16	201.00 201.00	402.00
7033	9776931555 9777339208 9777322034 9776930941	Verizon Wireless	01/11/2017 Mobile Broadband Access- 11/13/16-12/12/16 MDC Engine Tablets- 11/21/16-12/20/16 EOC Router/Emerg Phone Lines- 11/21/16-12/20/16 PW Tablets- 11/13/16-12/12/16	76.02 190.07 361.39 188.78	816.26
7034	5501003594	Volvo Construction Equipment & Services	01/11/2017 LGPW Streets #8 - Paver - Replace Track Pads	412.06	412.06
7035	71327865 71327866	Vulcan Materials	01/11/2017 Asphalt Asphalt	135.00 135.00	270.00
7036	0168437	Zumar Industries, Inc.	01/11/2017 Stop Signs & Wedge Puller	2,243.07	2,243.07
7037	9876	AdminSure	01/18/2017 Workers' Compensation Claims Administration - Feb 17	415.00	415.00
7038	9408533	Broadcast Music Inc.	01/18/2017 Annual Music Licensing Fee - 12/1/16-11/30/17	336.00	336.00
7039	Burkett 1/4/17	Burkett, Terry	01/18/2017 Training/Fire/BigRig & MassTrans Rescue/Burkett-12/14-16/16	674.50	674.50
7040	Oct-Dec16	California Building Standards Commission	01/18/2017 BSA Fees: Oct-Dec'16	106.20	106.20
7041	SD10025FY17 SD10199FY17	County of SD- Vector Control Program	01/18/2017 Mosquito & Vector Disease Control Assessment-SD 10025 FY17 Mosquito & Vector Disease Control Assessment-SD 10199 FY17	58.75 108.75	167.50
7042	201700026	County of San Diego/Assessor/Recorder	01/18/2017 Recording Services- 12/1/16	21.00	21.00
7043	012160560	DAR Contractors	01/18/2017 Animal Disposal- Dec '16	162.00	162.00

7044	203391	Dell Awards	01/18/2017	Nameplate for City Hall Display-Vasquez/Arambula/Mendoza	32.33	32.33
7045	Oct-Dec16	Department of Conservation	01/18/2017	Qtrly SMIP Fees - Oct-Dec'16	136.15	136.15
7046	Oct-Dec16	Division of the State Architect	01/18/2017	State CASP Fee-10/1/16-12/31/16	116.70	116.70
7047	31071	Dokken Engineering	01/18/2017	Sewer Upsizing Construction Mgmt - 12/1/16-12/31/16	5,780.00	5,780.00
7048	Drum 1/3/17	Drum, Daryn	01/18/2017	Data Analysis Training/San Jose/Meals/Drum-11/14/16-11/17/16	47.48	47.48
7049	1/9-12/17	Esgill Corporation	01/18/2017	75% Building Fees- 1/9/17-1/12/17	5,860.85	5,860.85
7050	Reimb 1/9/17	Evans, Miranda	01/18/2017	Reimb: Supplies for Mayor Sessom's Event- 12/9/16	111.59	111.59
7051	INV1011426	George Hills Company	01/18/2017	Talton-Rivers/McDonald/Estrada/TPA Claims - Dec '16	323.70	323.70
7052	158	Janazz, LLC SD	01/18/2017	Computer Maintenance - Dec 16	2,639.32	2,639.32
7053	168706	League of California Cities	01/18/2017	League Membership Dues for 2017	9,919.00	9,919.00
7054	Lopez 12/30/16	Lopez, Jose Alberto	01/18/2017	Training/Fire/BigRig & Mass Trans Rescue/Lopez-12/14-16/16	806.80	806.80
7055	Macias 1/11/17	Macias, Vivian	01/18/2017	Meals & Ground Transp/City Works Conf/SJC/Macias-12/5-8/16	115.91	115.91
7056	41230878	Motorola Solutions, Inc.	01/18/2017	P25 Trunking Model for Digital Smartzone-Mobile Radio	1,425.88	1,425.88
7057	WO-33478-1	Office Advantage, Inc.	01/18/2017	Office Supplies- City Hall	400.02	400.02
7058	Jan2017	Standard Insurance Company	01/18/2017	Long Term Disability Insurance - Jan17	2,094.00	2,094.00
7059	STMT 12/22/20	US Bank Corporate Payment Systems	01/18/2017	PC Monitors	223.98	9,681.61
				Job Posting - Jobs Available for Finance Manager	624.00	
				Job Posting - CA City News for Finance Manager	195.00	
				Job Posting - CSMFO for Finance Manager	400.00	
				Compressor Fitting	68.07	
				American Planning Assoc Membership- Craig 1/1/17-12/31/17	495.00	
				Batteries for SCBA	15.10	
				Cold Weather Jackets- Briseno&Rodriguez	29.03	
				Creeper for Apparatus	43.18	
				MSA 2016 Holiday Event Mtg/Regis/Bell&Harper	50.00	
				NBS.Gov/Seminar/James-11/23/16	85.00	
				Lodging/Sanitation Seminar/Harrington-12/14/16	113.52	
				2017 PARMA Conference Registration - James	350.00	
				Lodging Deposit/PARMA Conference/James-2/11/17-2/15/17	221.13	
				Lodging/MMASC Conference/James-12/6/16-12/9/16	453.92	
				Lodging/Sani Training Conf/Salt Lake City/Macias-12/5-12/7/16	414.36	
				Parking for Ins Mtg/Sacramento/James-12/12/16	32.00	
				PARMA Holiday Luncheon/Mtg Charge/James-12/14/16	25.00	
				Bonfire/Cookies- 12/2/16	495.00	
				Bonfires/EZ Up Canopies- 12/2/16	116.62	
				Bonfire/Popcorn/Cups- 12/2/16	119.83	
				Bonfire/Envelopes /Photo Booth 12/2/16	11.24	
				Bonfire/Apples- 12/2/16	79.18	
				Bonfire/Decorations- 12/2/16	7.56	
				Bonfire/Fencing- 12/2/16	16.78	
				Bonfire/Lumber-12/2/16	23.52	
				Bonfire/Popcorn-12/2/16	59.94	
				Bonfire/Lighter Fluid-12/2/16	23.72	
				Bonfire Supplies- 12/2/16	113.70	
				Heritage Bench	698.79	
				Supplies for Mayor Sessom's Event-12/9/16	502.66	
				Signage - Mayor Sessom's Event-12/9/16	112.61	
				Book - Govt Acctg,Auditing & Financial Reporting	199.00	
				Welcome Reception Cake-New Mayor & CC- 12/20/16	50.99	
				Drinking Water Filter	48.00	
				League Conf-New Mayor & CC Academy/Vasquez-1/17-19/2017	575.00	
				League Conf-New Mayor & CC Academy/Arambula-1/17-19/2017	575.00	
				Airfare-League Conf/Vasquez-Sacramento 1/17/17-1/20/17	220.68	
				Airfare-League Conf/Arambula-Sacramento 1/17/17-1/20/17	299.70	
				Lodging/League Conf/Arambula-Sacramento 1/17-1/20/17	791.76	
				Wire Tags	47.51	
				Plastic Pull-Tight Seals	35.63	
				E210 New TIC Install	90.64	
				Lodging/Big Rig Rescue Academy/Schroeder-12/5-12/7/16	230.37	
				Treadmill Service/Fire Station	120.00	
				Replacement Carabniers/E10 & E210	116.00	
				Hydrant Wrench/Fire Station	61.89	
7060	Jan17 17	Vantage Point Transfer Agents-457	01/18/2017	ICMA Deferred Compensation Pay Period Ending 1/17/17	580.77	580.77
					935,082.58	935,082.58

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.C
Dept. City Attorney

Item Title: Waive Full Text Reading of All Ordinances on the Agenda

Staff Contact: James P. Lough, City Attorney

Recommendation:

Waive the full text reading of all ordinances included in this agenda. Ordinances shall be introduced and adopted by title only.

Environmental Review:

☒ Not subject to review

☐ Negative Declaration

☐ Categorical Exemption, Section |

☐ Mitigated Negative Declaration

Public Information:

☒ None

☐ Newsletter article

☐ Notice to property owners within 300 ft.

☐ Notice published in local newspaper

☐ Neighborhood meeting

Attachments:

None

**LEMON GROVE ROADWAY LIGHTING DISTRICT
AGENDA ITEM SUMMARY**

Item No. 1.D
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: **Agreement for a Special District Financing Services**

Staff Contact: Stephanie Boyce, Management Analyst

Recommendation:

Adopt a resolution (**Attachment B**) awarding an agreement for the Special District Financing Services for the Lemon Grove Roadway Lighting District (Contract No. 2017-18) to Psomas.

Item Summary:

In 2009, the Lemon Grove Roadway Lighting District contracted with Psomas to provide Special District Financing Services which include preparing an Engineer's Report and administration of services for the annual tax roll process of approximately 5,243 parcels for the Roadway Lighting District. The enclosed staff report (**Attachment A**) provides a history of the Lemon Grove Roadway Lighting District tax roll process, the current request for proposal process, and a final recommendation to award an agreement for the Special District Financing Services.

Fiscal Impact:

\$6,000 was budgeted in the current fiscal year. If the agreement is approved, staff will program funds as an identified within the contract.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution

LEMON GROVE ROADWAY LIGHTING DISTRICT STAFF REPORT

Item No. 1.D

Mtg. Date February 7, 2017

Item Title: Agreement for a Special District Financing Services

Staff Contact: Stephanie Boyce, Management Analyst

Background:

The Lemon Grove Roadway Lighting – Zone L (District) maintains lighting facilities related to residential, non-residential, and commercial developments throughout the city. In 1997, a mid-block lighting assessment was voted on, confirmed and established at a public hearing. The assessments for these locations are placed on the next fiscal year tax roll for collection by the County of San Diego. In addition to placing the charges on the tax roll, an Engineer's Report is prepared which reflects the current assessment methodology, and general description of the plans and specifications for the improvements within the District, an estimate of the costs of improvements for the fiscal year, a description of the boundaries and map of the district, an assessment of the estimated cost to each parcel (proposed assessments), and an affidavit stating that a professional engineer has prepared the report.

Discussion:

On December 8, 2016, the District advertised a request for proposals (RFP) and posted on e-bidboard and the City's website. On January 10, 2017, three proposals were received:

1. NBS located in Temecula, California;
2. Psomas located in San Diego, California; and
3. SCI Consulting Group located in Fairfield, California.

City staff formed a selection committee to evaluate each proposal based upon the following criteria:

1. Conforms to the requested format,
2. Experience and Technical Competence,
3. Proposed Method to Accomplish Work,
4. Knowledge and Understanding of Local Government,
5. Project Organization and Key Personnel, and
6. Cost Estimate.

The selection committee determined that the best consultant team to perform the scope of work based upon the above listed criteria was Psomas with a proposal amount of \$5,815. Psomas specializes in Special District Financing including the formation of districts, ongoing administration, annual levy placement and restructuring of distressed districts. Psomas has performed similar work for other local governments and special districts in the recent past and the firm has excellent knowledge of sewer service charges, assessment districts, landscape and lighting maintenance districts, Proposition 218, recent and relevant case law that impacts financing districts and standby charges.

Conclusion:

[That the Roadway Lighting Board adopts a resolution (**Attachment B**) awarding a professional services agreement for the Special District Financial Service for the Lemon Grove Roadway Lighting District (Contract No. 2017-18) to Psomas for an amount not to exceed \$6,000.]

Attachment B - Exhibit 1

RESOLUTION NO. 2017-_____

RESOLUTION OF THE LEMON GROVE ROADWAY LIGHTING DISTRICT, AWARDING A PROFESSIONAL SERVICES AGREEMENT TO PSOMAS FOR THE SPECIAL DISTRICT FINANCING SERVICES (CONTRACT NO. 2017-18)

WHEREAS, in 2009, an agreement was entered into between the Roadway Lighting District (District) and Psomas for Special District Financing Services; and

WHEREAS, in 2015 and 2016, the District extended the contract with Psomas to prepare the Engineer's Report and levy the sewer service charge on the tax roll; and

WHEREAS, on December 8, 2016, the District solicited requests for proposals for Special District Financing Services for the next five years; and

WHEREAS, On December 10, 2017, the District received three proposals; and

WHEREAS, District staff evaluated three proposals and determined Psomas was the best-suited consulting firm to complete this project; and

NOW, THEREFORE, BE IT RESOLVED that the District Board of the Lemon Grove Roadway Lighting District, Lemon Grove, California hereby:

1. Approves a professional services agreement (Exhibit 1); and
2. Establishes a project budget not to exceed fifteen thousand dollars and zero cents (\$6,000); and
3. Authorize the Executive Director or her designee to execute the agreement and manage all project correspondence.

/////
/////

Attachment B - Exhibit 1

**AGREEMENT
BY AND BETWEEN
THE LEMON GROVE ROADWAY LIGHTING DISTRICT
AND
PSOMAS**

THIS AGREEMENT is approved and effective upon the date of the last signature, by and between the LEMON GROVE ROADWAY LIGHTING DISTRICT, a municipal corporation (the "DISTRICT"), and Psomas, a consulting and engineering firm (the "CONTRACTOR").

RECITALS

WHEREAS, the DISTRICT desires to employ a CONTRACTOR to provide Special District Financing Services including but not limited to preparation of the Engineer's Report, placement of the annual sewer fee on the County tax roll and provide customer service and support to property owners and staff.

WHEREAS, the DISTRICT has determined that the CONTRACTOR is consulting and engineering firm and is qualified by experience and ability to perform the services desired by the DISTRICT, and the CONTRACTOR is willing to perform such services.

NOW, THEREFORE, THE PARTIES HERETO DO MUTUALLY AGREE AS FOLLOWS:

1. **ENGAGEMENT OF CONTRACTOR.** The DISTRICT hereby agrees to engage the CONTRACTOR and the CONTRACTOR hereby agrees to perform the services hereinafter set forth in accordance with all terms and conditions contained herein.

The CONTRACTOR represents that all services required hereunder will be performed directly by the CONTRACTOR or under direct supervision of the CONTRACTOR.

2. **SCOPE OF SERVICES.** The CONTRACTOR will perform services as set forth on in Exhibit "A" (Attached).

The CONTRACTOR shall be responsible for all research and reviews related to the work and shall not rely on personnel of the DISTRICT for such services, except as authorized in advance by the DISTRICT. The CONTRACTOR shall appear at meetings cited in Exhibit "A" to keep staff and DISTRICT Council advised of the progress on the project.

The DISTRICT may unilaterally, or upon request from the CONTRACTOR, from time to time reduce or increase the Scope of Services to be performed by the

Attachment B - Exhibit 1

CONTRACTOR under this Agreement. Upon doing so, the DISTRICT and the CONTRACTOR agree to meet in good faith and confer for the purpose of negotiating a corresponding reduction or increase in the compensation associated with said change in services, not to exceed the total amount of twenty thousand dollars (\$20,000) and extend time for completion by more than a total of fifteen (15) days.

3. **PROJECT COORDINATION AND SUPERVISION.**

Stephanie Boyce, Management Analyst hereby is designated as the Project Coordinator for the DISTRICT and will monitor the progress and execution of this Agreement. The CONTRACTOR shall assign a single Project Director to provide supervision and have overall responsibility for the progress and execution of this Agreement for the CONTRACTOR. Tami Eaton, Project Manager thereby is designated as the Project Director for the CONTRACTOR.

4. **COMPENSATION AND PAYMENT.** The compensation for the CONTRACTOR shall be based on monthly billings covering actual work performed. Billings shall include labor classifications, respective rates, hours worked and also materials, if any. The total cost for all work described in Exhibit "A" shall not exceed five thousand eight hundred fifteen dollars (\$5,815) (the Base amount) without prior written authorization from the Mike James, Assistant City Manager/Public Works Director. Monthly invoices will be processed for payment and remitted within thirty (30) days from receipt of invoice, provided that work is accomplished consistent with Exhibit "A" as determined by and in the sole discretion of the DISTRICT.

The CONTRACTOR shall maintain all books, documents, papers, employee time sheets, accounting records, and other evidence pertaining to costs incurred and shall make such materials available at its office at all reasonable times during the term of this Agreement and for three (3) years from the date of final payment under this Agreement, for inspection by the DISTRICT and for furnishing of copies to the DISTRICT, if requested.

5. **LENGTH OF AGREEMENT.** This agreement will last sixty (60) months from the approved and executed date or until all work has been completed by the CONTRACTOR and accepted by the DISTRICT, whichever occurs first.

6. **DISPOSITION AND OWNERSHIP OF DOCUMENTS.** The Memoranda, Reports, Maps, Drawings, Plans, Specifications and other documents prepared by the CONTRACTOR for this Project, whether paper or electronic, shall become the property of the DISTRICT for use with respect to this Project, and shall be turned over to the DISTRICT upon completion of the Project, or any phase thereof, as contemplated by this Agreement.

Contemporaneously with the transfer of documents, the CONTRACTOR hereby assigns to the DISTRICT and CONTRACTOR thereby expressly waives and disclaims, any copyright in, and the right to reproduce, all written material, drawings, plans, specifications or other work prepared under this agreement, except upon the DISTRICT's prior authorization regarding reproduction, which authorization shall not be

Attachment B - Exhibit 1

unreasonably withheld. The CONTRACTOR shall, upon request of the DISTRICT, execute any further document(s) necessary to further effectuate this waiver and disclaimer.

The CONTRACTOR agrees that the DISTRICT may use, reuse, alter, reproduce, modify, assign, transfer, or in any other way, medium or method utilize the CONTRACTOR's written work product for the DISTRICT's purposes, and the CONTRACTOR expressly waives and disclaims any residual rights granted to it by Civil Code Sections 980 through 989 relating to intellectual property and artistic works.

Any modification or reuse by the DISTRICT of documents, drawings or specifications prepared by the CONTRACTOR shall relieve the CONTRACTOR from liability under Section 14 but only with respect to the effect of the modification or reuse by the DISTRICT, or for any liability to the DISTRICT should the documents be used by the DISTRICT for some project other than what was expressly agreed upon within the Scope of this project, unless otherwise mutually agreed.

7. **INDEPENDENT CONTRACTOR.** Both parties hereto in the performance of this Agreement will be acting in an independent capacity and not as agents, employees, partners or joint ventures with one another. Neither the CONTRACTOR nor the CONTRACTOR'S employees are employees of the DISTRICT and are not entitled to any of the rights, benefits, or privileges of the DISTRICT's employees, including but not limited to retirement, medical, unemployment, or workers' compensation insurance.

This Agreement contemplates the personal services of the CONTRACTOR and the CONTRACTOR's employees, and it is recognized by the parties that a substantial inducement to the DISTRICT for entering into this Agreement was, and is, the professional reputation and competence of the CONTRACTOR and its employees. Neither this Agreement nor any interest herein may be assigned by the CONTRACTOR without the prior written consent of the DISTRICT. Nothing herein contained is intended to prevent the CONTRACTOR from employing or hiring as many employees, or subcontractors, as the CONTRACTOR may deem necessary for the proper and efficient performance of this Agreement. All agreements by CONTRACTOR with its subcontractor(s) shall require the subcontractor to adhere to the applicable terms of this Agreement.

8. **CONTROL.** Neither the DISTRICT nor its officers, agents or employees shall have any control over the conduct of the CONTRACTOR or any of the CONTRACTOR's employees except as herein set forth, and the CONTRACTOR expressly agrees not to represent that the CONTRACTOR or the CONTRACTOR's agents, servants, or employees are in any manner agents, servants or employees of the DISTRICT, it being understood that the CONTRACTOR, its agents, servants, and employees are as to the DISTRICT wholly independent contractors and that the CONTRACTOR's obligations to the DISTRICT are solely such as are prescribed by this Agreement.

Attachment B - Exhibit 1

9. **COMPLIANCE WITH APPLICABLE LAW.** The CONTRACTOR, in the performance of the services to be provided herein, shall comply with all applicable State and Federal statutes and regulations, and all applicable ordinances, rules and regulations of the DISTRICT OF LEMON GROVE, whether now in force or subsequently enacted. The CONTRACTOR, and each of its subcontractors, shall obtain and maintain a current DISTRICT OF LEMON GROVE business license prior to and during performance of any work pursuant to this Agreement.

10. **LICENSES, PERMITS, ETC.** The CONTRACTOR represents and covenants that it has all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. The CONTRACTOR represents and covenants that the CONTRACTOR shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit, or approval which is legally required for the CONTRACTOR to practice its profession.

11. **STANDARD OF CARE.**

A. The CONTRACTOR, in performing any services under this Agreement, shall perform in a manner consistent with that level of care and skill ordinarily exercised by members of the CONTRACTOR'S trade or profession currently practicing under similar conditions and in similar locations. The CONTRACTOR shall take all special precautions necessary to protect the CONTRACTOR's employees and members of the public from risk of harm arising out of the nature of the work and/or the conditions of the work site.

B. Unless disclosed in writing prior to the date of this agreement, the CONTRACTOR warrants to the DISTRICT that it is not now, nor has it for the five (5) years preceding, been debarred by a governmental agency or involved in debarment, arbitration or litigation proceedings concerning the CONTRACTOR's professional performance or the furnishing of materials or services relating thereto.

C. The CONTRACTOR is responsible for identifying any unique products, treatments, processes or materials whose availability is critical to the success of the project the CONTRACTOR has been retained to perform, within the time requirements of the DISTRICT, or, when no time is specified, then within a commercially reasonable time. Accordingly, unless the CONTRACTOR has notified the DISTRICT otherwise, the CONTRACTOR warrants that all products, materials, processes or treatments identified in the project documents prepared for the DISTRICT are reasonably commercially available. Any failure by the CONTRACTOR to use due diligence under this sub-paragraph will render the CONTRACTOR liable to the DISTRICT for any increased costs that result from the DISTRICT's later inability to obtain the specified items or any reasonable substitute within a price range that allows for project completion in the time frame specified or, when not specified, then within a commercially reasonable time.

12. **NON-DISCRIMINATION PROVISIONS.** The CONTRACTOR shall not discriminate against any employee or applicant for employment because of age, race, color, ancestry, religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. The CONTRACTOR will take positive action to insure that applicants are employed without regard to their age, race, color, ancestry,

Attachment B - Exhibit 1

religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. Such action shall include but not be limited to the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places available to employees and applicants for employment any notices provided by the DISTRICT setting forth the provisions of this non-discrimination clause.

13. **CONFIDENTIAL INFORMATION.** The DISTRICT may from time to time communicate to the CONTRACTOR certain confidential information to enable the CONTRACTOR to effectively perform the services to be provided herein. The CONTRACTOR shall treat all such information as confidential and shall not disclose any part thereof without the prior written consent of the DISTRICT. The CONTRACTOR shall limit the use and circulation of such information, even within its own organization, to the extent necessary to perform the services to be provided herein. The foregoing obligation of this Section 13, however, shall not apply to any part of the information that (i) has been disclosed in publicly available sources of information; (ii) is, through no fault of the CONTRACTOR, hereafter disclosed in publicly available sources of information; (iii) is already in the possession of the CONTRACTOR without any obligation of confidentiality; (iv) has been or is hereafter rightfully disclosed to the CONTRACTOR by a third party, but only to the extent that the use or disclosure thereof has been or is rightfully authorized by that third party; or (v) is disclosed according to law or court order.

The CONTRACTOR shall not disclose any reports, recommendations, conclusions or other results of the services or the existence of the subject matter of this Agreement without the prior written consent of the DISTRICT. In its performance hereunder, the CONTRACTOR shall comply with all legal obligations it may now or hereafter have respecting the information or other property of any other person, firm or corporation.

CONTRACTOR shall be liable to DISTRICT for any damages caused by breach of this condition, pursuant to the provisions of Section 14.

14. **INDEMNIFICATION AND HOLD HARMLESS.** The CONTRACTOR shall indemnify, defend, and hold harmless the DISTRICT, and its officers, officials, agents and employees from any and all claims, demands, costs or liability that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, its employees, agents, and subcontractors in the performance of services under this Agreement. CONTRACTOR's duty to indemnify under this section shall not include liability for damages for death or bodily injury to persons, injury to property, or other loss, damage or expense arising from the sole negligence or willful misconduct by the DISTRICT or its elected officials, officers, agents, and employees. CONTRACTOR's indemnification obligations shall not be limited by the insurance provisions of this Agreement. The DISTRICT AND CONTRACTOR expressly agree that any payment, attorney's fees, costs or expense DISTRICT incurs or makes to or on behalf of an injured employee under the DISTRICT 's self-administered workers'

Attachment B - Exhibit 1

compensation is included as a loss, expense, or cost for the purposes of this section, and that this section will survive the expiration or early termination of this Agreement.

15. **WORKERS' COMPENSATION.** The CONTRACTOR shall comply with all of the provisions of the Workers' Compensation Insurance and Safety Acts of the State of California, the applicable provisions of Division 4 and 5 of the California Government Code and all amendments thereto; and all similar state or Federal acts or laws applicable; and shall indemnify, and hold harmless the DISTRICT and its officers, and employees from and against all claims, demands, payments, suits, actions, proceedings and judgments of every nature and description, including reasonable attorney's fees and defense costs presented, brought or recovered against the DISTRICT or its officers, employees, or volunteers, for or on account of any liability under any of said acts which may be incurred by reason of any work to be performed by the CONTRACTOR under this Agreement.

16. **INSURANCE.** The CONTRACTOR, at its sole cost and expense, shall purchase and maintain, and shall require its subcontractors, when applicable, to purchase and maintain throughout the term of this agreement, the following insurance policies:

☒ A. If checked, Professional Liability Insurance (errors and omissions) with minimum limits of \$1,000,000 per occurrence.

B. Automobile insurance covering all bodily injury and property damage incurred during the performance of this Agreement, with a minimum coverage of \$1,000,000 combined single limit per accident. Such automobile insurance shall include non-owned vehicles.

C. Comprehensive general liability insurance, with minimum limits of \$1,000,000 combined single limit per occurrence, covering all bodily injury and property damage arising out of its operation under this Agreement.

D. Workers' compensation insurance covering all of CONTRACTOR's employees.

E. The aforesaid policies shall constitute primary insurance as to the DISTRICT, its officers, employees, and volunteers, so that any other policies held by the DISTRICT shall not contribute to any loss under said insurance. Said policies shall provide for thirty (30) days prior written notice to the DISTRICT of cancellation or material change.

F. Said policies, except for the professional liability and worker's compensation policies, shall name the DISTRICT and its officers, agents and employees as additional insureds.

G. If required insurance coverage is provided on a "claims made" rather than "occurrence" form, the CONTRACTOR shall maintain such insurance coverage for three years after expiration of the term (and any extensions) of this Agreement.

H. Any aggregate insurance limits must apply solely to this Agreement.

I. Insurance shall be written with only California admitted companies which hold a current policy holder's alphabetic and financial size category rating of not

Attachment B - Exhibit 1

less than A VIII according to the current Best's Key Rating Guide, or a company equal financial stability that is approved by the DISTRICT.

J. This Agreement shall not take effect until certificate(s) or other sufficient proof that these insurance provisions have been complied with, are filed with and approved by the DISTRICT. If the CONTRACTOR does not keep all of such insurance policies in full force and effect at all times during the terms of this Agreement, the DISTRICT may elect to treat the failure to maintain the requisite insurance as a breach of this Agreement and terminate the Agreement as provided herein.

17. **LEGAL FEES.** If any party brings a suit or action against the other party arising from any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other party arising out of this Agreement, then in that event, the prevailing party in such action or dispute, whether by final judgment or out-of-court settlement, shall be entitled to have and recover of and from the other party all reasonable costs and expenses of suit, including reasonable attorneys' fees.

For purposes of determining who is to be considered the prevailing party, it is stipulated that attorney's fees incurred in the prosecution or defense of the action or suit shall not be considered in determining the amount of the judgment or award. Attorney's fees to the prevailing party if other than the DISTRICT shall, in addition, be limited to the amount of attorney's fees incurred by the DISTRICT in its prosecution or defense of the action, irrespective of the actual amount of attorney's fees incurred by the prevailing party.

18. **MEDIATION/ARBITRATION.** If a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try, in good faith, to settle the dispute by mutual negotiation between the principles, and failing that through nonbinding mediation in San Diego, California, in accordance with the Commercial Mediation Rules of the American Arbitration Association (the "AAA"). The costs of mediation shall be borne equally by the parties.

19. **TERMINATION.** A. This Agreement may be terminated with or without cause by the DISTRICT. Termination without cause shall be effective only upon 30-day's written notice to the CONTRACTOR. During said 30-day period the CONTRACTOR shall perform all services in accordance with this Agreement. The Contractor may terminate this agreement upon thirty (30) days prior notice in the event of a continuing and material breach by the DISTRICT of its obligations under this Agreement including but not limited to payment of invoices.

B. This Agreement may also be terminated immediately by the DISTRICT for cause in the event of a material breach of this Agreement that is not cured to the DISTRICT's satisfaction within a ten (10) day prior cure period, or material misrepresentation by the CONTRACTOR in connection with the formation of this Agreement or the performance of services, or the failure to perform services as directed by the DISTRICT.

C. Termination with or without cause shall be effected by delivery of written Notice of Termination to the CONTRACTOR as provided for herein.

Attachment B - Exhibit 1

D. In the event of termination, all finished or unfinished Memoranda Reports, Maps, Drawings, Plans, Specifications and other documents prepared by the CONTRACTOR, whether paper or electronic, shall immediately become the property of and be delivered to the DISTRICT, and the CONTRACTOR shall be entitled to receive just and equitable compensation for any work satisfactorily completed on such documents and other materials up to the effective date of the Notice of Termination, not to exceed the amounts payable hereunder, and less any damages caused the DISTRICT by the CONTRACTOR's breach, if any. Thereafter, ownership of said written material shall vest in the DISTRICT all rights set forth in Section 6.

E. The DISTRICT further reserves the right to immediately terminate this Agreement upon: (1) the filing of a petition in bankruptcy affecting the CONTRACTOR; (2) a reorganization of the CONTRACTOR for the benefit of creditors; or (3) a business reorganization, change in business name or change in business status of the CONTRACTOR.

20. **NOTICES.** All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered; or sent by overnight mail (Federal Express or the like); or sent by registered or certified mail, postage prepaid, return receipt requested; or sent by ordinary mail, postage prepaid; or telegraphed or cabled; or delivered or sent by telex, telecopy, facsimile or fax; and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility, (iii) if mailed by registered, certified or ordinary mail, five (5) days (ten (10) days if the address is outside the State of California) after the date of deposit in a post office, mailbox, mail chute, or other like facility regularly maintained by the United States Postal Service, (iv) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid, or (v) if given by telex, telecopy, facsimile or fax, when sent. Any notice, request, demand, direction or other communication delivered or sent as specified above shall be directed to the following persons:

To the DISTRICT: Lydia Romero, District Manager
Lemon Grove Roadway Lighting District
3232 Main Street
Lemon Grove, CA 91945-1701

To the CONTRACTOR: Tami Eaton
Psomas
401 B Street, Suite 1600
San Diego, CA 92101

Notice of change of address shall be given by written notice in the manner specified in this Section. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent. Any notice, request, demand, direction or other communication sent by cable, telex, telecopy,

Attachment B - Exhibit 1

facsimile or fax must be confirmed within forty-eight (48) hours by letter mailed or delivered as specified in this Section.

21. CONFLICT OF INTEREST AND POLITICAL REFORM ACT OBLIGATIONS. During the term of this Agreement, the CONTRACTOR shall not perform services of any kind for any person or entity whose interests conflict in any way with those of the DISTRICT OF LEMON GROVE. The CONTRACTOR also agrees not to specify any product, treatment, process or material for the project in which the CONTRACTOR has a material financial interest, either direct or indirect, without first notifying the DISTRICT of that fact. The CONTRACTOR shall at all times comply with the terms of the Political Reform Act and the Lemon Grove Conflict of Interest Code. The CONTRACTOR shall immediately disqualify itself and shall not use its official position to influence in any way any matter coming before the DISTRICT in which the CONTRACTOR has a financial interest as defined in Government Code Section 87103. The CONTRACTOR represents that it has no knowledge of any financial interests that would require it to disqualify itself from any matter on which it might perform services for the DISTRICT.

☐ If checked, the CONTRACTOR shall comply with all of the reporting requirements of the Political Reform Act and the DISTRICT OF LEMON GROVE Conflict of Interest Code. Specifically, the CONTRACTOR shall

1. Go to www.fppc.ca.gov
2. Download the Form 700: Statement of Economic Interests
3. Completely fill out the form
4. Submit the form to the Public Works Department with the signed contracts.

The CONTRACTOR shall be strictly liable to the DISTRICT for all damages, costs or expenses the DISTRICT may suffer by virtue of any violation of this Paragraph 21 by the CONTRACTOR.

22. MISCELLANEOUS PROVISIONS.

A. *Computation of Time Periods.* If any date or time period provided for in this Agreement is or ends on a Saturday, Sunday or federal, state or legal holiday, then such date shall automatically be extended until 5:00 p.m. Pacific Time of the next day which is not a Saturday, Sunday or federal, state or legal holiday.

B. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

C. *Captions.* Any captions to, or headings of, the sections or subsections of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

D. *No Obligations to Third Parties.* Except as otherwise expressly provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, or obligate any of the parties hereto, to any person or entity other than the parties hereto.

Attachment B - Exhibit 1

E. *Exhibits and Schedules.* The Exhibits and Schedules attached hereto are hereby incorporated herein by this reference for all purposes.

F. *Amendment to this Agreement.* The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

G. *Waiver.* The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

H. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

I. *Entire Agreement.* This Agreement supersedes any prior agreements, negotiations and communications, oral or written, and contains the entire agreement between the parties as to the subject matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of any party hereto shall be of any effect unless it is in writing and executed by the party to be bound thereby.

J. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

K. *Construction.* The parties acknowledge and agree that (i) each party is of equal bargaining strength, (ii) each party has actively participated in the drafting, preparation and negotiation of this Agreement, (iii) each such party has consulted with or has had the opportunity to consult with its own, independent counsel and such other professional advisors as such party has deemed appropriate, relative to any and all matters contemplated under this Agreement, (iv) each party and such party's counsel and advisors have reviewed this Agreement, (v) each party has agreed to enter into this Agreement following such review and the rendering of such advice, and (vi) any rule or construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement, or any portions hereof, or any amendments hereto.

Attachment B - Exhibit 1

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

DISTRICT OF LEMON GROVE

PSOMAS
(Corporation – signatures of two corporate officers)
(Partnership – one signature)
(Sole proprietorship – one signature)

By: _____
Lydia Romero

District Manager
(Title)

(Date)

By: _____
(Name)

(Title)

(Date)

(Name)

(Title)

(Date)

APPROVED AS TO FORM:

By: _____
James Lough

District Attorney
(Title)

(Date)

By: _____
(Name)

(Title)

(Date)

Attachment B - Exhibit 1

Exhibit 'A'

SECTION 2 Scope of Services



DETAILED SCOPE OF WORK

Psomas will employ the City of Lemon Grove's methodology used in prior fiscal years to promote continuity and efficiency. Psomas has provided these services to the City of Lemon Grove since 2009. Our proposed team is comprised of professionals who are knowledgeable regarding the City's processes and procedures; this experience allows us to perform the outlined tasks below with an adept level of skill and understanding. Psomas is prepared to hit the ground running with implementation of the project.

A. Task 1 – Prepare Annual Engineer's Reports

Psomas will perform all necessary steps to obtain approval of the Annual Engineer's Reports for the Districts.

1. Utilizing the Psomas GIS team and the district boundary map, we can depict the overall boundary that includes all of the parcels within the boundaries of each.
2. Psomas will review each district's budget and expenses, making findings and/or recommendations to be included in the Engineer's Report.
3. Psomas will prepare a draft Engineer's Report for the City's review, which complies in all respects with the provisions of the City's Municipal Code and the California Constitution Article XIII D, sections 4(a), (b) and (c). The report shall include:
 - a. An introduction and overview of each District
 - b. A table of contents
 - c. An affidavit stating that a Professional Engineer prepared the report
 - d. City Clerk Certification page
 - e. A general description of plans and specifications for the improvements within the District, referencing the improvement details on file in the City's Public Works Department.
 - f. An estimate of the costs of the improvements for the fiscal year. Formatted as a table, this information will identify pertinent expenses and revenue used to determine the annual assessments for the District, including identification of direct maintenance costs and incidental expenses.
 - g. A description of the boundaries and map of the District.
 - h. A description of the method of assessment, including identification and discussion of benefit findings previously determined and approved by the District.
 - i. A property owner listing of each parcel and their proposed assessment for the fiscal year in which the Engineer's Report has been prepared, as indicated in the Assessment Roll.
4. Upon request, Psomas will meet with District staff up to two times.

PSOMAS

City of Lemon Grove | Sanitation and Engineering District Financial Consulting Services, Contract 2017-18

Attachment B - Exhibit 1

B. Task 2 – Attend District Board Meetings

The Psomas team will be available to City staff for questions, revisions and concerns, so staff has all of the information necessary to present district assessment information at any District Board meetings.

1. Psomas will submit the draft Engineer's Report to the City for review and will discuss any potential changes prior to the City submitting to the City Council.
2. Psomas will attend, if desired, the City Council meeting involving approval of the Engineer's Report and Public Hearing.

C. Task 3 – Place Annual Sewer and Lighting Fee on the County Tax Roll

After confirmation of assessments by staff, Psomas will submit the assessments in the required format to the San Diego County Auditor/Controller's office for inclusion on the property tax bills by their deadline. We will make the necessary corrections, if required, after receipt of the Exception Report from the County Auditor's office.

1. Psomas will coordinate the direct billing of non-taxable parcels pursuant to the County Taxability Code and subject to the assessments.
2. Psomas will provide the database of final levies for each district in an electronic format that is acceptable to the City.
3. Upon final confirmation of charges accepted by the County, Psomas will prepare the certification letters for signature by District staff.

D. Task 4 – Customer Service and Support

Psomas recognizes the need to communicate and collaborate with staff and taxpayers to have a successful project. The Psomas' Special District Financing Team will be available to District staff to answer questions, provide assistance and work with taxpayers.

1. Psomas will respond to all District staff inquiries and City resident inquiries, as needed.
2. Psomas will provide a toll-free number to be printed on the property tax bills for taxpayer inquiries, allowing each taxpayer to call Psomas directly.
3. Psomas will attend meetings with District staff, as needed, to discuss any issues that may arise. These meetings may be face-to-face, video conference or telephone conference calls.
4. Psomas will provide a bi-annual report displaying all inquiries handled by Psomas.
5. Psomas will provide City staff the tax roll in an electronic format that allows data retrieval based on the Assessor's parcel number, owner name, and parcel street address.

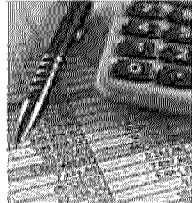
Please note that in providing the aforementioned services, Psomas will not be a Municipal Advisor and as such, our services will not include advice or recommendations related to municipal financial products or the issuance of municipal securities, as defined by the Dodd-Frank Wall Street reform and Consumer Protection Act.

PSOMAS

City of Laramie Grove | Sanitation and Lighting District Financial Consulting Services Contract 2017-18

Attachment B - Exhibit 1

SECTION 9 Cost Proposal Breakdown



Psomas strives to provide efficient and cost effective services. It has been our policy to submit all inclusive fees that are fair and equitable. The City of Lemon Grove will not receive change orders or experience hidden fees from Psomas. As such, we would like to propose the following compensation based upon a not-to-exceed amount per fiscal year for one Sanitation District and Lighting Assessment District L (assuming a three year contract with an escalation rate of 2% per annum).

SANITATION DISTRICT

SCOPE ITEM	DESCRIPTION	HOURS	PROPOSED FEE
A	Task 1 - Engineer's Report	15	\$ 1,500.00
B	Task 2 - Meetings	10	\$ 1,400.00
C	Task 3 - Submission	72	\$ 10,480.00
D	Task 4 - Customer Service and Support	15	\$ 1,500.00
TOTAL			\$ 14,880.00

LIGHTING DISTRICT

SCOPE ITEM	DESCRIPTION	HOURS	PROPOSED FEE
A	Task 1 - Engineer's Report	10	\$ 1,075.00
B	Task 2 - Meetings	10	\$ 1,150.00
C	Task 3 - Submission	20	\$ 2,820.00
D	Task 4 - Customer Service and Support	8	\$ 770.00
TOTAL			\$ 5,815.00

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.E
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: **Termination and Equipment Transfer Agreement with Cricket Communications, LLC**

Staff Contact: Mike James, Assistant City Manager / Public Works Department

Recommendation:

Adopt a resolution (**Attachment B**) approving the termination and equipment transfer agreement with Cricket Communications, LLC.

Item Summary:

In 2006, the City Council approved a lease agreement with Cricket Communications, LLC (Cricket) to construct a cellular tower at Kunkel Park, 8105 Lemon Grove Way. Since coming online in 2007, Cricket Communications, LLC (Cricket) has owned and maintained the 60 foot cellular tower.

In 2016, Fracton Technologies, on behalf of Cricket, approached City staff inquiring if the City would be interested in terminating the lease agreement and transferring the ownership of the existing equipment from Cricket to the City.

The staff report (**Attachment A**) provides additional information about the cellular tower, what the current termination and equipment transfer agreement means to the City, what options are available, and concludes with staff recommendation to approve the termination and equipment transfer agreement with Cricket.

Fiscal Impact:

If the agreement is accepted the City will receive \$30,000 and all equipment and facilities associated with the cellular tower.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution
- C. Termination and Equipment Transfer Agreement

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 1.E

Mtg. Date February 7, 2017

Item Title: **Termination and Equipment Transfer Agreement with Cricket Communications, LLC**

Staff Contact: Mike James, Assistant City Manager / Public Works Director

Background:

On November 16, 2006, the City Council adopted Resolution No. 2674 that approved a lease agreement with Cricket Communications, LLC (Cricket) to utilize a portion of Kunkel Park located at 8105 Lemon Grove Way, in connection with its federally licensed communication business, to operate a communication facility. Cricket current pays approximately \$2,740 a month for the ownership and maintenance of the leased area.

On September 29, 2016, Fracton Technologies (Fracton), representing Cricket, contacted the City to inform the City that Cricket is no longer interested in continuing the lease agreement and wished to terminate the agreement. In that same discussion, Fracton explained there are typically two options that Cricket offers to other lessor's when an agreement is terminated. Both of those options are described below.

Reject the Agreement:

The City Council may reject the agreement and in doing so demand that Cricket remove all communication infrastructure (e.g. tower, building, and the underground caisson) that was constructed in 2006. This will return the existing area to pre-existing conditions. The benefit of this option is additional park space will be created and the false tree that masks the cellular tower will be removed. The drawback of this option will be the temporary loss of use of a portion of the park during construction, loss of one time revenues of \$30,000, and the loss of potential revenues from future carrier lease agreements.

Approve the Agreement:

The City Council may accept the agreement. Cricket will pay the City a single \$30,000 payment in exchange to leave all communication infrastructure in place and to be released from all future liability associated with the infrastructure. Staff conducted a field walk with Fracton to evaluate the infrastructure and December 2016 a structure analysis of the existing infrastructure was performed. The results of the field walk and analysis concluded that the cellular tower and infrastructure was very stable and there are no known safety concerns. Fracton estimated that the infrastructure would last well beyond 20 years from present day. The benefits of this option include a lump sum payment for the infrastructure, the possibility to lease out the tower to other cellular carriers that may yield monthly revenue payments, and the opportunity to expand the tower's capacity from a single carrier to multiple carriers. The drawback is the City will receive the full responsibility of the tower that includes maintenance until the tower is leased. At that time, the operation and maintenance of the tower may be transfer the carrier.

Discussion:

Based upon the benefits and drawbacks listed for each option, staff recommends that the City Council approve the agreement (**Attachment B – Exhibit 1**) from Cricket. In order to mitigate any concerns regarding the deconstruction of the cellular communications infrastructure, should

Attachment A

the need arise in the future, staff will prepare a cost estimate and reserve that amount in a separate fund from the lump sum payment. The remaining unallocated funds will be deposited in the general fund.

Regarding exploring other opportunities to market the site once the City owns the infrastructure, staff posed the question to Fracton to gauge what the current market may yield if this site was actively advertised. Fracton provided City staff with an estimate of how many vendors that may partner with the city. It included an estimate of four carriers, three tower companies, up to two WiFi carriers, as well as several fiber companies. While there is no guarantee that any of these entities will want to partner with the City at this location, the feedback from Fracton provides a positive outlook at the current market will generate a new vendor that will be interested in the existing tower and facilities as is.

Staff will continue to determine the feasibility of bringing a new carrier to the site. Assuming the termination and equipment transfer agreement is approved, staff estimates in approximately 12 months staff may present a new lease agreement for the City Council to consider. |

Conclusion:

Staff recommends that the City Council adopts a resolution (**Attachment B**) approving the termination and equipment transfer agreement (**Attachment B – Exhibit 1**) with Cricket Communications, LLC.

Attachment B

RESOLUTION NO. 2017 -

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA APPROVING THE TERMINATION AND EQUIPMENT TRANSFER AGREEMENT WITH CRICKET COMMUNICATIONS, LLC.

WHEREAS, the City owns and controls the plot, parcel or tract of land, together with all rights and privileges arising in connection therewith, located at Kunkel Park, 8105 Lemon Grove Way; and

WHEREAS, on November 7, 2006 the City Council approved an agreement that allowed Cricket Communications, Inc. to utilize a portion of Kunkel Park for the purposes of providing mobile/wireless communications services; and

WHEREAS, beginning in September 2016, Cricket Communications, Inc. informed the City that it no longer had any interest in continuing its lease of the site at Kunkel Park; and

WHEREAS, Cricket Communications, Inc. proposed a termination and equipment transfer agreement to the City; and

WHEREAS, the agreement will transfer all ownership of the equipment originally installed at Kunkel Park in 2006 to the City and pay the City a single lump sum payment of thirty thousand dollars and zero cents (\$30,000.00) in exchange for not having to return the site to preconstruction conditions.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California hereby:

1. Accepts the draft termination and equipment transfer agreement (*Exhibit 1*) with Cricket Communications, LLC.; and
2. Directs staff to deposit the \$30,000.00 revenue generated from this agreement into a reserve fund to facilitate the deconstruction of the tower in the future and the general fund; and
3. Appoints the City Manager or her designee to sign the agreement and manage all related correspondence/actions to facilitate the termination and equipment transfer; and
4. Authorizes the City Manager or her designee to actively market the site to other communication parties for future use. |

/////
/////

Attachment B – Exhibit 1

Market: San Diego, CA
Site Name: Lemon Grove Park
Site #: SAN-535C

TERMINATION AND EQUIPMENT TRANSFER AGREEMENT

This Termination and Equipment Transfer Agreement (the "Agreement") is made effective this _____ day of _____, 2017 (the "Effective Date"), by and between Cricket Communications, LLC., a Delaware corporation, with an address at 7337 Trade Street, Suite 1600, San Diego, CA 92121, Attn: Network Real Estate Administration ("Cricket"), and City of Lemon Grove, a California municipal corporation. ("Lessor").

WITNESSETH

WHEREAS, Cricket and Lessor (or its respective predecessors) are parties to a certain Lease Agreement (the "Lease") dated November 15th, 2006, whereby Cricket was entitled to install, maintain, operate and remove communications equipment and appurtenances described in the Lease (the "Equipment") at a tower/structure owned or operated by Lessor and located at 8105 Lemon Grove Way, Lemon Grove, CA (the "Site"); and

WHEREAS, Cricket has notified Lessor that Cricket intends to terminate the Lease; and

WHEREAS, the parties wish to modify Cricket's responsibility for removal the Equipment from the Site under the Lease; and

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants contained herein and intending to legally be bound hereby, agree as follows:

1. **Termination of Lease:** Lessor hereby acknowledges and agrees that as of the Effective Date, this Agreement shall serve as notice of Cricket's termination of the Lease. The Lease shall terminate as of October 31st, 2016 (the "Lease Termination Date"). All rights and obligations of the parties under the Lease shall terminate as of the Lease Termination Date, except for those rights and obligations which expressly survive the termination of the Lease.
2. **Consideration:** As consideration for Lessor's agreement to the terms and conditions described herein, including but not limited to Lessor's assumption of the obligation to remove any and all Equipment remaining at the Site, Cricket agrees to pay the amount of Thirty Thousand and 00/100 Dollars (\$30,000) (the "Pay and Walk Fee") within sixty (60) days after the full execution and delivery of this Agreement.
3. **Transferred Equipment:** All of Cricket's right, title, and interest in and to any Equipment that remains located at the Site (the "Transferred Equipment") shall be deemed to be automatically transferred to Lessor free and clear of all liens and encumbrances, as of November 1st, 2016 (the "Transfer Date"). The Transferred Equipment includes the building/shelter and adjoining structural components, and all other equipment remaining on the Site as of the Transfer Date as further described on Exhibit A, attached. Lessor shall be solely responsible for, and shall pay, any and all taxes, including sales/use/property taxes that may be due in connection with the transfer of the Transferred Equipment. Lessor agrees to assume all of the rights and obligations of Cricket, including removal, for the Transferred Equipment.
4. **Hazardous Substances:** Lessor hereby acknowledges that the Transferred Equipment may include electronic equipment, batteries and emergency power engines which contain substances that may be identified as hazardous, toxic and/or dangerous under applicable federal, state and/or local laws and regulations ("Hazardous Substances"). From and after the Transfer Date, Lessor agrees to hold

Attachment C

harmless and indemnify Cricket, and to assume all duties, responsibilities and liabilities at the sole cost and expense of Lessor for payment of penalties, sanctions, forfeitures, losses, costs or damages, and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding, to the extent arising from the Transferred Equipment, including any electronic equipment, batteries, and emergency power engines, and any Hazardous Substances derived therefrom, that arise subsequent to the Transfer Date.

5. **No Warranty:** The parties hereby explicitly acknowledge and agree that the Transferred Equipment is being transferred "as is, where is" with all faults and without warranty. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, ALL WARRANTIES AND REPRESENTATIONS OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE CONDITION, QUALITY, MERCHANTABILITY AND FITNESS OR SUITABILITY FOR ANY PARTICULAR USE OR PURPOSE ARE HEREBY EXCLUDED AND DISCLAIMED. CRICKET SHALL HAVE ABSOLUTELY NO OBLIGATION TO REPAIR OR REPLACE ANY OF THE TRANSFERRED EQUIPMENT.
6. **Indemnification:** Cricket shall indemnify and hold harmless Lessor against claims of third parties in or to the Transferred Equipment that arose prior to the Transfer Date. Lessor shall indemnify and hold harmless Cricket against claims of third parties relating to the Transferred Equipment that arise subsequent to the Transfer Date.
7. **Waiver and Release:** In consideration of this Agreement, Cricket hereby waives remuneration for the full market value of the Transferred Equipment. As of the Transfer Date, Lessor hereby releases Cricket from all of the remaining responsibilities and obligations of Lessee/Tenant/Licensee under the Lease, including removal of the Transferred Equipment. The parties specifically acknowledge that the Lease contained provisions that were expressly intended to survive the expiration or termination of the Lease. The foregoing notwithstanding, the parties agree that any such responsibility or obligation shall remain in full force and effect and is incorporated by reference into this Agreement. Lessor agrees to release and hold Cricket harmless for any defect in the Transferred Equipment.
8. **Construction:** Each party has had the opportunity for its own counsel to review this Agreement and participate in its drafting. Therefore, the rule construing the document against the drafter shall not apply to this Agreement or against any party.
9. **Amendment:** No amendment, supplement, modification, or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound thereby.
10. **Waiver:** No waiver by either party of any provision herein shall be deemed a waiver of any other provision or of any prior or subsequent breach of any provision herein.
11. **Assignment:** Neither this Agreement nor any rights or obligations under this Agreement shall be assignable by either party without the prior written consent of the other parties.
12. **Authorization:** The signatories hereto represent that they are duly authorized to execute this Agreement on behalf of their respective entities.
13. **Binding Effect:** This Agreement shall be binding upon and inure to the benefit of the parties' respective successors and assigns.

Attachment B – Exhibit 1

14. **Choice of Law:** This Agreement shall be construed in accordance with, and all disputes hereunder shall be governed by, the laws of the State where the Site is located.
15. **Counterparts:** This Agreement may be executed in more than one original, and the parties agree that each original executed shall be treated as the original for all purposes. Facsimile signatures shall be acceptable to both parties and shall be deemed original signatures.
16. **Severability:** If any term, covenant or condition of this Agreement, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to other persons or circumstances, shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
17. **Survival:** All terms, covenants and obligations contained in the Agreement shall remain in full force and effect without any limitation.

[Signatures Appear on Following Page]

DRAFT

Attachment C

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

Cricket:
Cricket Communications, LLC.
A Delaware limited liability company

(Signature)

VICTORIA FORBES

(Name Typed)

DIRECTOR OF REAL ESTATE

(Title)

(Date)

Lessor:
City of Lemon Grove
A California Municipal Corporation

(Signature)

(Name Typed)

(Title)

(Date)

DRAFT

[EXHIBIT A ATTACHED]

Attachment B – Exhibit 1

Exhibit A

LANDLORD AGREED SITE RESTORATION

Remaining materials will be assigned to the landlord.

Site Inventory (Items remaining on site):

	YES	NO
BTS	X	
Coax	X	
Platform	N/A	
Antennas	X	
Antenna Mounts	X	
Ductwork	N/A	
Duct bank	N/A	
Conduit	X	
Ice Bridge	N/A	
Feeding	N/A	
Cable Tray	N/A	
Waveguide ladder	N/A	
PTC/RPC	X	
Ground Ring	X	
Ground Vaults	N/A	
H-Frames	X	
Microwave	N/A	
Shelter	X	

Exceptions Noted:

Item Number

NOTES:

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.F
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: Lease Agreement with Healthy Opportunities Progressive Education, Incorporated for the use of the Lemon Grove Community Center Office Space

Staff Contact: Mike James, Assistant City Manager / Public Works Director

Recommendation:

Adopt a resolution (**Attachment B**) approving a lease agreement between the City and Healthy Opportunities Progressive Education, Incorporated for the use of the Lemon Grove Community Center Office Space. |

Item Summary:

In 2016, City staff was approached by the owners of Healthy Opportunities Progressive Education, Incorporated (HOPE, Inc.) to lease the vacant office space at the Lemon Grove Community Center.

City staff and HOPE, Inc. have agreed on a draft lease agreement **Attachment B – Exhibit 1** for City Council's consideration to use the office space located in the Community Center. |

Fiscal Impact:

The lease agreement is projected to generate \$25,080 in gross revenue per fiscal year. |

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution (with lease agreement)

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 1.F

Mtg. Date February 7, 2017

Item Title: **Lease Agreement with Healthy Opportunities Progressive Education, Incorporated for the use of the Lemon Grove Community Center Office Space**

Staff Contact: **Mike James, Assistant City Manager / Public Works Director**

Discussion:

In 2016, City staff was approached by Mr. Arthur Camacho and Mr. Luis Fernandez who co-own Healthy Opportunities Healthy Education, Incorporation (HOPE, Inc.) to lease the office space that is located at the Lemon Grove Community Center. In January 2017, Mr. Camacho met with City staff to discuss the initial terms of a draft lease agreement (**Attachment B – Exhibit 1**). Mr. Camacho found the terms of the draft agreement acceptable. The remaining portion of this staff report provides background information about HOPE, Inc. and identifies key components of the agreement for City Council's consideration.

Healthy Opportunities Progressive Education, Incorporated

Since 2013, HOPE, Inc. has partnered with the City to lease the Annex building, which is located at 3146 School Lane. HOPE, Inc. is a privately owned company that manages an adult development center program which aims to increase the level of independence for adults with developmental disability.

Combined, both owners have over 20 years of experience as adult development center program managers in San Diego County. Staff confirmed that the company's EIN is valid, the State has issued a valid ADC license and there is an appropriate level of liability insurance per the City's standards.

Lease Terms and Conditions

Staff prepared a draft lease agreement for consideration by the City Council. The significant terms of the agreement include:

Length of Lease – the agreement indicates the term of the lease is from March 1, 2017 through June 30, 2017. The lease may be renewed annually beginning July 1st each year as mutually agreed upon by both parties.

Rent – the agreement specifies an annual base rent of \$2,090 per month. The agreement includes the option for the City to implement an escalator clause of 2.5 percent or the increase in the Consumer Price Index (whichever is higher).

Agreed Use – the agreement indicates that the office space will be used to provide day programs for adult developmental disabled individuals. The office space would be used Monday through Friday between the hours of 8:00 a.m. to 5:00 p.m. There will be some occasional use on Saturday's and evenings. The use of the office space will not interfere with any City use.

Utilities/Maintenance – the agreement states that the City will pay for gas & electric, water, solid waste, and general maintenance of the building. HOPE, Inc. will be responsible for all other utilities such as telephone, television, and internet. Also, each year, the proportion of paying for utilities will be evaluated and renegotiated if deemed necessary by the City.

Attachment A

Indemnity/Insurance – the indemnity and insurance language included in the lease agreement is the City's standard requirements.

Termination – the lease agreement allows either party to terminate the lease agreement with a sixty-day written notice.

Capital Improvements – according to the lease agreement, the City will have the responsibility for major maintenance and repairs.

Conclusion:

Staff recommends that the City Council adopt a resolution (**Attachment B**) approving a lease agreement (**Attachment B – Exhibit 1**) between the City and Healthy Opportunities Progressive Education, Incorporated for the use of the Lemon Grove Community Center office space.

Attachment B

RESOLUTION NO. 2017 -

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA APPROVING A LEASE AGREEMENT BETWEEN THE CITY OF LEMON GROVE AND HEALTHY OPPORTUNITIES PROGRESSIVE EDUCATION, INCORPORATED FOR USE OF THE LEMON GROVE COMMUNITY CENTER OFFICE SPACE

WHEREAS, the City of Lemon Grove owns the building and parking space located at 3146 School Lane, Lemon Grove, California, which is referred to as the Lemon Grove Community Center (Community Center); and

WHEREAS, the City negotiated the terms of a lease agreement with Healthy Opportunities Progressive Education, Incorporated (HOPE, Inc.), which is a privately owned entity that manages an adult development center, for the use of the office space at the Community Center; and

WHEREAS, the City is authorized by State law to lease property at market rate and has the ability to lease the Community Center to a market rate; and

WHEREAS, HOPE, Inc. has a desire to lease the Community Center from the City at a market rate; and

WHEREAS, the revenue from the lease agreement (**Exhibit 1**) with HOPE, Inc. will be deposited into the General Fund; and

WHEREAS, entering into a lease agreement with HOPE, Inc. for use of the Community Center is in the best interest of the City. . |

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California hereby:

1. Approves the lease agreement between the City and HOPE, Inc.; and
2. Authorizes the City Manager or her designee to execute and manage said lease agreement. |

/////
/////

Attachment B – Exhibit 1

LEASE AGREEMENT BETWEEN THE CITY OF LEMON GROVE AND HEALTHY OPPORTUNITIES PROGRESSIVE EDUCATION, INCORPORATED FOR USE OF THE LEMON GROVE COMMUNITY CENTER

1. Basic Provisions.

1.1 Parties: This Lease ("Lease") is made by and between the City of Lemon Grove ("Lessor") and Healthy Opportunities Progressive Education, Incorporated ("Lessee"), (collectively, the "Parties", or individually, "Party").

(a) Premises: The Building known as the Lemon Grove Community Center located at 3146 School Lane, Lemon Grove, CA, 91945, consisting of approximately 1,672 square feet ("Building") as shown in Attachment "A". In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have nonexclusive rights to use the parking space (as defined below) as hereinafter specified, but shall not have any rights to the roof or the exterior walls. The Building, the parking space, and the land upon which they are located, are herein collectively referred to as the "Premises." See Attachment 1, Site Plan.

(b) Parking: One (1) off-street vehicle parking space located in front of the Building.

1.2 Term: Four-month term, commencing March 1, 2017 through June 30, 2017. Commencing on July 1, 2017, the term of the Lease shall be year-to-year, as mutually agreed to by both parties. There shall be no holdover tenancy and any extension shall be subject to a written agreement approved by both parties.

1.3 Base Rent: \$2,090.00 per month ("Base Rent"), payable on the 1st day of each month commencing on March 1, 2017. Payments not received by the 10th day of each month will incur a 10 percent late fee penalty.

(a) Initial Deposit: \$2,090.00 is payable with the 1st monthly payment commencing on March 1, 2017.

1.4 Annual Rent Increase: The annual base rent may increase on July 1st each year based on the increase in the Consumer Price Index for All Urban Consumers (CPI-U) in the San Diego Area or 2.5 percent, whichever percent is greater. The Lessor retains the option to defer any annual rent increase each fiscal year.

1.5 Utilities and Premises Maintenance Costs. San Diego Gas & Electric, Helix Water District, and EDCO solid waste costs will be paid for by the Lessor

(a) Lessee shall pay for all other utility and premises costs associated with the use of the Premises not identified in section 1.5.

(b) Each July 1st, costs for utilities and maintenance will be evaluated by the Lessor to determine if a future cost sharing agreement warrants inclusion.

1.6. Agreed Use: Lessee intends to use the Premises for office space to manage an adult development center program.

(a) As part of the base rent, the Lessee is authorized to use the Community Center meeting room when not programmed for use by the City.

(b) Any activity not listed as an agreed use, must be reviewed and approved in writing by the Lessor at least thirty (30) calendar days before its implementation.

(c) The Lessee will be responsible for daily control and access to the Premises each weekday (Monday through Friday) between the hours of 8:00 a.m. and 5:00 p.m.

(d) If other uses (e.g. special events, seminars, rallies) are requested by the Lessee for uses not identified in this paragraph, all requests will be made in

Attachment B – Exhibit 1

writing by the Lessee at least thirty (30) days before the start of the requested use. The hourly rate for other uses will equal the hourly rate for the Community Center as stated in the City's Master Fee Schedule.

2. Premises.

2.1 Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the Term of the rental, and upon all of the terms, covenants and conditions set forth in this Lease.

2.2 Lessee shall not assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment or other such foregoing transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the use of the Premises by any persons other than Lessee and its employees.

2.3 Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date and warrants that the existing electrical, plumbing, and lighting, shall be in good operating condition on said date. If a noncompliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such noncompliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be 30 days. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such noncompliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense.

2.4 Vehicle Parking. Lessee shall be entitled to use the number of parking spaces specified in Paragraph 1.1(b), designated from time to time for parking. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pickup trucks, herein called "Permitted Size Vehicles."

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the parking spaces.

2.5 Restrooms – Lessee may only use the restrooms located within the Premises as part of this agreement and subject to authorized use as stated in Paragraph 1.6.

2.6 Locks – changes prohibited. Lessee is prohibited from changing the locks to any entrance to the Premises without the prior written approval of Lessor.

3. Possession.

3.1 Lessee Compliance. Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance and secures a business license from the City of Lemon Grove. Pending delivery of such evidence of insurance and approved business license, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied, in Lessor's sole discretion.

Attachment B – Exhibit 1

4. Rent and Other Charges.

4.1 Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent ("Rent"). Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

4.2 Utilities. Lessee shall pay for all telephone and other utilities and services supplied to the Premises, together with any taxes thereon. Lessor shall pay for trash, water, gas, and electrical service.

5. Agreed Use.

The Premises shall be used and occupied only for said Agreed Use as defined in Paragraph 1.6 of this Lease. Furthermore, the premises will remain trash free and shall be swept and cleaned regularly at the conclusion of each use by the Lessee.

6. Insurance Risks/Security

a. Indemnity.

Lessee shall indemnify and hold harmless the City and its officers, agents and employees against all claims for damages to persons or property arising out of the conduct of the Lessee or its employees, agents, or others in connection with its use and occupation of the Premises under this Agreement, except only for those claims arising from the negligence or willful misconduct of the City, its officers, agents, or employees. Lessee's indemnification shall include any and all costs, expenses, attorneys' fees and liability incurred by the City, its officers, agents, or employees in defending against such claims, whether the same to proceed to judgment or not. Lessee at its own expense shall, upon written request by the City, defend any such suit or action brought against the City, its officers, agents, or employees. Lessor shall hold Lessee harmless from claims arising from Lessor's sole active negligence or sole willful misconduct or that of its officers, agents or employees.

b. Insurance.

1. Lessee shall, throughout the duration of this Agreement, maintain comprehensive general liability or commercial general liability insurance and property damage insurance covering all operations and activities of Lessee, its agents and employees, performed in connection with this Agreement including but not limited to, its personal property, the interior improvements of the PREMISES and automobile coverage.

2. Lessee shall maintain the following minimum limits:

General Liability

Combined Single Limit

Per Occurrence \$1,000,000

General Aggregate \$2,000,000

Lessee shall obtain and maintain fire, extended coverage, and vandalism insurance policy(s) on all insurable property on the PREMISES, including the PREMISES.

3. All insurance companies affording coverage to the Lessee shall be required to add the City of Lemon Grove as an "additional insured" under the insurance policy(s) required in accordance with this Agreement.

4. All insurance companies affording coverage to the Lessee shall be insurance organizations authorized by the Insurance Commissioner of the State Department of Insurance to transact the business of insurance in the State of California.

Attachment B – Exhibit 1

5. All insurance companies affording coverage shall provide a thirty (30) day written notice to the City of Lemon Grove should the policy be canceled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation. Cancellation of any coverage required by the terms hereof shall be grounds for termination of this Lease pursuant to the provisions of section 6.10 hereof.

6. Lessee shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, and endorsements thereon, in a form satisfactory to the City Attorney concurrently with the submittal of this Agreement.

7. Lessee shall provide a substitute certificate of insurance no later than thirty (30) days prior to the policy expiration date. Failure by the Lessee to provide such a substitution and extend the policy expiration date shall be considered a default by Lessee and subject the Lessee to a termination of this Agreement.

8. Maintenance of insurance by the Lessee as specified in this Agreement shall in no way be interpreted as relieving the Lessee of any responsibility whatever and the Lessee may carry, at its own expense, such additional insurance as it deems necessary.

9. If Lessee fails or refuses to procure and maintain the required insurance, or fails to provide the proof of coverage, Lessor, has the right but not the obligation, to obtain the insurance. Lessee shall reimburse Lessor for the premiums paid with interest at the maximum allowable legal rate then in effect in California. Lessor shall give notice of the payment of premiums within thirty (30) days of payment stating the amount paid, names of the insurer(s) and rate of interest. Said reimbursement and interest shall be paid by Lessee on the first (1st) day of the month following the notice of Payment by the Lessor. Notwithstanding the preceding provisions of this Subsection, any failure or refusal by Lessee to procure or maintain insurance as required in this Agreement, or failure to provide proof of Insurance, shall be deemed a default under this Agreement.

10. Lessee may choose to satisfy the insurance obligations identified in this Lease through a self-insurance program or a self-insurance joint powers agency or agreement.

7. Attorney's Fees.

If any Party brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The "Prevailing Party" shall include, without limitation, a Party who substantially obtains or defeats the relief sought as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

8. Dispute Resolution.

a. Mediation: Lessor, Lessee, and Broker(s) agree to mediate any dispute or claim arising between them out of this agreement or any resulting transaction, before resorting

Attachment B – Exhibit 1

to arbitration or court action. Paragraphs (2) and (3) below apply whether or not the arbitration provision is initiated. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party commences an action without first attempting to resolve the matter through mediation, or refuses to mediate after a request has been made, then that party shall not be entitled to recover any attorney fees, even if they would otherwise be available to that party in any such action. This mediation provision applies whether or not the arbitration provision is initiated.

b. Arbitration Disputes: (1) Lessee and Lessor agree that any dispute or claim in Law or equity arising between them out of this agreement or any resulting transaction, which is not settled through meditation, shall be decided by neutral, binding arbitration, including and subject to paragraphs (2) and (3) below. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of real estate transactional law experience, unless the parties mutually agree to a different arbitrator, who shall render an award in accordance with substantive California Law. In all other respects, the arbitration conducted in accordance with Part III; Title 9 of the California Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction. The parties shall have the right to discovery in accordance with Code of

Civil Procedure 1283.05. (2) EXCLUSIONS FROM MEDIATION AND ARBITRATION: The following matters are excluded from mediation and arbitration: (i) a judicial or nonjudicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or installment land sale contract as defined in Civil Code 2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; (iv) any matter that is within the jurisdiction of a probate, small claims, or bankruptcy court; and (v) an action for bodily injury or wrongful death or any right of action to which Code of Civil Procedure 337.1 or 337.15 applies. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a violation of the mediation and arbitration provisions. (3) Brokers: Lessor and Lessee agree to mediate and arbitrate disputes or claims involving either or both brokers, provided either or both brokers have agreed to such mediation or arbitration prior to, or within a reasonable time after, the dispute or claim is presented to brokers. Any election by either or both brokers to participate in mediation or arbitration shall not result in brokers being deemed parties to the agreement.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION.

Initials: Lessor: _____ Lessee: _____

Attachment B – Exhibit 1

9. Premises Condition.

Lessor, at the Lessor's sole cost and expense, shall provide the building in AS-IS condition with the following exceptions:

- (1) All City items not requested to stay during initial walk through shall be removed
- (2) The bathroom and kitchen area shall be cleaned.

10. Scheduling.

10.1 Conflicting Schedules.

The Lessee has all priority rights to use the Premises and will make reasonable accommodations if a scheduling conflict occurs.

10.2 Emergency Operations Center Activities.

In keeping with the City's Emergency Management Plan, the Premises may be used as part of the City's Emergency Operations Center or Shelter. In that event, that the Lessor must occupy the Premises for emergency activities, the Lessor will notify the Lessee as soon as possible. Furthermore, any amount of time that the Lessor is occupying the Premises during the Lessee's scheduled use time, base rent will not be required to be paid for the said amount of time.

11. Use of City Equipment.

The following City owned items may be used by the Lessee during the schedule hours of occupation.

- (1) Refrigerator
- (2) Gas Stove —
- (3) Drinking Fountain

If used, the Lessee acknowledges that it is responsible for maintaining, repairing, and replacing said items at its cost within 14 days of discovering the need to do so.

12. Capital Improvements.

During the entire duration of this agreement, the Lessor will be responsible for major capital improvement replacement and major maintenance activities. Examples may include roof replacement/repair or HVAC replacement/repair. If specific actions that cause the required improvements are directly associated with negligent acts of the Lessee, the Lessee will then be responsible for the cost to repair and/or replace the capital projects.

13. Termination.

Either party may terminate this lease upon sixty (60) days written notice to the other party pursuant to Section 15 below.

- (a) After a termination request has been accepted, a site walk will be performed by both Parties to determine if the facility is in the same condition as it was in the initial occupation.
- (b) Any costs to repair or replace the facility will be paid for with the initial deposit funds.
- (c) Should there not be any repair or replacement costs, the full deposit will be returned to the Lessee within thirty (30) days of the final date of occupation.

14. Notices.

All notices, consents, demands and other communications from one party to the other given pursuant to the terms of this Lease or under the laws of the State of California, including but not

Attachment B – Exhibit 1

limited to notice under the provisions of Section 1161 of the California Code of Civil Procedure and Section 1946 of the California Civil Code, shall be in writing and shall be deemed to have been fully given when deposited in the United States mail, certified or registered, postage prepaid, and addressed to Lessee or Lessor at the addresses respectively specified below or to such other place as Lessee or Lessor may from time to time designate by a written notice to the other; or, in the case of Lessee, delivered to Lessee at the Premises or at any place where Lessee or any agent or employee of Lessee may be found if sent subsequent to Lessee's vacating, deserting, abandoning or surrendering of the Premises. Lessee hereby agrees that service of notice in accordance with the terms of this Lease shall be in lieu of the methods of service specified in Section 1162 of the California Code of Civil Procedure. The provisions of subdivision (a) of Section 1013 of the California Code of Civil Procedure, extending the time within which a right may be exercised or an act may be done, shall not apply to a notice given pursuant to this Lease.

The contact information for Lessor is:

City of Lemon Grove
3232 Main Street
Lemon Grove, California 91945
Attention: Graham Mitchell, City Manager
Email: gmitchell@lemongrove.ca.gov
Phone: 619-825-3800

The contact information for Lessee is:

Healthy Opportunities Progressive Education, Inc.
Street
City State Zip
Attention: Arthur Camacho, Luis Fernandez
Email:
Phone:

15. Waiver of Relocation Benefits.

Lessee understands it may be entitled to relocation benefits pursuant to Government Code section 7260 et seq. In consideration for the terms of this Lease, Lessee knowingly waives any right to said relocation benefits pursuant to Civil Code section 3513.

Signature Date: _____
By Lessor: City of Lemon Grove
Printed Name: Lydia Romero
Title: City Manager

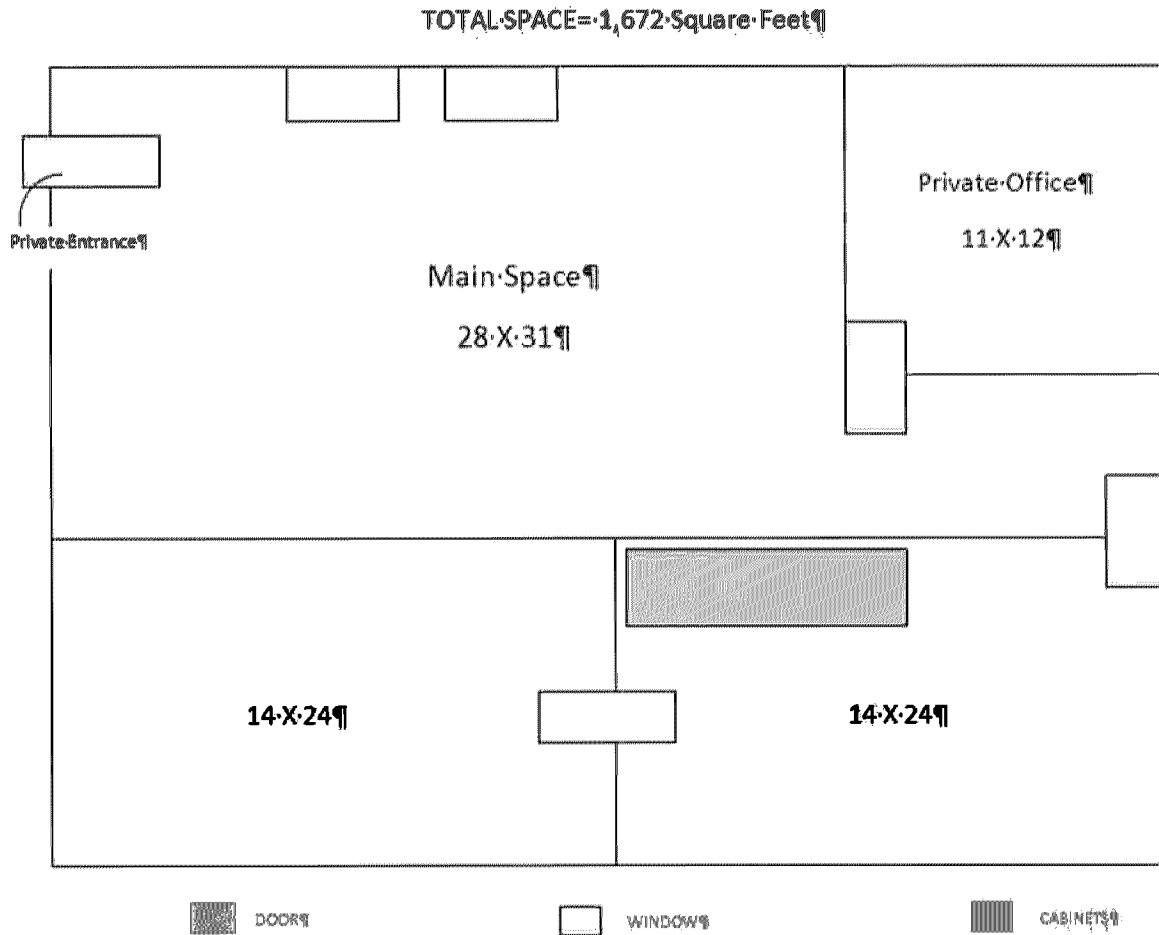
Signature Date: _____
By Lessee: HOPE, Inc.
Printed Name: Arthur Camacho/Luis Fernandez
Title: Owners

By: _____

By: _____

Attachment B – Exhibit 1

Attachment A Site Plan – 3146 School Lane



**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.G
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: Rejection of Claim

Staff Contact: Mike James, Assistant City Manager / Public Works Director

Recommendation:

Reject a claim submitted by Ruben Estrada. |

Item Summary:

On December 22, 2016, the City of Lemon Grove received a timely filed claim from Ruben Estrada. After reviewing the claim staff recommendations it is rejected. |

Fiscal Impact:

None.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

None.

LEMON GROVE | SANITATION DISTRICT |
AGENDA ITEM SUMMARY

Item No. 1.H
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: Agreement for a Special District Financing Services

Staff Contact: Stephanie Boyce, Management Analyst

Recommendation:

Adopt a resolution (**Attachment B**) awarding an agreement for the Special District Financing Services for the Sanitation District (Contract No. 2017-18) to Psomas.

Item Summary:

In 2009, the Sanitation District contracted with Psomas to provide Special District Financing Services which include preparing an Engineer's Report and administration of services for the annual tax roll process of approximately 6,793 parcels for the Sanitation District. The enclosed staff report (**Attachment A**) provides a history of the Sanitation District tax roll process, the current request for proposal process, and a final recommendation to award an agreement for the Special District Financing Services.

Fiscal Impact:

\$15,000 was budgeted in the current fiscal year. If the agreement is approved, staff will program funds as an identified within the contract.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution

LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No. 1.H

Mtg. Date February 7, 2017

Item Title: Agreement for a Special District Financing Services

Staff Contact: Stephanie Boyce, Management Analyst

Background:

The Lemon Grove Sanitation District (District) maintains sanitation facilities related to residential, non-residential, and commercial developments throughout the city. As new developments or sewer permits are approved for construction, the conditions of approval dictate that the property owners will be assessed sewer fees annually by the Sanitation District. The assessments for these locations are placed on the next fiscal year tax roll for collection by the County of San Diego. In addition to placing the charges on the tax roll, an Engineer's Report is prepared which reflects the current assessment methodology, and general description of the plans and specifications for the improvements within the District, an estimate of the costs of improvements for the fiscal year, a description of the boundaries and map of the district, an assessment of the estimated cost to each parcel (proposed assessments), and an affidavit stating that a professional engineer has prepared the report.

In 2009, the District executed a five year contract with Psomas to prepare the Engineer's Report, provide the District with a detailed list of each parcel within the District and the applicable sewer service fee, place these fees on San Diego County Tax Roll for collection and provide customer service for property owners through a toll free number that is listed on the recipients tax bill. In 2015 and 2016, the District extended the contract with Psomas to prepare the Engineer's Report and place the sewer service fee on the tax roll for collection and provide customer service to the property owners.

Discussion:

On December 8, 2016, the District advertised a request for proposals (RFP) and posted on e-bidboard and the City's website. On January 10, 2017, three proposals were received:

1. NBS located in Temecula, California;
2. Psomas located in San Diego, California; and
3. SCI Consulting Group located in Fairfield, California.

City staff formed a selection committee to evaluate each proposal based upon the following criteria:

1. Conforms to the requested format,
2. Experience and Technical Competence,
3. Proposed Method to Accomplish Work,
4. Knowledge and Understanding of Local Government,
5. Project Organization and Key Personnel, and
6. Cost Estimate.

The selection committee determined that the best consultant team to perform the scope of work based upon the above listed criteria was Psomas with a proposal amount of \$14,870. Psomas specializes in Special District Financing including the formation of districts, ongoing administration, annual levy placement and restructuring of distressed districts. Psomas has performed similar work for other local governments and special districts in the recent past and the

Attachment A

firm has excellent knowledge of sewer service charges, assessment districts, landscape and lighting maintenance districts, Proposition 218, recent and relevant case law that impacts financing districts and standby charges.

Conclusion:

That the Sanitation Board adopts a resolution (**Attachment B**) awarding a professional services agreement for the Special District Financial Service for the Sanitation District (Contract No. 2017-18) to Psomas for an amount not to exceed \$15,000. |

Attachment B

RESOLUTION NO. 2017-_____

**RESOLUTION OF THE LEMON GROVE SANITATION DISTRICT AWARDING A
PROFESSIONAL SERVICES AGREEMENT TO PSOMAS FOR THE SPECIAL DISTRICT
FINANCING SERVICES (CONTRACT NO. 2017-18)**

WHEREAS, in 2009, an agreement was entered into between the Sanitation District (District) and Psomas for Special District Financing Services; and

WHEREAS, in 2015 and 2016, the District extended the contract with Psomas to prepare the Engineer's Report and levy the sewer service charge on the tax roll; and

WHEREAS, on December 8, 2016, the District solicited requests for proposals for Special District Financing Services for the next five years; and

WHEREAS, On December 10, 2017, the District received three proposals; and

WHEREAS, District staff evaluated three proposals and determined Psomas was the best-suited consulting firm to complete this project; and

NOW, THEREFORE, BE IT RESOLVED that the District Board of the Lemon Grove Sanitation District, Lemon Grove, California hereby:

1. Approves a professional services agreement (Exhibit 1); and
2. Establishes a project budget not to exceed fifteen thousand dollars and zero cents (\$15,000); and
3. Authorize the Executive Director or designee to execute the agreement and manage all project correspondence.

/////
/////

Attachment B - Exhibit 1

**AGREEMENT
BY AND BETWEEN
THE LEMON GROVE SANITATION DISTRICT
AND
PSOMAS**

THIS AGREEMENT is approved and effective upon the date of the last signature, by and between the LEMON GROVE SANITATION DISTRICT, a municipal corporation (the "DISTRICT"), and Psomas, a consulting and engineering firm (the "CONTRACTOR").

RECITALS

WHEREAS, the DISTRICT desires to employ a CONTRACTOR to provide Special District Financing Services including but not limited to preparation of the Engineer's Report, placement of the annual sewer fee on the County tax roll and provide customer service and support to property owners and staff.

WHEREAS, the DISTRICT has determined that the CONTRACTOR is consulting and engineering firm and is qualified by experience and ability to perform the services desired by the DISTRICT, and the CONTRACTOR is willing to perform such services.

NOW, THEREFORE, THE PARTIES HERETO DO MUTUALLY AGREE AS FOLLOWS:

1. **ENGAGEMENT OF CONTRACTOR.** The DISTRICT hereby agrees to engage the CONTRACTOR and the CONTRACTOR hereby agrees to perform the services hereinafter set forth in accordance with all terms and conditions contained herein.

The CONTRACTOR represents that all services required hereunder will be performed directly by the CONTRACTOR or under direct supervision of the CONTRACTOR.

2. **SCOPE OF SERVICES.** The CONTRACTOR will perform services as set forth on in Exhibit "A" (Attached).

The CONTRACTOR shall be responsible for all research and reviews related to the work and shall not rely on personnel of the DISTRICT for such services, except as authorized in advance by the DISTRICT. The CONTRACTOR shall appear at meetings cited in Exhibit "A" to keep staff and DISTRICT Council advised of the progress on the project.

The DISTRICT may unilaterally, or upon request from the CONTRACTOR, from time to time reduce or increase the Scope of Services to be performed by the

Attachment B - Exhibit 1

CONTRACTOR under this Agreement. Upon doing so, the DISTRICT and the CONTRACTOR agree to meet in good faith and confer for the purpose of negotiating a corresponding reduction or increase in the compensation associated with said change in services, not to exceed the total amount of twenty thousand dollars (\$20,000) and extend time for completion by more than a total of fifteen (15) days.

3. **PROJECT COORDINATION AND SUPERVISION.**

Stephanie Boyce, Management Analyst hereby is designated as the Project Coordinator for the DISTRICT and will monitor the progress and execution of this Agreement. The CONTRACTOR shall assign a single Project Director to provide supervision and have overall responsibility for the progress and execution of this Agreement for the CONTRACTOR. Tami Eaton, Project Manager thereby is designated as the Project Director for the CONTRACTOR.

4. **COMPENSATION AND PAYMENT.** The compensation for the CONTRACTOR shall be based on monthly billings covering actual work performed. Billings shall include labor classifications, respective rates, hours worked and also materials, if any. The total cost for all work described in Exhibit "A" shall not exceed fourteen thousand eight hundred seventy dollars (\$14,870) (the Base amount) without prior written authorization from the Mike James, Assistant City Manager/Public Works Director. Monthly invoices will be processed for payment and remitted within thirty (30) days from receipt of invoice, provided that work is accomplished consistent with Exhibit "A" as determined by and in the sole discretion of the DISTRICT.

The CONTRACTOR shall maintain all books, documents, papers, employee time sheets, accounting records, and other evidence pertaining to costs incurred and shall make such materials available at its office at all reasonable times during the term of this Agreement and for three (3) years from the date of final payment under this Agreement, for inspection by the DISTRICT and for furnishing of copies to the DISTRICT, if requested.

5. **LENGTH OF AGREEMENT.** This agreement will last sixty (60) months from the approved and executed date or until all work has been completed by the CONTRACTOR and accepted by the DISTRICT, whichever occurs first.

6. **DISPOSITION AND OWNERSHIP OF DOCUMENTS.** The Memoranda, Reports, Maps, Drawings, Plans, Specifications and other documents prepared by the CONTRACTOR for this Project, whether paper or electronic, shall become the property of the DISTRICT for use with respect to this Project, and shall be turned over to the DISTRICT upon completion of the Project, or any phase thereof, as contemplated by this Agreement.

Contemporaneously with the transfer of documents, the CONTRACTOR hereby assigns to the DISTRICT and CONTRACTOR thereby expressly waives and disclaims, any copyright in, and the right to reproduce, all written material, drawings, plans, specifications or other work prepared under this agreement, except upon the DISTRICT's prior authorization regarding reproduction, which authorization shall not be

Attachment B - Exhibit 1

unreasonably withheld. The CONTRACTOR shall, upon request of the DISTRICT, execute any further document(s) necessary to further effectuate this waiver and disclaimer.

The CONTRACTOR agrees that the DISTRICT may use, reuse, alter, reproduce, modify, assign, transfer, or in any other way, medium or method utilize the CONTRACTOR's written work product for the DISTRICT's purposes, and the CONTRACTOR expressly waives and disclaims any residual rights granted to it by Civil Code Sections 980 through 989 relating to intellectual property and artistic works.

Any modification or reuse by the DISTRICT of documents, drawings or specifications prepared by the CONTRACTOR shall relieve the CONTRACTOR from liability under Section 14 but only with respect to the effect of the modification or reuse by the DISTRICT, or for any liability to the DISTRICT should the documents be used by the DISTRICT for some project other than what was expressly agreed upon within the Scope of this project, unless otherwise mutually agreed.

7. **INDEPENDENT CONTRACTOR.** Both parties hereto in the performance of this Agreement will be acting in an independent capacity and not as agents, employees, partners or joint ventures with one another. Neither the CONTRACTOR nor the CONTRACTOR'S employees are employees of the DISTRICT and are not entitled to any of the rights, benefits, or privileges of the DISTRICT's employees, including but not limited to retirement, medical, unemployment, or workers' compensation insurance.

This Agreement contemplates the personal services of the CONTRACTOR and the CONTRACTOR's employees, and it is recognized by the parties that a substantial inducement to the DISTRICT for entering into this Agreement was, and is, the professional reputation and competence of the CONTRACTOR and its employees. Neither this Agreement nor any interest herein may be assigned by the CONTRACTOR without the prior written consent of the DISTRICT. Nothing herein contained is intended to prevent the CONTRACTOR from employing or hiring as many employees, or subcontractors, as the CONTRACTOR may deem necessary for the proper and efficient performance of this Agreement. All agreements by CONTRACTOR with its subcontractor(s) shall require the subcontractor to adhere to the applicable terms of this Agreement.

8. **CONTROL.** Neither the DISTRICT nor its officers, agents or employees shall have any control over the conduct of the CONTRACTOR or any of the CONTRACTOR's employees except as herein set forth, and the CONTRACTOR expressly agrees not to represent that the CONTRACTOR or the CONTRACTOR's agents, servants, or employees are in any manner agents, servants or employees of the DISTRICT, it being understood that the CONTRACTOR, its agents, servants, and employees are as to the DISTRICT wholly independent contractors and that the CONTRACTOR's obligations to the DISTRICT are solely such as are prescribed by this Agreement.

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9. **COMPLIANCE WITH APPLICABLE LAW.** The CONTRACTOR, in the performance of the services to be provided herein, shall comply with all applicable State and Federal statutes and regulations, and all applicable ordinances, rules and regulations of the DISTRICT OF LEMON GROVE, whether now in force or subsequently enacted. The CONTRACTOR, and each of its subcontractors, shall obtain and maintain a current DISTRICT OF LEMON GROVE business license prior to and during performance of any work pursuant to this Agreement.

10. **LICENSES, PERMITS, ETC.** The CONTRACTOR represents and covenants that it has all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. The CONTRACTOR represents and covenants that the CONTRACTOR shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit, or approval which is legally required for the CONTRACTOR to practice its profession.

11. **STANDARD OF CARE.**

A. The CONTRACTOR, in performing any services under this Agreement, shall perform in a manner consistent with that level of care and skill ordinarily exercised by members of the CONTRACTOR'S trade or profession currently practicing under similar conditions and in similar locations. The CONTRACTOR shall take all special precautions necessary to protect the CONTRACTOR's employees and members of the public from risk of harm arising out of the nature of the work and/or the conditions of the work site.

B. Unless disclosed in writing prior to the date of this agreement, the CONTRACTOR warrants to the DISTRICT that it is not now, nor has it for the five (5) years preceding, been debarred by a governmental agency or involved in debarment, arbitration or litigation proceedings concerning the CONTRACTOR's professional performance or the furnishing of materials or services relating thereto.

C. The CONTRACTOR is responsible for identifying any unique products, treatments, processes or materials whose availability is critical to the success of the project the CONTRACTOR has been retained to perform, within the time requirements of the DISTRICT, or, when no time is specified, then within a commercially reasonable time. Accordingly, unless the CONTRACTOR has notified the DISTRICT otherwise, the CONTRACTOR warrants that all products, materials, processes or treatments identified in the project documents prepared for the DISTRICT are reasonably commercially available. Any failure by the CONTRACTOR to use due diligence under this sub-paragraph will render the CONTRACTOR liable to the DISTRICT for any increased costs that result from the DISTRICT's later inability to obtain the specified items or any reasonable substitute within a price range that allows for project completion in the time frame specified or, when not specified, then within a commercially reasonable time.

12. **NON-DISCRIMINATION PROVISIONS.** The CONTRACTOR shall not discriminate against any employee or applicant for employment because of age, race, color, ancestry, religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. The CONTRACTOR will take positive action to insure that applicants are employed without regard to their age, race, color, ancestry,

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religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. Such action shall include but not be limited to the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places available to employees and applicants for employment any notices provided by the DISTRICT setting forth the provisions of this non-discrimination clause.

13. **CONFIDENTIAL INFORMATION.** The DISTRICT may from time to time communicate to the CONTRACTOR certain confidential information to enable the CONTRACTOR to effectively perform the services to be provided herein. The CONTRACTOR shall treat all such information as confidential and shall not disclose any part thereof without the prior written consent of the DISTRICT. The CONTRACTOR shall limit the use and circulation of such information, even within its own organization, to the extent necessary to perform the services to be provided herein. The foregoing obligation of this Section 13, however, shall not apply to any part of the information that (i) has been disclosed in publicly available sources of information; (ii) is, through no fault of the CONTRACTOR, hereafter disclosed in publicly available sources of information; (iii) is already in the possession of the CONTRACTOR without any obligation of confidentiality; (iv) has been or is hereafter rightfully disclosed to the CONTRACTOR by a third party, but only to the extent that the use or disclosure thereof has been or is rightfully authorized by that third party; or (v) is disclosed according to law or court order.

The CONTRACTOR shall not disclose any reports, recommendations, conclusions or other results of the services or the existence of the subject matter of this Agreement without the prior written consent of the DISTRICT. In its performance hereunder, the CONTRACTOR shall comply with all legal obligations it may now or hereafter have respecting the information or other property of any other person, firm or corporation.

CONTRACTOR shall be liable to DISTRICT for any damages caused by breach of this condition, pursuant to the provisions of Section 14.

14. **INDEMNIFICATION AND HOLD HARMLESS.** The CONTRACTOR shall indemnify, defend, and hold harmless the DISTRICT, and its officers, officials, agents and employees from any and all claims, demands, costs or liability that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, its employees, agents, and subcontractors in the performance of services under this Agreement. CONTRACTOR's duty to indemnify under this section shall not include liability for damages for death or bodily injury to persons, injury to property, or other loss, damage or expense arising from the sole negligence or willful misconduct by the DISTRICT or its elected officials, officers, agents, and employees. CONTRACTOR's indemnification obligations shall not be limited by the insurance provisions of this Agreement. The DISTRICT AND CONTRACTOR expressly agree that any payment, attorney's fees, costs or expense DISTRICT incurs or makes to or on behalf of an injured employee under the DISTRICT 's self-administered workers'

Attachment B - Exhibit 1

compensation is included as a loss, expense, or cost for the purposes of this section, and that this section will survive the expiration or early termination of this Agreement.

15. **WORKERS' COMPENSATION.** The CONTRACTOR shall comply with all of the provisions of the Workers' Compensation Insurance and Safety Acts of the State of California, the applicable provisions of Division 4 and 5 of the California Government Code and all amendments thereto; and all similar state or Federal acts or laws applicable; and shall indemnify, and hold harmless the DISTRICT and its officers, and employees from and against all claims, demands, payments, suits, actions, proceedings and judgments of every nature and description, including reasonable attorney's fees and defense costs presented, brought or recovered against the DISTRICT or its officers, employees, or volunteers, for or on account of any liability under any of said acts which may be incurred by reason of any work to be performed by the CONTRACTOR under this Agreement.

16. **INSURANCE.** The CONTRACTOR, at its sole cost and expense, shall purchase and maintain, and shall require its subcontractors, when applicable, to purchase and maintain throughout the term of this agreement, the following insurance policies:

☒ A. If checked, Professional Liability Insurance (errors and omissions) with minimum limits of \$1,000,000 per occurrence.

B. Automobile insurance covering all bodily injury and property damage incurred during the performance of this Agreement, with a minimum coverage of \$1,000,000 combined single limit per accident. Such automobile insurance shall include non-owned vehicles.

C. Comprehensive general liability insurance, with minimum limits of \$1,000,000 combined single limit per occurrence, covering all bodily injury and property damage arising out of its operation under this Agreement.

D. Workers' compensation insurance covering all of CONTRACTOR's employees.

E. The aforesaid policies shall constitute primary insurance as to the DISTRICT, its officers, employees, and volunteers, so that any other policies held by the DISTRICT shall not contribute to any loss under said insurance. Said policies shall provide for thirty (30) days prior written notice to the DISTRICT of cancellation or material change.

F. Said policies, except for the professional liability and worker's compensation policies, shall name the DISTRICT and its officers, agents and employees as additional insureds.

G. If required insurance coverage is provided on a "claims made" rather than "occurrence" form, the CONTRACTOR shall maintain such insurance coverage for three years after expiration of the term (and any extensions) of this Agreement.

H. Any aggregate insurance limits must apply solely to this Agreement.

I. Insurance shall be written with only California admitted companies which hold a current policy holder's alphabetic and financial size category rating of not

Attachment B - Exhibit 1

less than A VIII according to the current Best's Key Rating Guide, or a company equal financial stability that is approved by the DISTRICT.

J. This Agreement shall not take effect until certificate(s) or other sufficient proof that these insurance provisions have been complied with, are filed with and approved by the DISTRICT. If the CONTRACTOR does not keep all of such insurance policies in full force and effect at all times during the terms of this Agreement, the DISTRICT may elect to treat the failure to maintain the requisite insurance as a breach of this Agreement and terminate the Agreement as provided herein.

17. **LEGAL FEES.** If any party brings a suit or action against the other party arising from any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other party arising out of this Agreement, then in that event, the prevailing party in such action or dispute, whether by final judgment or out-of-court settlement, shall be entitled to have and recover of and from the other party all reasonable costs and expenses of suit, including reasonable attorneys' fees.

For purposes of determining who is to be considered the prevailing party, it is stipulated that attorney's fees incurred in the prosecution or defense of the action or suit shall not be considered in determining the amount of the judgment or award. Attorney's fees to the prevailing party if other than the DISTRICT shall, in addition, be limited to the amount of attorney's fees incurred by the DISTRICT in its prosecution or defense of the action, irrespective of the actual amount of attorney's fees incurred by the prevailing party.

18. **MEDIATION/ARBITRATION.** If a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try, in good faith, to settle the dispute by mutual negotiation between the principles, and failing that through nonbinding mediation in San Diego, California, in accordance with the Commercial Mediation Rules of the American Arbitration Association (the "AAA"). The costs of mediation shall be borne equally by the parties.

19. **TERMINATION.** A. This Agreement may be terminated with or without cause by the DISTRICT. Termination without cause shall be effective only upon 30-day's written notice to the CONTRACTOR. During said 30-day period the CONTRACTOR shall perform all services in accordance with this Agreement. The Contractor may terminate this agreement upon thirty (30) days prior notice in the event of a continuing and material breach by the DISTRICT of its obligations under this Agreement including but not limited to payment of invoices.

B. This Agreement may also be terminated immediately by the DISTRICT for cause in the event of a material breach of this Agreement that is not cured to the DISTRICT's satisfaction within a ten (10) day prior cure period, or material misrepresentation by the CONTRACTOR in connection with the formation of this Agreement or the performance of services, or the failure to perform services as directed by the DISTRICT.

C. Termination with or without cause shall be effected by delivery of written Notice of Termination to the CONTRACTOR as provided for herein.

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D. In the event of termination, all finished or unfinished Memoranda Reports, Maps, Drawings, Plans, Specifications and other documents prepared by the CONTRACTOR, whether paper or electronic, shall immediately become the property of and be delivered to the DISTRICT, and the CONTRACTOR shall be entitled to receive just and equitable compensation for any work satisfactorily completed on such documents and other materials up to the effective date of the Notice of Termination, not to exceed the amounts payable hereunder, and less any damages caused the DISTRICT by the CONTRACTOR's breach, if any. Thereafter, ownership of said written material shall vest in the DISTRICT all rights set forth in Section 6.

E. The DISTRICT further reserves the right to immediately terminate this Agreement upon: (1) the filing of a petition in bankruptcy affecting the CONTRACTOR; (2) a reorganization of the CONTRACTOR for the benefit of creditors; or (3) a business reorganization, change in business name or change in business status of the CONTRACTOR.

20. **NOTICES.** All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered; or sent by overnight mail (Federal Express or the like); or sent by registered or certified mail, postage prepaid, return receipt requested; or sent by ordinary mail, postage prepaid; or telegraphed or cabled; or delivered or sent by telex, telecopy, facsimile or fax; and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility, (iii) if mailed by registered, certified or ordinary mail, five (5) days (ten (10) days if the address is outside the State of California) after the date of deposit in a post office, mailbox, mail chute, or other like facility regularly maintained by the United States Postal Service, (iv) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid, or (v) if given by telex, telecopy, facsimile or fax, when sent. Any notice, request, demand, direction or other communication delivered or sent as specified above shall be directed to the following persons:

To the DISTRICT: Lydia Romero, District Manager
Lemon Grove Sanitation District
3232 Main Street
Lemon Grove, CA 91945-1701

To the CONTRACTOR: Tami Eaton
Psomas
401 B Street, Suite 1600
San Diego, CA 92101

Notice of change of address shall be given by written notice in the manner specified in this Section. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent. Any notice, request, demand, direction or other communication sent by cable, telex, telecopy,

Attachment B - Exhibit 1

facsimile or fax must be confirmed within forty-eight (48) hours by letter mailed or delivered as specified in this Section.

21. **CONFLICT OF INTEREST AND POLITICAL REFORM ACT OBLIGATIONS.** During the term of this Agreement, the CONTRACTOR shall not perform services of any kind for any person or entity whose interests conflict in any way with those of the DISTRICT OF LEMON GROVE. The CONTRACTOR also agrees not to specify any product, treatment, process or material for the project in which the CONTRACTOR has a material financial interest, either direct or indirect, without first notifying the DISTRICT of that fact. The CONTRACTOR shall at all times comply with the terms of the Political Reform Act and the Lemon Grove Conflict of Interest Code. The CONTRACTOR shall immediately disqualify itself and shall not use its official position to influence in any way any matter coming before the DISTRICT in which the CONTRACTOR has a financial interest as defined in Government Code Section 87103. The CONTRACTOR represents that it has no knowledge of any financial interests that would require it to disqualify itself from any matter on which it might perform services for the DISTRICT.

☐ If checked, the CONTRACTOR shall comply with all of the reporting requirements of the Political Reform Act and the DISTRICT OF LEMON GROVE Conflict of Interest Code. Specifically, the CONTRACTOR shall

1. Go to www.fppc.ca.gov
2. Download the Form 700: Statement of Economic Interests
3. Completely fill out the form
4. Submit the form to the Public Works Department with the signed contracts.

The CONTRACTOR shall be strictly liable to the DISTRICT for all damages, costs or expenses the DISTRICT may suffer by virtue of any violation of this Paragraph 21 by the CONTRACTOR.

22. **MISCELLANEOUS PROVISIONS.**

A. *Computation of Time Periods.* If any date or time period provided for in this Agreement is or ends on a Saturday, Sunday or federal, state or legal holiday, then such date shall automatically be extended until 5:00 p.m. Pacific Time of the next day which is not a Saturday, Sunday or federal, state or legal holiday.

B. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

C. *Captions.* Any captions to, or headings of, the sections or subsections of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

D. *No Obligations to Third Parties.* Except as otherwise expressly provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, or obligate any of the parties hereto, to any person or entity other than the parties hereto.

Attachment B - Exhibit 1

E. *Exhibits and Schedules.* The Exhibits and Schedules attached hereto are hereby incorporated herein by this reference for all purposes.

F. *Amendment to this Agreement.* The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

G. *Waiver.* The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

H. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

I. *Entire Agreement.* This Agreement supersedes any prior agreements, negotiations and communications, oral or written, and contains the entire agreement between the parties as to the subject matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of any party hereto shall be of any effect unless it is in writing and executed by the party to be bound thereby.

J. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

K. *Construction.* The parties acknowledge and agree that (i) each party is of equal bargaining strength, (ii) each party has actively participated in the drafting, preparation and negotiation of this Agreement, (iii) each such party has consulted with or has had the opportunity to consult with its own, independent counsel and such other professional advisors as such party has deemed appropriate, relative to any and all matters contemplated under this Agreement, (iv) each party and such party's counsel and advisors have reviewed this Agreement, (v) each party has agreed to enter into this Agreement following such review and the rendering of such advice, and (vi) any rule or construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement, or any portions hereof, or any amendments hereto.

Attachment B - Exhibit 1

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

DISTRICT OF LEMON GROVE

By: _____
Lydia Romero

District Manager
(Title)

(Date)

PSOMAS

(Corporation – signatures of two corporate officers)

(Partnership – one signature)

(Sole proprietorship – one signature)

By: _____
(Name)

(Title)

(Date)

(Name)

(Title)

(Date)

APPROVED AS TO FORM:

By: _____
James Lough

District Attorney
(Title)

(Date)

By: _____
(Name)

(Title)

(Date)

Attachment B - Exhibit 1

Exhibit 'A'

SECTION 2 Scope of Services



DETAILED SCOPE OF WORK

Psomas will employ the City of Lemon Grove's methodology used in prior fiscal years to promote continuity and efficiency. Psomas has provided these services to the City of Lemon Grove since 2009. Our proposed team is comprised of professionals who are knowledgeable regarding the City's processes and procedures; this experience allows us to perform the outlined tasks below with an adept level of skill and understanding. Psomas is prepared to hit the ground running with implementation of the project.

A. Task 1 – Prepare Annual Engineer's Reports

Psomas will perform all necessary steps to obtain approval of the Annual Engineer's Reports for the Districts.

1. Utilizing the Psomas GIS team and the district boundary map, we can depict the overall boundary that includes all of the parcels within the boundaries of each.
2. Psomas will review each district's budget and expenses, making findings and/or recommendations to be included in the Engineer's Report.
3. Psomas will prepare a draft Engineer's Report for the City's review, which complies in all respects with the provisions of the City's Municipal Code and the California Constitution Article XIII D, sections 4(a), (b) and (c). The report shall include:
 - a. An Introduction and overview of each District
 - b. A table of contents
 - c. An affidavit stating that a Professional Engineer prepared the report
 - d. City Clerk Certification page
 - e. A general description of plans and specifications for the improvements within the District, referencing the improvement details on file in the City's Public Works Department.
 - f. An estimate of the costs of the improvements for the fiscal year. Formatted as a table, this information will identify pertinent expenses and revenue used to determine the annual assessments for the District, including identification of direct maintenance costs and incidental expenses.
 - g. A description of the boundaries and map of the District.
 - h. A description of the method of assessment, including identification and discussion of benefit findings previously determined and approved by the District.
 - i. A property owner listing of each parcel and their proposed assessment for the fiscal year in which the Engineer's Report has been prepared, as indicated in the Assessment Roll.
4. Upon request, Psomas will meet with District staff up to two times.

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City of Lemon Grove | Sanitation and Lighting District Financial Consulting Services, Contract 2017-18

Attachment B - Exhibit 1

B. Task 2 – Attend District Board Meetings

The Psomas team will be available to City staff for questions, revisions and concerns, so staff has all of the information necessary to present district assessment information at any District Board meetings.

1. Psomas will submit the draft Engineer's Report to the City for review and will discuss any potential changes prior to the City submitting to the City Council.
2. Psomas will attend, if desired, the City Council meeting involving approval of the Engineer's Report and Public Hearing.

C. Task 3 – Place Annual Sewer and Lighting Fee on the County Tax Roll

After confirmation of assessments by staff, Psomas will submit the assessments in the required format to the San Diego County Auditor/Controller's office for inclusion on the property tax bills by their deadline. We will make the necessary corrections, if required, after receipt of the Exception Report from the County Auditor's office.

1. Psomas will coordinate the direct billing of non-taxable parcels pursuant to the County Taxability Code and subject to the assessments.
2. Psomas will provide the database of final levies for each district in an electronic format that is acceptable to the City.
3. Upon final confirmation of charges accepted by the County, Psomas will prepare the certification letters for signature by District staff.

D. Task 4 – Customer Service and Support

Psomas recognizes the need to communicate and collaborate with staff and taxpayers to have a successful project. The Psomas' Special District Financing Team will be available to District staff to answer questions, provide assistance and work with taxpayers.

1. Psomas will respond to all District staff inquiries and City resident inquiries, as needed.
2. Psomas will provide a toll-free number to be printed on the property tax bills for taxpayer inquiries, allowing each taxpayer to call Psomas directly.
3. Psomas will attend meetings with District staff, as needed, to discuss any issues that may arise. These meetings may be face-to-face, video conference or telephone conference calls.
4. Psomas will provide a bi-annual report displaying all inquiries handled by Psomas.
5. Psomas will provide City staff the tax roll in an electronic format that allows data retrieval based on the Assessor's parcel number, owner name, and parcel street address.

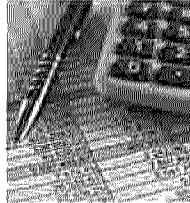
Please note that in providing the aforementioned services, Psomas will not be a Municipal Advisor and as such, our services will not include advice or recommendations related to municipal financial products or the issuance of municipal securities, as defined by the Dodd-Frank Wall Street reform and Consumer Protection Act.

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City of Lemoore | Sanitation and Lighting District Financial Consulting Services, Contract 2017-18

Attachment B - Exhibit 1

SECTION 9 Cost Proposal Breakdown



Psomas strives to provide efficient and cost effective services. It has been our policy to submit all inclusive fees that are fair and equitable. The City of Lemon Grove will not receive change orders or experience hidden fees from Psomas. As such, we would like to propose the following compensation based upon a not-to-exceed amount per fiscal year for one Sanitation District and Lighting Assessment District L (assuming a three year contract with an escalation rate of 2% per annum).

SANITATION DISTRICT

SCOPE ITEM	DESCRIPTION	HOURS	PROPOSED FEE
A	Task 1 - Engineer's Report	15	\$ 1,500.00
B	Task 2 - Meetings	10	\$ 1,400.00
C	Task 3 - Submission	72	\$ 10,480.00
D	Task 4 - Customer Service and Support	15	\$ 1,500.00
TOTAL			\$ 14,880.00

LIGHTING DISTRICT

SCOPE ITEM	DESCRIPTION	HOURS	PROPOSED FEE
A	Task 1 - Engineer's Report	10	\$ 1,075.00
B	Task 2 - Meetings	10	\$ 1,150.00
C	Task 3 - Submission	20	\$ 2,820.00
D	Task 4 - Customer Service and Support	8	\$ 770.00
TOTAL			\$ 5,815.00

PSOMAS

City of Lemon Grove | Sanitation and Lighting District Financial Consulting Services, Contract C017-18

**LEMON GROVE SANITATION DISTRICT
AGENDA ITEM SUMMARY**

Item No. 2
Mtg. Date February 7, 2017
Dept. Public Works

Item Title: **Wastewater Rate Case Study**

Staff Contact: Mike James, Assistant City Manager / Public Works Director

Recommendation:

Staff recommends that the District Board:

1. Selects one of the four rate options presented,
2. Accepts the wastewater rate case study and reserve allocations (**Attachment B**), and
3. Directs staff to work with NBS Governmental Finance Group to notice and manage the proposition 218 noticing requirements.

Item Summary:

On November 15, 2017, the District Board (Board) received an update from staff regarding the wastewater rate case. At that time, staff presented a rate structure for the District Board's consideration. After discussing the item, the District Board directed staff to return at a later date with additional information regarding:

1. Prepare four alternatives for the District Board to consider,
2. Create a Pure Water Reserve Fund, and
3. Complete the proposition 218 process.

The staff report (**Attachment A**), technical memorandum (**Attachment B**) prepared by NBS Governmental Finance Group, and draft proposition 218 notice were all created in response to the District Boards request.

Fiscal Impact:

None.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- | | |
|-------------------------|---|
| A. Staff Report | C. City of San Diego FY 2017-2018 Cost Memo |
| B. Technical Memorandum | D. Draft Proposition 218 Notice |

Attachment A

LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No. 2

Mtg. Date February 7, 2017

Item Title: **Wastewater Rate Case Study**

Staff Contact: Mike James, Assistant City Manager / Public Works Director

Background:

On November 15, 2017, the District Board (Board) received an update from staff regarding the wastewater rate case. Within that report staff summarized Pure Water cost estimates for all Metro Commission/JPA participating agencies (PA), a summary of existing and proposed reserve funds, and a draft proposition 218 notice. Each of those topics are summarized below with information that was presented in November 2016.

Pure Water Cost Estimate for All Metro Commission/JPA Participating Agencies (PA)

The table highlights the difference between what District staff was provided by the City of San Diego staff to budget and what was recently provided to the District, in September 2016.

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Budgeted	\$70,000,000	\$75,000,000	\$77,300,000	\$80,000,000	\$302,300,000
New Estimate	\$77,980,977	\$86,957,811	\$127,936,608	\$112,980,490	\$405,855,886
Difference	(\$7,980,977)	(\$11,957,811)	(\$50,636,608)	(\$32,980,490)	(\$103,555,886)
Lemon Grove's Share	(\$287,315)	(\$430,481)	(\$1,822,918)	(\$1,187,298)	(\$3,728,012)

These unanticipated costs shown above are the portion allocated to the participating agencies in Metro Wastewater Commission/Joint Powers Authority. The District makes up approximately 3.6% of the participating agencies portion of 33.5%. While these costs provided in September 2016 were for preliminary planning purposes only, in October 2016, the City of San Diego's City Council approved two engineering design contracts that support an accelerated Pure Water schedule that will advance expenditures into the next four years. These unanticipated costs equal \$3,728,012.

A critical expenditure that still remains outstanding from the current rate study is the requirement that secondary treatment construction costs may still be required in the future, even if the modified permit is approved for the next five year period. While those costs will fall outside of the next four year rate study, the total impact to the District may be significant. The last cost estimate provided by the City of San Diego for secondary treatment totaled approximately \$3.6 billion. The PA's portion equals 33.5% (or \$1.2 billion) of which the District would be responsible for funding 1.2% (or \$43.4 million).

Staff will continue to work with the other participating agencies to reduce the costs for future secondary treatment by searching for alternate ways to integrate the Pure Water Program into the existing wastewater infrastructure. But if the District and PA's are unsuccessful, and the City of San Diego continues to act unilaterally. As a recent example the District received a letter (**Attachment C**) from the City of San Diego informing it that the costs for FY 17-18 will at least increase from \$65 million to \$70 million due to the Pure Water program.

Attachment A

Summary of Reserve Funds:

There are five reserve funds that were presented. Each continues to be a recommendation by NBS Governmental Finance Group (NBS) and supported by District staff. A summary description of each fund is listed below.

1. *Capital Project Reserve Fund (New Fund)* – Establish a new reserve fund that provides a starting point for addressing long-term capital system replacement needs.
 - a. *Pure Water Reserve Fund (New Fund)* – While listed separately, this fund may be considered a part of the Capital Project Reserve Fund because the Pure Water Project is a capital project. This fund sets aside the increased costs that the District is anticipated to realize just for the Pure Water Project moving forward.
2. *Connection Fee Fund (New Fund)* – Establish a separate fund to maintain connection fee revenue pursuant to California Government Code §66013(6)(C). As a reminder, the connection fee analysis is currently being performed by NBS and will be presented later this fiscal year. Those fees will be deposited into this separate fund to help fund the costs for capital projects moving forward.
3. *Operation and Maintenance Reserve Fund (Existing Fund)* – Intended to hold a cash reserve for district operations. This reserve fund is intended to support any short term fluctuation in revenues or unforeseen expenditures.
4. *Rate Stabilization Reserve Fund (Existing Fund)* – This fund sets aside one year's worth of Metro costs. It has been a part of the District's practice to set aside these funds each year.

Proposition 218 Notice:

NBS created a draft proposition 218 notice (**Attachment D**) that will be used to notify all district users of the public hearings tentatively scheduled for April 18, 2017 and May 2, 2017. The public hearing notice will be updated based on the option selected by the District Board to implement and mailed to each District user by NBS.

Discussion:

After receiving the report and presentation on November 15th, the District Board directed staff to return with additional information incorporated into the final wastewater study regarding the following items:

1. Compare an escalating fee versus a flat fee.
2. Compare the difference between a 40% and 55% operational reserves in each escalating and flat fee option.
3. Add a reserve fund specifically for the anticipated expenditures related to the City of San Diego's Pure Water program.
4. Insure that all financial safety measures were in place before any of the district reserves were used to offset the amount of any rate increase that the District users may realize.

In January 2017, District staff received the final report (**Attachment B**) from NBS Government Finance Group (NBS). All work items that the District Board requested from staff were incorporated into the report to include: four alternative rate options that compared an escalating fee versus a flat fee (Alt. #1 – Page 16, Alt. #2 – Page 28, Alt. #3 – Page 40, and Alt. #4 – Page 52), the difference between a 40% and 55% operational reserve amount (page 5), adding a

Attachment A

Pure Water Program reserve fund, and confirm that all necessary reserve funds were created or updated to protect the District's finances as best as possible.

District staff closely worked with NBS staff to prepare a final report that included the items that the Board requested. Staff felt it important to highlight key pieces of information that is contained in the report in the section below:

- With the additional reserve funds created, the 55% operational reserve target is not recommended at this time.
- By establishing a Pure Water Reserve of \$3.7 million, the study concluded that \$5.5 million is available to be released in order to stabilize the rates for the next five year period.
- Staff does not recommend moving forward with an escalating rate increase because of the large difference between beginning and ending rates. So, while the beginning rates are lower than the recommended flat fee increase the ending rates are much larger.
- Due to the uncertainty of the future phases of the Pure Water program staff recommends starting a flat and consistent fee increase will be more sustainable by the rate payers.

Timeline Moving Forward

If the Board accepts the study as presented, staff recommends that the Board authorize staff to follow the timeline, shown below, to comply with Proposition 218 requirements. In order to adopt the recommended rate structure the Board must first hold two public hearings that are noticed at least 45 days prior to the public hearing (**Attachment D**). Following the hearings, the Board may proceed to adopt the recommended rates for implementation with the FY 2017-18 tax rolls.

- November 15, 2016 Board Meeting – Wastewater rate study presentation
- March 4, 2017 No later than date to provide notices to all District members
- April 18, 2017 Board Meeting – Public hearing to introduce ordinance
- April – May 2017 Board Meeting – Receive the connection fee analysis study
- May 2, 2017 Board Meeting – Second reading and adoption of ordinance
- July 1, 2017 No sooner than July 1st the new rates will take effect

As in years past, staff will continuously monitor the cost assumptions provided by the City of San Diego in addition to District expenditures. Should any assumption or District expenditures significantly increase or decrease, staff will return to the Board to re-evaluate the recommended rate structure.

Conclusion:

Staff recommends that the District Board:

1. Selects one of the four rate options presented,
2. Accepts the wastewater rate case study and reserve allocations (**Attachment B**), and
3. Directs staff to work with NBS to notice and manage the proposition 218 noticing requirements



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TECHNICAL MEMORANDUM

TO: MIKE JAMES, ASSISTANT CITY MANAGER / PUBLIC WORKS DIRECTOR
CITY OF LEMON GROVE

FROM: KIM BOEHLER, ASSOCIATE DIRECTOR
GREG HENRY, CONSULTANT

SUBJECT: SUMMARY OF SEWER RATE STUDY RESULTS FOR SANITATION DISTRICT

DATE: JANUARY 30, 2017

PURPOSE

Lemon Grove Sanitation District (District) retained NBS in December 2015 to conduct a sewer rate study for several reasons, including meeting revenue requirements, providing adequate funding for capital improvements and maintaining appropriate reserves.

In the memorandum dated November 10, 2016, NBS recommended four successive annual increases of 3 percent beginning July 1, 2017. Following the presentation of that recommendation to the Board of Directors (Board), NBS was asked to update the results of the study to include a new reserve fund related to the San Diego Metro Pure Water Project¹. Further, NBS was asked to develop the following rate alternatives (summarized in **Figure 1**):

- **Alternative #1** - Operations & Maintenance reserve target set to 40 percent of annual operating costs, and equal annual percent increases.
- **Alternative #2** - Operations & Maintenance reserve target set to 55 percent of annual operating costs, and equal annual percent increases.
- **Alternative #3** - Operations & Maintenance reserve target set to 40 percent of annual operating costs, and increasing annual percent increases
- **Alternative #4** - Operations & Maintenance reserve target set to 55 percent of annual operating costs, and increasing annual percent increases.

¹ The details of this reserve are discussed in the section titled "District Revenue Requirements"



Attachment B

Figure 1. Summary of Rate Alternatives

Description of Rate Alternatives	Reserve Target for Operations & Maintenance	
	40 Percent Annual O&M	55 Percent Annual O&M
Equal Annual Percent Increases	Alternative #1	Alternative #2
Increasing Annual Percent Increases	Alternative #3	Alternative #4

All rate alternatives presented in this study generate sufficient revenue to meet projected funding requirements, including funding approximately \$10 million² in capital rehabilitation and improvement projects during FY 2016/17 through FY 2021/22. The primary reason the proposed rate increases are needed, is the increasing cost of treatment by San Diego Metropolitan Sewerage System (Metro). These increases are primarily a result of constructing the Pure Water San Diego water reuse project.

KEY STUDY ASSUMPTIONS

Inflation and Growth Projections: To develop a 10-year financial plan for the District, the following inflation and customer growth assumptions were used in the analysis (and have not changed since the November memo):

- According to City projections, customer growth per year from FY 2017/18 through FY 2020/21 is approximately: 0.27 percent, 0.27 percent, 3.17 percent, and 0 percent, respectively.
- General costs are inflated at 3 percent annually.
- Labor costs and retirement benefit costs are inflated at 3 percent annually.
- Health benefits costs are inflated at 4 percent annually.
- Natural gas costs are inflated by 4 percent annually.
- Electricity costs are inflated by 4.4 percent annually.
- Metro costs are expected to vary greatly through FY 2021/22 as the Pure Water Program is constructed. Lemon Grove Sanitation District is responsible for approximately 3.6 percent of the participating agencies Pure Water Program costs. Annual changes are as follows and are based upon the *high range* projected annual cost for the District, as provided by Metro at the October 6th meeting of the Metro Wastewater JPA³:
 - ✓ \$2,776,455 in FY 2016/17
 - ✓ \$2,968,482 in FY 2017/18
 - ✓ \$3,327,176 in FY 2018/19
 - ✓ \$4,993,534 in FY 2019/20
 - ✓ \$4,473,368 in FY 2020/21
 - ✓ \$3,217,449 in FY 2021/22
 - ✓ Annual costs are assumed to increase at 3 percent annual inflation thereafter
- Sewage Transportation costs are inflated at 1.6 percent annually.

The following sections provide an overview of the financial forecast.

² The annual planned capital improvement costs are listed in **Figure 3** and includes projected annual construction cost inflation.

³ See Appendix B for the detail of how the costs were allocated to each participating agency.

DISTRICT REVENUE REQUIREMENTS

It is important for municipal utilities to maintain reasonable reserves in order to handle minor emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, and maintain sufficient reserve funds. The current condition of the District, with regard to these objectives, is as follows:

- **Meeting Net Revenue Requirements:** The Sanitation District currently collects sufficient revenue to fund all operating expenses. However, due to the expected changes to Metro's treatment costs, current revenue will soon be insufficient to cover operating costs. Because these costs are expected to spike and then return to a lower (but still higher than current) level, reserves should be used to bridge the District through peak expenditure years. Rate increases are needed to reach the new "normal" Metro treatment costs.

Additionally, the District is expected to draw on reserves to fund capital projects over the next four years. Once reserves have settled at minimum target levels, incoming rate revenue will be required to fund capital projects.

- **Building and Maintaining Reserve Funds:** The District should maintain sufficient reserves for the utility. NBS recommends that the District consider increasing its *minimum* reserve fund targets to the metrics described below.

- ✓ **Operating Reserve** – should equal approximately 50 percent of annual operating costs. Based on input provided by the District, this reserve is set to either 40 percent or 55 percent of annual operating costs depending on the rate alternative. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by the natural inflow and outflow of cash during billing cycles, and particularly in periods of economic distress—changes or trends in age of receivables.

The Government Finance Officers Association (GFOA) recommends that an enterprise fund begin with an operating reserve target of 25 percent and adjust based upon "the particular characteristics"⁴ of that fund. The following are the primary characteristics of the District that lead to NBS' recommendation of a higher operating reserve:

- **Cash cycles** – The District experiences high peaks and valleys in its cash position throughout the year due to semi-annual revenue collection.
- **Control over expenses** – The District has limited control⁵ of Metro's costs, which are 40 to 65 percent of the District's total expenditures.
- ✓ **Rate Stabilization Reserve** – is currently maintained and equal to 1 year of Metro costs, per existing District practice. NBS recommends that the District maintain this reserve as a hedge against unexpected future increases in Metro's costs.
- ✓ **Establishing a Pure Water Reserve** – The Pure Water San Diego Program is a massive public works project, which introduces an additional risk of cost overruns. District staff has set a target of \$3.7 million, which is approximately the average annual Metro capacity and treatment costs for 2016/17 through 2021/22, for a Pure Water Reserve that is intended to be used to offset unplanned cost increases for this project. The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of wastewater in the metro system. If another

⁴ *Determining the Appropriate Levels of Working Capital in Enterprise Funds*, <http://www.gfoa.org/determining-appropriate-levels-working-capital-enterprise-funds>.

⁵ *Through the Metro Wastewater Joint Powers Authority (JPA)*.

Attachment B

program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program

- ✓ **Establishing a Capital Reserve Fund** – which should typically be equal to a *minimum* of 3 percent of net depreciable capital assets, which equates to a 33-year replacement cycle for capital asset (approximately \$1.36 million in FY 2017/18). This target serves simply as a starting point for addressing long-term capital system replacement needs. The total value of net depreciable capital assets used to establish this reserve target includes the 1.31 percent of Metro's net depreciable capital assets, which is the District's expected share of Metro's FY 2016/17 Capital Improvement Costs.⁶ It should be noted that the District's annual share of capital costs varies year over year based upon their relative percentage of effluent flow and strength.

- ✓ **Establishing a Connection Fee Reserve Fund:** NBS recommends that the District create a separate fund to maintain connection fee revenue pursuant to California Government Code §66013(6)(c), which states:

A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) [the connection fee] shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected. Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund.

The use of reserves from this Fund are restricted by California code and are limited to capital projects related to expansion and rehabilitation. At the start of FY 2016/17, there was \$17,000 set aside as unspent connection fees. The District should deposit this and any other funds received from new connections into a connection fee reserve.⁷

Figure 2 summarizes the sources and uses of funds through FY 2021/22 before any rate increases. It is important to note that it excludes expected interest earnings (though such earnings are expected to be minor with an average of \$30,500 annually). This revenue is not shown as it varies depending on the rate alternative.⁸ Of primary concern to the District is the projected spike in Metro treatment costs in FY 2019/20 and 2020/21.

⁶ Capital Project costs are allocated to participating agencies based upon each agency's percentage of total flow, suspended solids and chemical oxygen demand, which are metrics on the cost needed to treat effluent. These costs are allocated by 55.8% based on flow, 22% based on suspended solids and 22.2% based on chemical oxygen demand. Based upon Metro's FY 2017 – FY 2026 Capital Projects Memo (file:17-26ciplist_Tables ABCD_FY2017_est.pdf), the District represented 1.42% of flow, 1.15% of suspended solids & 1.19% of chemical oxygen demand. Thus, the District projected to be allocated 1.31% of Capital Costs. $(55.8\% \times 1.42\%) + (22\% \times 1.15\%) + (22.2\% \times 1.19\%) = 1.31\%$.

⁷ NBS is in the process of developing new connection fees for the District; the analysis will be presented in a later memorandum.

⁸ The technical appendices provide the detail for each rate alternative.

Figure 2. Summary of Sources and Uses of Funds

Summary Sources & Uses of Funds	Budget	Projected				
	2017	2018	2019	2020	2021	2022
Sources of Sewer Funds						
Rate Revenue Under Prevailing Rates	\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159
Other Operating Revenue	3,000	3,008	3,016	3,112	3,112	3,112
Total Sources of Funds	\$ 5,906,000	\$ 5,922,061	\$ 5,938,123	\$ 6,126,270	\$ 6,126,270	\$ 6,126,270
Uses of Sewer Funds						
Metro Annual Capacity & Treatment	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449
Other Operating Expenses	2,455,635	2,529,886	2,606,411	2,685,279	2,766,563	2,850,338
Cash-Funded Capital Expenses	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078
Total Use of Funds	\$ 6,777,090	\$ 7,089,718	\$ 7,572,678	\$ 9,367,076	\$ 8,978,842	\$ 7,858,865
Surplus (Deficiency) before Rate Increase	\$ (871,090)	\$ (1,167,657)	\$ (1,634,555)	\$ (3,240,806)	\$ (2,852,572)	\$ (1,732,595)

Figure 3 summarizes District's Capital Improvement Program through FY 2021/22. It is expected that regardless of the rate alternative adopted, the District will fund the planned capital expenditures with funds held in reserves and incoming rate revenue. These cost projections include an annual inflation factor of 3 percent.

Figure 3. Capital Expenditure Summary

Planned Capital Expenditures	Budget	Projected				
	2017	2018	2019	2020	2021	2022
Sewer Main Maintenance Project (Construction)	257,500	265,225	273,182	281,377	289,818	298,513
Sewer Main Rehabilitation (Design)	103,000	106,080	109,273	112,551	115,927	119,405
Sewer Main Rehabilitation Project (Construction)	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274	1,194,052
Contingent Costs	154,500	159,135	163,909	168,826	173,891	179,054
Sewer Rate Study	-	-	-	-	-	-
Total Planned Capital Expenditures	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078

Given the costs shown in Figure 2 and Figure 3, and the constraints of the alternatives themselves (shown in Figure 1), Figure 4 shows the rate increases needed so that, for each alternative, projected year-end reserves in FY 2021/22 match the reserve target.

Figure 4. Rate Increase Alternatives

Alternatives	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
1 Flat Rate Increases 40% Operating Reserve	0.00%	5.75%	5.75%	5.75%	5.75%	5.75%
2 Flat Rate Increases 55% Operating Reserve	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%
3 Increased Rate Increases 40% Operating Reserve	0.00%	3.00%	5.00%	7.00%	9.00%	10.00%
4 Increased Rate Increases 55% Operating Reserve	0.00%	4.00%	6.00%	8.00%	9.00%	10.00%

Figure 5 shows the cumulative impact of the rate increase alternatives. This chart shows that although the rate increases in Alternatives 3 and 4 are less at the beginning, in the out years, the rates will be higher. The impact of the different operating reserve targets can be seen by comparing Alternative 1 to Alternative 2, and Alternative 3 to Alternative 4. In the final year, FY 2021/22, the difference between the rates is roughly 4.5%.

Attachment B

Figure 5. Cumulative Rate Increases for Each Alternative

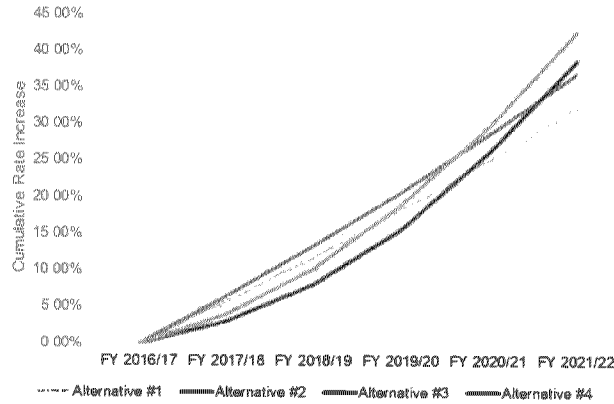


Figure 6 and **Figure 7** show the five-year projection of reserve fund balances compared to the total reserve target for the District. These figures demonstrate that for all four alternatives, existing reserve funds will be spent down on capital improvement projects before climbing slightly in FY 2021/22 to meet the reserve target.

Figure 6. Five-Year Reserve Fund Projection – Alternatives 1 and 3
40% Operating Reserve Target

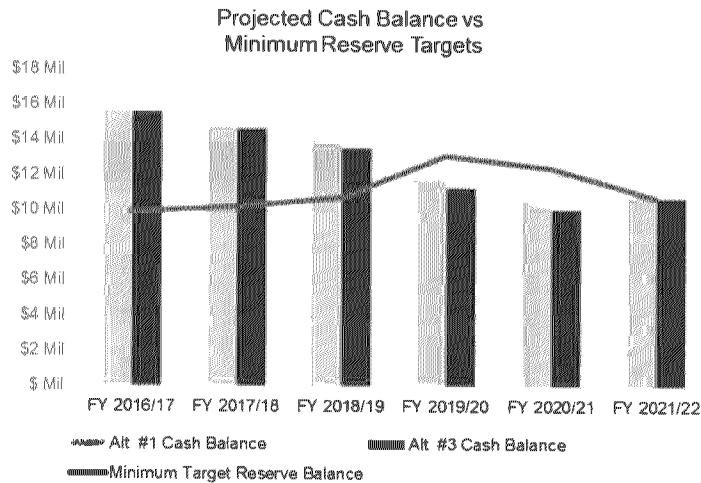


Figure 7. Five-Year Reserve Fund Projection – Alternatives 2 and 4
55% Operating Reserve Target

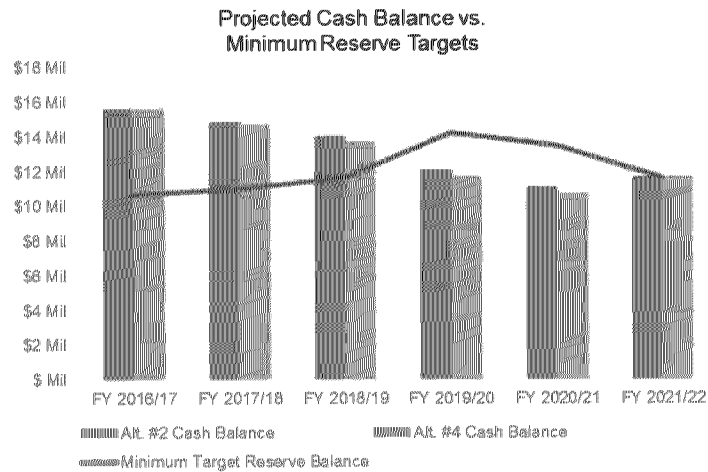


Figure 8 provides of a comparison of current and proposed rates per EDU, as the recommended rate increases are applied to the existing rate structure.

Figure 8. Proposed Annual Sewer Use Charge per EDU

Annual Sewer Use Charges	Current Rates	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU Alt #1	\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58
Rate Per EDU Alt #2	\$553.17	\$589.13	\$627.42	\$668.20	\$711.63	\$757.89
Rate Per EDU Alt #3	\$553.17	\$569.77	\$598.25	\$640.13	\$697.74	\$767.52
Rate Per EDU Alt #4	\$553.17	\$575.30	\$609.81	\$658.60	\$717.87	\$789.66

Attachment B

CONSULTANT RECOMMENDATION

NBS recommends Lemon Grove Sanitation District take the following actions:

- **Accept this Study Report and Select a Rate Alternative:** NBS recommends the Board of Directors adopt the recommendations made in this study, and select one of the four rate alternatives presented. Following selection of a rate alternative, the District should proceed with the next steps to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Proposed Rates:** The financial plan presented in this technical memorandum demonstrates that the District will need to begin increasing rates in the next fiscal year to meet its annual revenue requirements and maintain healthy reserves. Assuming the District completes a successful Proposition 218 process, NBS recommends that the Board of Directors approve the annual rate adjustments presented in this technical memorandum, as shown in Figure 8 (for the alternative selected)
- **Adopt Reserve Fund Targets:** NBS recommends the Board of Directors adopt the recommended reserve fund targets described in this memorandum for the Sanitation District. The District should periodically evaluate reserve fund levels and attempt to maintain the reserve levels recommended for the Operating, Capital Rehabilitation and Replacement, San Diego Metro Pure Project, and Rate Stabilization Reserves
- **Evaluate EDU Assignments and Charges:** NBS recommends that the District review the existing EDU assignments for each parcel and the rate structure as part of a future rate analysis

Note: The attached Technical Appendices provide more detailed information on the analysis of the revenue requirements that have been summarized in this report.

NBS' PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this memorandum and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters that may occur in the future. This information and assumptions, including Lemon Grove Sanitation District's budgets, capital improvement costs, and information from District staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results are expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.



TECHNICAL APPENDICES

Attachment B

APPENDIX A

This appendix includes the detailed financial plan for each of the four rate alternatives presented in this study.

Alternative #1 - Operations & Maintenance reserve target set to 40 percent of annual operating & equal annual percent increases.



CITY OF LENOX GROVE
SEWER RATE STUDY
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary
Alternative Number - 1

TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

DATE REVENUE REQUIREMENTS SUMMARY	BUDGET	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Sources of Sewer Funds										
Rate Revenue Under Current Rates (1, 2)	\$ 6,903,000	\$ 5,919,063	\$ 6,935,109	\$ 6,123,169	\$ 6,123,169	\$ 6,123,169	\$ 6,123,169	\$ 6,123,169	\$ 6,123,169	\$ 6,187,371
Other Operating Revenue	3,000	3,008	3,010	3,112	3,112	3,112	3,112	3,112	3,112	3,146
Interest Earnings (in Operating Reserve) (3)	21,800	20,965	19,493	23,730	39,400	43,440	42,473	50,000	51,520	53,060
Total Sources of Funds	\$ 5,927,800	\$ 5,951,029	\$ 6,954,615	\$ 6,150,000	\$ 6,164,670	\$ 6,166,710	\$ 6,166,710	\$ 6,176,270	\$ 6,176,270	\$ 6,242,056
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,850	\$ 843,418	\$ 868,719	\$ 894,780	\$ 921,823	\$ 949,272	\$ 977,760	\$ 1,007,082	\$ 1,037,286
Benefits	246,896	255,051	264,723	274,124	283,995	293,959	304,419	315,259	326,482	338,133
Other Operating Expenses	3,325,195	3,632,918	3,907,770	6,590,792	6,087,721	3,848,432	3,984,108	4,082,213	4,203,854	4,328,738
Transfers	895,000	890,950	917,878	945,208	973,595	1,002,772	1,032,956	1,063,941	1,095,758	1,128,629
Subtotal: Operating Expenses	\$ 3,232,090	\$ 5,498,369	\$ 5,933,567	\$ 7,678,813	\$ 7,239,601	\$ 6,887,787	\$ 6,250,653	\$ 6,439,862	\$ 6,933,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	288,647	1,781,078	1,828,774	1,606,585	1,723,437	1,849,162
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 288,647	\$ 1,781,078	\$ 1,828,774	\$ 1,606,585	\$ 1,723,437	\$ 1,849,162
Total Uses of Sewer Funds	\$ 3,232,090	\$ 5,498,369	\$ 5,933,567	\$ 7,678,813	\$ 7,528,248	\$ 7,850,865	\$ 7,879,420	\$ 8,035,628	\$ 8,358,021	\$ 8,652,354
plus: Revenue from Rate Increases	\$ -	\$ -	\$ -	\$ 1,119,143	\$ 1,634,918	\$ 1,874,934	\$ 2,055,914	\$ 2,197,004	\$ 2,328,989	\$ 2,403,053
Annual Surplus (Deficit)	\$ 265,710	\$ 452,660	\$ 1,021,048	\$ 1,471,187	\$ 1,636,422	\$ 1,315,805	\$ 1,316,290	\$ 1,140,642	\$ 818,249	\$ 589,702
Total Rate Revenue After Rate Increases	\$ 6,903,000	\$ 6,229,369	\$ 6,932,397	\$ 7,241,201	\$ 7,437,676	\$ 7,997,993	\$ 8,178,973	\$ 8,236,792	\$ 8,314,310	\$ 8,322,912
Projected Annual Rate Revenue Shortage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Growth Rate (5)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Rate of Inflation (6)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate of Inflation (7)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

1. Rate of Inflation for FY 2017/18 are based on the City of Lenox Grove's historical inflation rate and are based on the 2017/18 City of Lenox Grove's historical inflation rate.
2. Customer growth rates for each year per City of Lenox Grove estimates, and are shown in Table 1 of Exhibit 1.
3. Interest earnings are per the City's Summary Budget for FY 2016/17, and calculated in the Financial Plan for all future years.
4. Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (OSM) Source: Res. Sanitation Budgets.xlsx, budgetEmail 4 13 16.pdf.
5. Inflationary factors are applied to these expenses to project costs in 2018/17 and beyond.

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Financial Plan and Reserve Projections

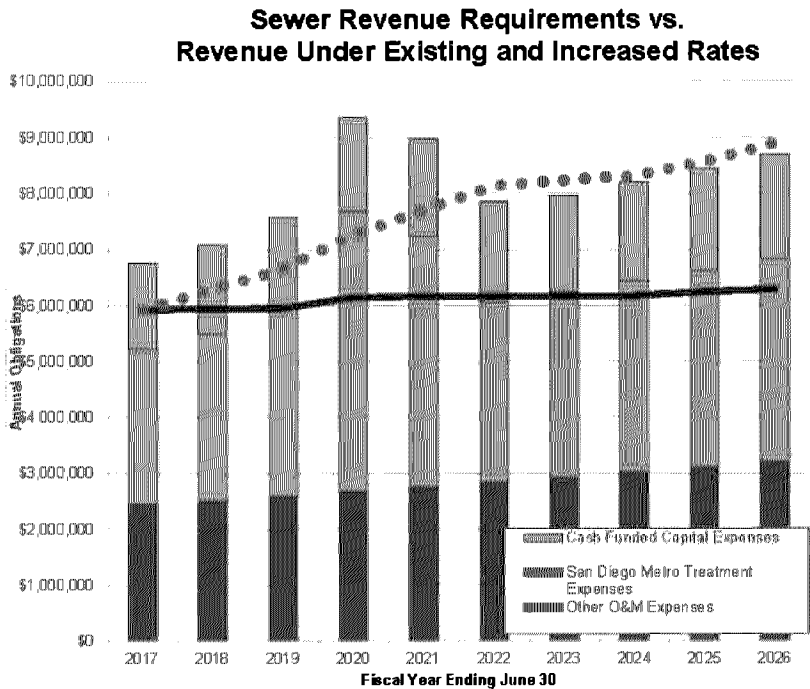
Financial Plan & Reserve Summary
Alternative Number - 1

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Total Beginning Cash	\$ 18,587,541									
Operating Reserve Fund										
Beginning Reserve Balance (1)	\$ 11,126,822	\$ 5,793,000	\$ 2,190,000	\$ 2,373,000	\$ 3,072,000	\$ 3,894,000	\$ 2,427,000	\$ 2,500,000	\$ 3,076,300	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increase)	696,310	783,000	723,000	(410,000)	170,810	280,660	348,101	278,247	312,383	213,804
Net Transfer From / To Rate Stabilization Reserve	(160,850)	(182,027)	(358,694)	1,109,670	(348,010)	(853,353)	(98,323)	(98,419)	(102,482)	(105,674)
Less: Transfer Out to Capital Replacement Reserve	(1,992,877)	(4,194,976)	(130,000)	-	-	(191,247)	(175,607)	(182,878)	(32,982)	(28,330)
Ending Operating Reserve Balance	\$ 8,673,405	\$ 2,100,000	\$ 2,373,000	\$ 3,072,000	\$ 3,894,000	\$ 2,427,000	\$ 2,500,000	\$ 3,076,300	\$ 2,653,000	\$ 2,732,000
Target Ending Balance 100% of O&M (2)	\$ 2,093,000	\$ 2,100,000	\$ 2,373,000	\$ 3,072,000	\$ 3,894,000	\$ 2,427,000	\$ 2,500,000	\$ 3,076,300	\$ 2,653,000	\$ 2,732,000
Capital Reserve Fund										
Beginning Reserve Balance (3)	\$ 3,054,316	\$ 3,371,700	\$ 8,818,423	\$ 4,526,627	\$ 2,858,544	\$ 1,388,300	\$ 1,488,647	\$ 1,532,307	\$ 1,516,608	\$ 1,410,683
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,852,477	4,194,976	190,000	(1,690,263)	(1,450,784)	101,347	175,807	100,899	50,982	28,330
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,691,350)	(1,830,000)	(1,690,263)	(1,450,784)	-	(92,947)	(168,297)	(22,576)	(21,967)
Ending Capital Reserve Balance	\$ 3,361,793	\$ 5,874,326	\$ 7,178,423	\$ 2,836,364	\$ 1,407,760	\$ 1,489,647	\$ 1,496,257	\$ 1,464,919	\$ 1,544,912	\$ 1,496,046
Target Ending Balance 75% of Capital (4)	\$ 1,384,600	\$ 1,384,600	\$ 1,371,600	\$ 1,371,600	\$ 1,388,300	\$ 1,388,300	\$ 1,400,700	\$ 1,415,800	\$ 1,426,500	\$ 1,417,500
San Diego Water Reserve										
Beginning Reserve Balance (5)	\$ 2,310,658	\$ 2,770,455	\$ 2,968,482	\$ 3,327,176	\$ 3,217,504	\$ 2,884,116	\$ 3,217,449	\$ 3,313,972	\$ 3,413,302	\$ 3,618,793
Net Transfer From / To Operating Reserve	405,059	102,027	358,694	(1,109,670)	348,010	853,353	98,323	98,419	102,482	105,674
Ending San Diego Water Reserve Balance	\$ 2,715,717	\$ 2,872,482	\$ 3,327,176	\$ 2,217,506	\$ 3,565,514	\$ 3,737,469	\$ 3,316,772	\$ 3,412,391	\$ 3,515,784	\$ 3,724,467
Target Ending Balance 1 Year Money Costs (6)	\$ 2,715,455	\$ 2,872,482	\$ 3,327,176	\$ 2,217,506	\$ 3,565,514	\$ 3,737,469	\$ 3,316,772	\$ 3,412,391	\$ 3,515,784	\$ 3,724,467
San Diego Water Reserve										
Beginning Reserve Balance (7)	\$ -	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	\$ 3,700,000	-	-	-	-	-	-	-	-	-
Ending San Diego Water Reserve Balance	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Target Ending Balance 100% of O&M (8)	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
San Diego Water Reserve										
Beginning Reserve Balance (9)	\$ 13,141,114	\$ 13,342,823	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000
Net Transfer From / To Operating Reserve	\$ 13,342,823	\$ 13,342,823	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000	\$ 13,322,000
Ending San Diego Water Reserve Balance	\$ 26,483,937	\$ 26,685,646	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000	\$ 26,644,000
Reserve Surplus (Deficit) Compared to Reserve Targets	\$ 6,712,498	\$ 4,874,123	\$ 3,188,423	\$ (2,316,554)	\$ (7,009,514)	\$ 30,847	\$ 175,857	\$ 182,878	\$ 22,982	\$ 28,330
San Diego Water Reserve										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,473	\$ 68,667	\$ 86,283	\$ 104,361	\$ 122,977	\$ 142,078	\$ 161,620	\$ 182,158
Plus: Interest Earnings	40	170	354	690	1,079	1,655	2,151	2,642	3,238	3,843
Plus: Connection Fee Revenues	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
Ending San Diego Water Reserve Balance	\$ 34,080	\$ 51,383	\$ 68,877	\$ 86,757	\$ 104,912	\$ 123,676	\$ 142,878	\$ 162,320	\$ 182,858	\$ 203,001
Target Ending Balance 100% of O&M (10)	\$ 34,080	\$ 51,383	\$ 68,877	\$ 86,757	\$ 104,912	\$ 123,676	\$ 142,878	\$ 162,320	\$ 182,858	\$ 203,001

1. Beginning reserve balance for each year is the ending balance from the previous year.
2. The operating reserve target ending balance recommended to be 100 days or 50% of O&M Expenses.
3. Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 10-06-00-1000 for FY 2015/16, 2016/17. Source: Res. Deferred Trial Balance Fund 10-2016.pdf & Summary Trial Balance Fund 10-2016.pdf.
4. The 75% of Net Asset calculation includes Lemon Grove's FY 2016/17 O&M cost allocation of 1.31% of San Diego Metro Hat Capital Assets, and Lemon Grove owned assets.
5. The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study from March 2011 (page 2). Expected annual costs from October JPA agenda item Pure Water Program Update.
6. The Pure Water San Diego Program is intended to provide secondary redundancy for treatment of waste water in the metro system. It is another program that replaces the pure water San Diego program to provide secondary treatment or secondary redundancy.
7. Future year interest earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.
8. Future year interest earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.
9. Future year interest earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.
10. Future year interest earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.

CHART 1

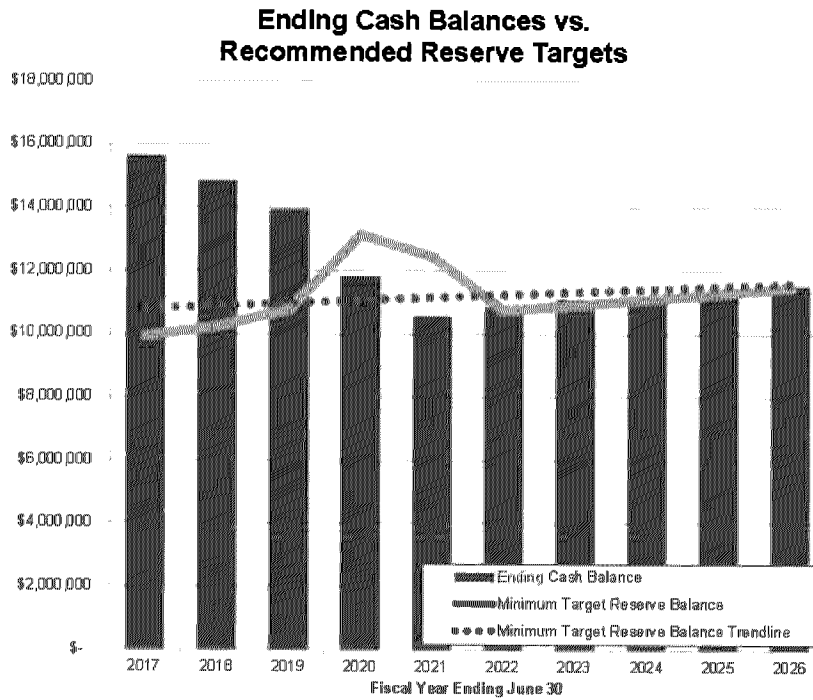


Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Rate Adjustment Charts and Report Tables

Alternative Number - 1

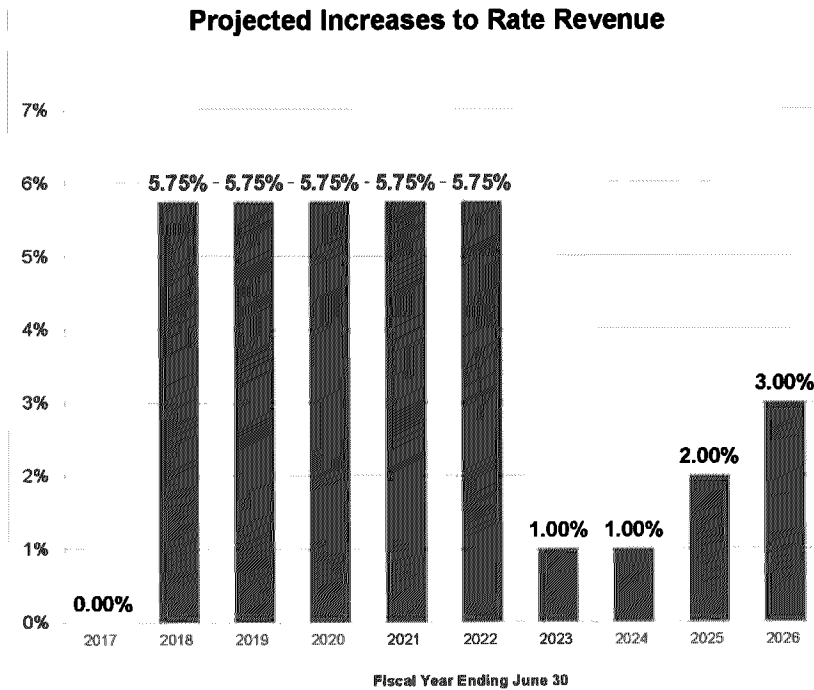
CHART 2



Prepared By HBS

Charts and Tables
Page 4 of 11

CHART 3



Attachment B

CITY OF LEBON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 3 - REVENUE FORECAST (1)

SOURCE OF REVENUE	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue											
4370 Other Revenue (2)	1	\$ 3,000	\$ 3,000	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income											
4430 Interest (3)	See FP	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4420 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue											
4470 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue											
4530 Sewer Capacity Fee	0	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4400 Sewer Service Fee	1	\$ 5,853,000	\$ 5,898,917	\$ 5,884,634	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,983	\$ 6,164,042
4420 Sewer Service - LGSD L & Meas SD	1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 52,409	\$ 52,929
TOTAL REVENUE		\$ 5,944,000	\$ 5,959,053	\$ 5,955,922	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,267,516	\$ 6,297,640

TABLE 4 - REVENUE SUMMARY

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue Operations - 15:										
Sewer Rate Revenue	\$ 5,903,000	\$ 5,919,053	\$ 5,925,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,238,870
Other Operating Revenue	\$ 3,000	\$ 3,000	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Subtotal: Sewer Operations Revenue	\$ 5,944,000	\$ 5,939,053	\$ 5,955,122	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,207,516	\$ 6,257,040

Prepared By NBB

Exhibit 1 (CBA)
Page 6 of 11

Attachment B

**CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses**

**EXHIBIT 1
Alternative Number - 1**

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		10 Year Study Period									
Sewer Fund Operations		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025
E05 Salaries											
0100 Salaries	3	\$	785,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,015	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093
0140 Overtime	3	\$	14,200	\$ 14,828	\$ 15,065	\$ 15,517	\$ 15,882	\$ 16,462	\$ 16,856	\$ 17,484	\$ 17,888
0150 Extra Help	3	\$	15,000	\$ 15,450	\$ 15,914	\$ 16,381	\$ 16,853	\$ 17,362	\$ 17,911	\$ 18,448	\$ 19,032
Subtotal: E05 Salaries			\$ 795,000	\$ 818,850	\$ 843,410	\$ 868,718	\$ 894,780	\$ 921,823	\$ 948,272	\$ 977,750	\$ 1,007,082
E10 Benefits											
0160 Health Benefits	4	\$	98,700	\$ 102,848	\$ 106,754	\$ 111,024	\$ 115,405	\$ 120,084	\$ 124,987	\$ 129,882	\$ 135,078
0170 Health Benefits - Retirees	4	\$	15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213
0200 Deferred Comp	3	\$	1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154
0210 Employee Assistance Program	4	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0210 Worker's Comp Insurance	3	\$	30,000	\$ 30,800	\$ 31,627	\$ 32,782	\$ 33,785	\$ 34,778	\$ 35,822	\$ 36,898	\$ 38,003
0210 Medicare Insurance	4	\$	13,500	\$ 14,040	\$ 14,602	\$ 15,188	\$ 15,783	\$ 16,425	\$ 17,082	\$ 17,755	\$ 18,476
0210 Life Insurance	4	\$	1,200	\$ 1,248	\$ 1,289	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642
0210 Long Term Disability	4	\$	6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211
0210 Retirement	5	\$	80,285	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,878	\$ 98,753	\$ 101,715
0200 Unemployment	4	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits			\$ 248,885	\$ 255,851	\$ 264,723	\$ 274,124	\$ 283,885	\$ 293,858	\$ 304,418	\$ 315,258	\$ 326,482
E15 Benefits - Retirement											
0161 PERS UAL Payments	3	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0161 Transfer To PERS Unfunded Liab	3	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations			\$ 1,041,885	\$ 1,074,501	\$ 1,108,133	\$ 1,142,842	\$ 1,178,665	\$ 1,215,682	\$ 1,253,691	\$ 1,293,009	\$ 1,333,564

Prepared By NBS

Exhibit 1 (04/18)
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Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 3 - OPERATING EXPENSE FORECAST (4)

SEWER FUND OPERATIONS		Year-End Percent									
Plan	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
E10 Other Operating Expenses											
5410 Claims Paid	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095	
5440 Computer Maintenance	\$ 46,800	\$ 47,898	\$ 49,436	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802	
5470 Contract Services	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763	
5480 Copier Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5520 Emergency Callout & Repair	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524	
5640 Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5650 Equipment Rental	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524	
5655 Estimated Claims Payable	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095	
5700 Fuel	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665	\$ 21,492	
5110 General Expenditure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5730 Industrial Enforcement	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,563	\$ 11,941	\$ 12,299	\$ 12,688	\$ 13,048	
5760 Insurance - Liability	\$ 49,800	\$ 50,284	\$ 51,772	\$ 53,225	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673	
5770 Insurance - Property	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,668	\$ 8,928	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047	
5930 Line Cleaning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5950 Litigation Services	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,556	\$ 91,643	\$ 93,792	\$ 95,998	\$ 98,268	
5990 Medical Examinations	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522	
6020 Membership & Dues	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610	
6030 Metro Annual Capacity & Treatment (5)	\$ 2,774,455	\$ 2,906,482	\$ 3,027,176	\$ 3,143,534	\$ 3,257,448	\$ 3,368,440	\$ 3,476,392	\$ 3,581,392	\$ 3,683,593	\$ 3,782,927	
6040 Mileage	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,748	\$ 11,069	\$ 11,401	\$ 11,743	
6060 Sewage Transportation	\$ 68,040	\$ 67,087	\$ 68,170	\$ 69,281	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182	
6090 Office Supplies	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610	
6140 Personnel Recruitment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6150 Professional Services	\$ 72,500	\$ 74,875	\$ 76,915	\$ 78,223	\$ 81,569	\$ 84,047	\$ 86,569	\$ 89,106	\$ 91,643	\$ 94,586	
6160 Protective Clothing	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,778	\$ 4,919	\$ 5,067	\$ 5,219	
6170 Repairs & Maintenance	\$ 5,400	\$ 5,562	\$ 5,728	\$ 5,891	\$ 6,078	\$ 6,269	\$ 6,464	\$ 6,661	\$ 6,861	\$ 7,068	
6180 Repairs & Maintenance - Equipment	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619	
6190 Repairs & Maintenance - Vehicles	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,563	\$ 11,941	\$ 12,299	\$ 12,688	\$ 13,048	
6200 Restoration Services	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,563	\$ 11,941	\$ 12,299	\$ 12,688	\$ 13,048	
6210 Street Sweeping	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,563	\$ 11,941	\$ 12,299	\$ 12,688	\$ 13,048	
6220 Tools & Supplies	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353	
6230 Traffic Safety Equipment	\$ 500	\$ 515	\$ 530	\$ 548	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652	
6240 Training	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,563	\$ 11,941	\$ 12,299	\$ 12,688	\$ 13,048	
6250 Travel & Meetings	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610	
6260 Utilities - Gas & Electric	\$ 700	\$ 726	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996	
6270 Utilities - Telephone	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871	
6280 Utilities - Water	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262	
Subtotal: E10 Other Operating Expenses	\$ 3,925,185	\$ 4,032,818	\$ 4,140,770	\$ 4,249,162	\$ 4,358,721	\$ 4,469,432	\$ 4,580,406	\$ 4,691,743	\$ 4,803,454	\$ 4,915,536	
E85 Transfers											
Interfund Transfers - Expenditures (6)	\$ 865,000	\$ 890,950	\$ 917,870	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,620	
Subtotal: E85 Transfers	\$ 865,000	\$ 890,950	\$ 917,870	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,620	
Subtotal: Sewer Fund 15 - Sewer Operations	\$ 4,790,185	\$ 4,923,768	\$ 5,058,640	\$ 5,194,371	\$ 5,332,286	\$ 5,472,204	\$ 5,613,261	\$ 5,755,584	\$ 5,899,210	\$ 6,044,156	
Total: Sewer Fund 15 - Sewer Operations	\$ 4,790,185	\$ 4,923,768	\$ 5,058,640	\$ 5,194,371	\$ 5,332,286	\$ 5,472,204	\$ 5,613,261	\$ 5,755,584	\$ 5,899,210	\$ 6,044,156	

Prepared By NBS

Exhibit 1 (C&M)
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Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 7 - FORECASTING ASSUMPTIONS:

		5 Year (100%) Period									
ECONOMIC VARIABLE	Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (1)	1	--	0.77%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation	2	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (3)	3	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (4)	4	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (5)	5	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (6)	6	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
No Escalation	9	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.16%	6.92%	(2.00%)	50.00%	-10.42%	-29.00%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

- Revenue for FY 2016/17 are from the District's Budget & updated via staff email. Source file: Sanitation Budgets.xlsx, BudgetEmail 4.12.16.pdf
- In FY 2016/16, there was a one time settlement from Padre Dam. Source file: BudgetEmail 4.12.16.pdf
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source files: Sanitation Budgets.xlsx, BudgetEmail 4.12.16.pdf
- Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October JPA agenda item Pure Water Program Update, High range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: Sanitation Budgets.xlsx, BudgetEmail 4.12.16.pdf
- Client provided source file: Lemon Grove Sewage Flow Projections.pdf, and then actual calculations of raw data were completed in source file: Lemon Grove Growth Projections.xlsx
- NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040 by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis
- The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data. Client provided source file: City of San Diego-Transportation Rate Feb 2016.pdf, pg. 2.

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 1

TABLE 9 - CAPITAL FUNDING SUMMARY

Capital Funding Sources	5 Year Rate Period									
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Grants	-	-	-	-	-	-	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	-	-	-	-	-	-	-	-	-	-
Rate Revenue	1,545,000	1,591,350	1,639,091	1,688,283	1,450,204	82,947	1,628,774	1,599,595	1,723,437	1,849,182
Total Revenue of Capital Funds	1,545,000	1,591,350	1,639,091	1,688,283	1,450,204	82,947	1,628,774	1,599,595	1,723,437	1,849,182
Use of Capital Funds	-	-	-	-	-	-	-	-	-	-
Total Project Cost	1,545,500	1,591,350	1,639,091	1,688,283	1,759,011	1,711,078	1,711,721	1,763,073	1,815,690	1,870,444
Capital Funding Surplus (Deficiency)	-	-	-	-	-	-	-	-	-	-

TABLE 9 - Capital Improvement Program Costs (in Current-Year Dollars) (1)

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391,788	\$ 1,391,788	\$ 1,391,788	\$ 1,391,788
Total Capital Improvement Program Costs (Current-Year Dollars)	1,400,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,391,788	1,391,788	1,391,788	1,391,788

TABLE 10 - Capital Improvement Program Costs (in Future-Year Dollars)

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (Including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 103,000	\$ 108,000	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 1,030,000	\$ 1,080,900	\$ 1,082,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,828	\$ 173,801	\$ 80,554	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,753,073	\$ 1,818,180	\$ 1,870,444
Total Capital Improvement Program Costs (Future-Year Dollars)	1,545,000	1,591,350	1,639,091	1,688,283	1,738,911	1,791,678	1,711,721	1,763,073	1,815,690	1,870,444

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News-Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.02	1.06	1.09	1.12	1.16	1.19	1.22	1.27	1.30	1.34

1. Budgetary CIP project costs from 2016 to FY 2026-21 are.

2. Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21

3. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2016. Source: Engineering News-Record website (<http://enr.construction.com>)

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Existing Sewer Rate Schedule

EXHIBIT 4
Alternative Number - 1

TABLE 12

Annual Sewer Usage Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU (240 gpd)	\$553.17	\$584.98	\$618.01	\$654.18	\$691.80	\$731.58

1: Ordinance No. 26.pdf

Attachment B

Alternative #2 - Operations & Maintenance reserve target set to 55 percent of annual operating & equal annual percent increases.



CITY OF LEON GROVE
SEWER RATE STUDY
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary
Alternative Number - 2

TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Fiscal Year									
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Sources of Sewer Funds										
Rate Revenue Under Current Rates (1, 2)	\$ 6,903,000	\$ 5,819,053	\$ 6,935,100	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150
Other Operating Revenue	3,000	3,000	3,010	3,112	3,112	3,112	3,112	3,112	3,112	3,112
Interest Earnings (in Operating Reserve) (3)	21,800	32,900	22,990	32,630	52,780	58,730	58,390	60,760	70,820	72,960
Total Sources of Funds	\$ 5,927,800	\$ 5,854,953	\$ 5,981,090	\$ 6,158,900	\$ 6,179,030	\$ 6,189,000	\$ 6,189,650	\$ 6,195,030	\$ 6,261,300	\$ 6,313,000
Uses of Sewer Funds										
Operating Expenses (4)										
Salaries	\$ 785,000	\$ 818,850	\$ 843,410	\$ 868,710	\$ 884,780	\$ 921,623	\$ 949,272	\$ 977,760	\$ 1,007,082	\$ 1,037,286
Benefits	240,695	255,951	264,720	274,124	283,965	293,959	304,419	315,259	326,482	338,133
Other Operating Expenses	3,325,185	3,532,619	3,807,770	5,580,782	5,087,721	3,949,432	3,994,100	4,082,213	4,203,854	4,328,136
Transfers	865,000	690,850	917,870	945,208	973,565	1,002,772	1,032,855	1,063,841	1,095,758	1,128,828
Subtotal: Operating Expenses	\$ 5,232,080	\$ 5,498,369	\$ 5,833,987	\$ 7,678,813	\$ 7,239,831	\$ 6,967,782	\$ 6,254,653	\$ 6,439,082	\$ 6,633,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	309,854	\$ -	\$ -	1,020,893	1,791,070	1,694,220	1,453,091	1,460,410	1,454,403
Subtotal: Other Expenditures	\$ -	\$ 309,854	\$ -	\$ -	\$ 1,020,893	\$ 1,791,070	\$ 1,694,220	\$ 1,453,091	\$ 1,460,410	\$ 1,454,403
Total Uses of Sewer Funds	\$ 5,232,080	\$ 5,808,223	\$ 5,833,987	\$ 7,678,813	\$ 8,260,724	\$ 7,818,852	\$ 7,948,873	\$ 7,892,173	\$ 8,093,594	\$ 8,287,595
Annual Operating Deficit	\$ (304,280)	\$ (953,270)	\$ (852,897)	\$ (1,519,913)	\$ (2,081,694)	\$ (1,629,852)	\$ (1,753,223)	\$ (1,697,143)	\$ (1,832,294)	\$ (1,974,595)
Total Rate Revenue After Rate Increases	\$ 5,983,500	\$ 6,100,722	\$ 6,711,718	\$ 7,384,467	\$ 7,577,237	\$ 7,819,230	\$ 8,249,234	\$ 8,299,230	\$ 8,645,790	\$ 8,890,272
Reserve Accumulation Requirements	\$ (304,280)	\$ (953,270)	\$ (852,897)	\$ (1,519,913)	\$ (2,081,694)	\$ (1,629,852)	\$ (1,753,223)	\$ (1,697,143)	\$ (1,832,294)	\$ (1,974,595)
Expenditures accumulated in the Operating Reserve for interest	\$ (304,280)	\$ (953,270)	\$ (852,897)	\$ (1,519,913)	\$ (2,081,694)	\$ (1,629,852)	\$ (1,753,223)	\$ (1,697,143)	\$ (1,832,294)	\$ (1,974,595)
Expenditures accumulated in the Operating Reserve for principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Assumptions for FY 2016/17 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2017/18 through FY 2025/26 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2026/27 through FY 2030/31 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2031/32 through FY 2035/36 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2036/37 through FY 2040/41 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2041/42 through FY 2045/46 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2046/47 through FY 2050/51 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2051/52 through FY 2055/56 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2056/57 through FY 2060/61 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2061/62 through FY 2065/66 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2066/67 through FY 2070/71 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2071/72 through FY 2075/76 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2076/77 through FY 2080/81 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2081/82 through FY 2085/86 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2086/87 through FY 2090/91 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2091/92 through FY 2095/96 are based on the City of Leon Grove's FY 2016/17 budget. Assumptions for FY 2096/97 through FY 2100/101 are based on the City of Leon Grove's FY 2016/17 budget.

Attachment B

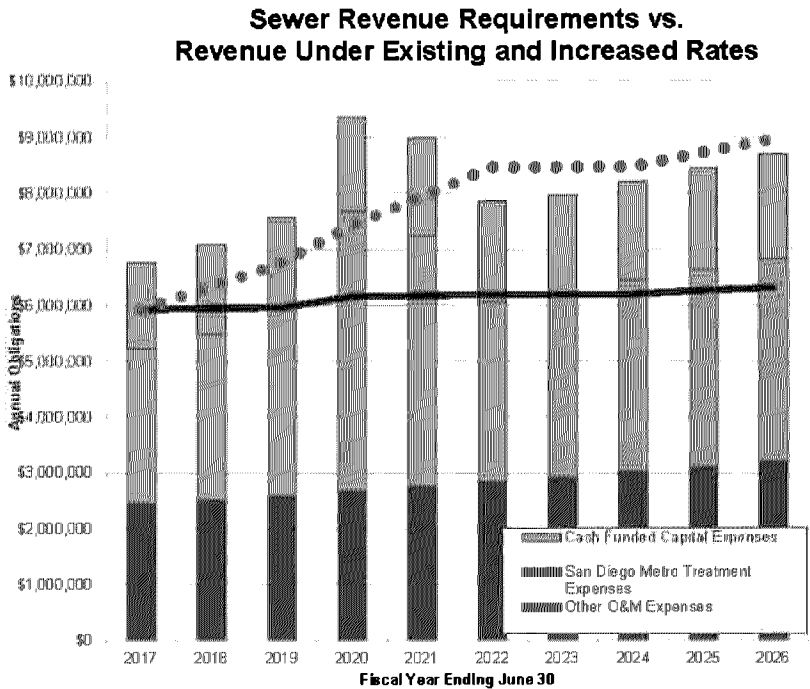
CITY OF LEMON GROVE SEWER RATE STUDY Financial Plan and Reserve Projections

Financial Plan & Reserve Summary Alternative Number - 2

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Fiscal Year									
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Total Beginning Cash	\$ 14,507,341									
Operating Reserves										
Beginning Reserve Balance (1)	\$ 11,125,632	\$ 6,576,069	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,892,000	\$ 3,337,000	\$ 3,436,000	\$ 3,541,000	\$ 3,646,000
Plus: Net Cash Flow After Rate Treatment	895,740	472,489	873,856	(248,404)	638,457	963,234	819,895	568,368	827,143	688,808
Net Transfer From / To (Rate Stabilization Reserve)	(400,000)	(192,027)	(329,324)	1,206,804	89,497	(1,192,334)	(98,529)	(89,410)	(102,402)	(106,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)									
Less: Transfer Out to Capital Replacement Reserve	(1,077,477)	(1,834,941)	(228,101)							
Ending Operating Reserve Balance	\$ 6,293,095	\$ 4,821,600	\$ 3,239,531	\$ 4,221,396	\$ 5,394,751	\$ 4,692,161	\$ 4,041,836	\$ 3,944,948	\$ 4,263,341	\$ 4,121,834
Target Ending Reserve (50% of O&M) (2)	\$ 2,878,000	\$ 3,036,000	\$ 3,263,000	\$ 4,223,000	\$ 5,392,000	\$ 5,377,000	\$ 5,438,000	\$ 5,541,000	\$ 5,646,000	\$ 5,750,000
Excess / Deficit	\$ 3,415,095	\$ 1,785,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Reserves										
Beginning Reserve Balance (1)	\$ 3,381,709	\$ 2,566,798	\$ 5,100,741	\$ 3,795,612	\$ 2,967,549	\$ 1,894,303	\$ 1,434,201	\$ 1,725,071	\$ 1,791,647	\$ 1,943,841
Plus: Capital Receipts										
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,034,441	228,101			45,901	318,371	585,847	412,741	453,234
Less: Use of Reserves for Capital Projects	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Capital Reserve Balance	\$ 2,913,186	\$ 3,878,740	\$ 3,498,842	\$ 1,904,259	\$ 2,259,300	\$ 1,940,253	\$ 1,752,572	\$ 2,740,061	\$ 2,994,547	\$ 3,843,846
Target Ending Reserve (10% of Capital) (3)	\$ 1,338,000	\$ 1,354,000	\$ 1,971,000	\$ 1,976,000	\$ 1,368,000	\$ 1,368,000	\$ 1,408,000	\$ 1,415,000	\$ 1,426,000	\$ 1,437,000
Excess / Deficit	\$ 1,575,186	\$ 2,524,740	\$ 1,527,842	\$ 0	\$ 891,300	\$ 572,253	\$ 344,572	\$ 1,325,061	\$ 1,568,547	\$ 2,406,846
Water Stabilization Reserve										
Beginning Reserve Balance (1)	\$ 3,310,800	\$ 2,778,452	\$ 2,988,462	\$ 3,371,178	\$ 2,120,672	\$ 3,025,115	\$ 3,217,440	\$ 3,313,872	\$ 3,412,302	\$ 3,510,793
Net Transfer From / To (Operating Reserve)	485,956	192,027	369,684	100,465	2,025,115	3,217,440	3,313,872	3,412,302	3,510,793	
Ending Water Stabilization Reserve Balance	\$ 2,778,452	\$ 2,988,459	\$ 3,358,146	\$ 3,471,643	\$ 4,145,787	\$ 6,242,555	\$ 6,527,312	\$ 6,726,174	\$ 6,923,095	\$ 7,017,586
Target Ending Reserve (10% of O&M) (4)	\$ 2,778,000	\$ 2,880,000	\$ 2,988,000	\$ 3,371,000	\$ 2,120,000	\$ 3,025,000	\$ 3,217,000	\$ 3,313,000	\$ 3,412,000	\$ 3,510,000
Excess / Deficit	\$ 0	\$ 1,088,459	\$ 3,370,146	\$ 1,100,643	\$ 2,025,787	\$ 3,217,555	\$ 3,314,312	\$ 3,413,174	\$ 3,511,095	\$ 3,507,586
Net Capital Receipts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserve Reserve Balance (1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plus: Transfer from O&M Reserve	\$ 3,381,709	\$ 2,566,798	\$ 5,100,741	\$ 3,795,612	\$ 2,967,549	\$ 1,894,303	\$ 1,434,201	\$ 1,725,071	\$ 1,791,647	\$ 1,943,841
Target Ending Reserve (10% of Capital) (3)	\$ 1,338,000	\$ 1,354,000	\$ 1,971,000	\$ 1,976,000	\$ 1,368,000	\$ 1,368,000	\$ 1,408,000	\$ 1,415,000	\$ 1,426,000	\$ 1,437,000
Excess / Deficit	\$ 2,043,709	\$ 1,212,798	\$ 3,129,741	\$ 1,819,612	\$ 1,600,049	\$ 526,303	\$ 329,201	\$ 310,071	\$ 365,647	\$ 506,841
Operating Reserves (10% of Operating Reserves)										
Beginning Reserve Balance (1)	\$ 3,310,800	\$ 2,778,452	\$ 2,988,462	\$ 3,371,178	\$ 2,120,672	\$ 3,025,115	\$ 3,217,440	\$ 3,313,872	\$ 3,412,302	\$ 3,510,793
Plus: Net Cash Flow After Rate Treatment	895,740	472,489	873,856	(248,404)	638,457	963,234	819,895	568,368	827,143	688,808
Less: Transfer From / To (Operating Reserve)	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Operating Reserve Balance	\$ 2,659,540	\$ 2,528,452	\$ 2,032,318	\$ 1,226,421	\$ 2,050,880	\$ 3,933,250	\$ 4,315,607	\$ 4,306,487	\$ 4,802,385	\$ 4,799,631
Target Ending Reserve (10% of Operating Reserves) (4)	\$ 2,778,000	\$ 2,880,000	\$ 2,988,000	\$ 3,371,000	\$ 2,120,000	\$ 3,025,000	\$ 3,217,000	\$ 3,313,000	\$ 3,412,000	\$ 3,510,000
Excess / Deficit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Replacement Reserve										
Beginning Reserve Balance (1)	\$ 3,381,709	\$ 2,566,798	\$ 5,100,741	\$ 3,795,612	\$ 2,967,549	\$ 1,894,303	\$ 1,434,201	\$ 1,725,071	\$ 1,791,647	\$ 1,943,841
Plus: Capital Receipts										
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,034,441	228,101							
Less: Use of Reserves for Capital Projects	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Capital Reserve Balance	\$ 2,913,186	\$ 3,878,740	\$ 3,498,842	\$ 1,904,259	\$ 2,259,300	\$ 1,940,253	\$ 1,752,572	\$ 2,740,061	\$ 2,994,547	\$ 3,843,846
Target Ending Reserve (10% of Capital) (3)	\$ 1,338,000	\$ 1,354,000	\$ 1,971,000	\$ 1,976,000	\$ 1,368,000	\$ 1,368,000	\$ 1,408,000	\$ 1,415,000	\$ 1,426,000	\$ 1,437,000
Excess / Deficit	\$ 1,575,186	\$ 2,524,740	\$ 1,527,842	\$ 0	\$ 891,300	\$ 572,253	\$ 344,572	\$ 1,325,061	\$ 1,568,547	\$ 2,406,846
Operating Reserves (10% of Operating Reserves)										
Beginning Reserve Balance (1)	\$ 3,310,800	\$ 2,778,452	\$ 2,988,462	\$ 3,371,178	\$ 2,120,672	\$ 3,025,115	\$ 3,217,440	\$ 3,313,872	\$ 3,412,302	\$ 3,510,793
Plus: Net Cash Flow After Rate Treatment	895,740	472,489	873,856	(248,404)	638,457	963,234	819,895	568,368	827,143	688,808
Less: Transfer From / To (Operating Reserve)	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Operating Reserve Balance	\$ 2,659,540	\$ 2,528,452	\$ 2,032,318	\$ 1,226,421	\$ 2,050,880	\$ 3,933,250	\$ 4,315,607	\$ 4,306,487	\$ 4,802,385	\$ 4,799,631
Target Ending Reserve (10% of Operating Reserves) (4)	\$ 2,778,000	\$ 2,880,000	\$ 2,988,000	\$ 3,371,000	\$ 2,120,000	\$ 3,025,000	\$ 3,217,000	\$ 3,313,000	\$ 3,412,000	\$ 3,510,000
Excess / Deficit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Replacement Reserve										
Beginning Reserve Balance (1)	\$ 3,381,709	\$ 2,566,798	\$ 5,100,741	\$ 3,795,612	\$ 2,967,549	\$ 1,894,303	\$ 1,434,201	\$ 1,725,071	\$ 1,791,647	\$ 1,943,841
Plus: Capital Receipts										
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,034,441	228,101							
Less: Use of Reserves for Capital Projects	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Capital Reserve Balance	\$ 2,913,186	\$ 3,878,740	\$ 3,498,842	\$ 1,904,259	\$ 2,259,300	\$ 1,940,253	\$ 1,752,572	\$ 2,740,061	\$ 2,994,547	\$ 3,843,846
Target Ending Reserve (10% of Capital) (3)	\$ 1,338,000	\$ 1,354,000	\$ 1,971,000	\$ 1,976,000	\$ 1,368,000	\$ 1,368,000	\$ 1,408,000	\$ 1,415,000	\$ 1,426,000	\$ 1,437,000
Excess / Deficit	\$ 1,575,186	\$ 2,524,740	\$ 1,527,842	\$ 0	\$ 891,300	\$ 572,253	\$ 344,572	\$ 1,325,061	\$ 1,568,547	\$ 2,406,846
Operating Reserves (10% of Operating Reserves)										
Beginning Reserve Balance (1)	\$ 3,310,800	\$ 2,778,452	\$ 2,988,462	\$ 3,371,178	\$ 2,120,672	\$ 3,025,115	\$ 3,217,440	\$ 3,313,872	\$ 3,412,302	\$ 3,510,793
Plus: Net Cash Flow After Rate Treatment	895,740	472,489	873,856	(248,404)	638,457	963,234	819,895	568,368	827,143	688,808
Less: Transfer From / To (Operating Reserve)	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Operating Reserve Balance	\$ 2,659,540	\$ 2,528,452	\$ 2,032,318	\$ 1,226,421	\$ 2,050,880	\$ 3,933,250	\$ 4,315,607	\$ 4,306,487	\$ 4,802,385	\$ 4,799,631
Target Ending Reserve (10% of Operating Reserves) (4)	\$ 2,778,000	\$ 2,880,000	\$ 2,988,000	\$ 3,371,000	\$ 2,120,000	\$ 3,025,000	\$ 3,217,000	\$ 3,313,000	\$ 3,412,000	\$ 3,510,000
Excess / Deficit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Replacement Reserve										
Beginning Reserve Balance (1)	\$ 3,381,709	\$ 2,566,798	\$ 5,100,741	\$ 3,795,612	\$ 2,967,549	\$ 1,894,303	\$ 1,434,201	\$ 1,725,071	\$ 1,791,647	\$ 1,943,841
Plus: Capital Receipts										
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,034,441	228,101							
Less: Use of Reserves for Capital Projects	(1,546,000)	(1,722,489)	(1,830,000)	(1,896,353)	(708,249)	45,901	318,371	585,847	412,741	453,234
Ending Capital Reserve Balance	\$ 2,913,186	\$ 3,878,740	\$ 3,498,842	\$ 1,904,259	\$ 2,259,300	\$ 1,940,253	\$ 1,752,572	\$ 2,740,061	\$ 2,994,547	\$ 3,843,846
Target Ending Reserve (10% of Capital) (3)	\$ 1,338,000	\$ 1,354,000	\$ 1,971,000	\$ 1,976,000	\$ 1,368,000	\$ 1,368,000	\$ 1,408,000	\$ 1,415,000	\$ 1,426,000	\$ 1,437,000
Excess / Deficit	\$ 1,575,186	\$ 2,524,740	\$ 1,527,842	\$ 0	\$ 891,300	\$ 572,253	\$ 344,572	\$ 1,325,061	\$ 1,568,547	\$ 2,406,846

CHART 1

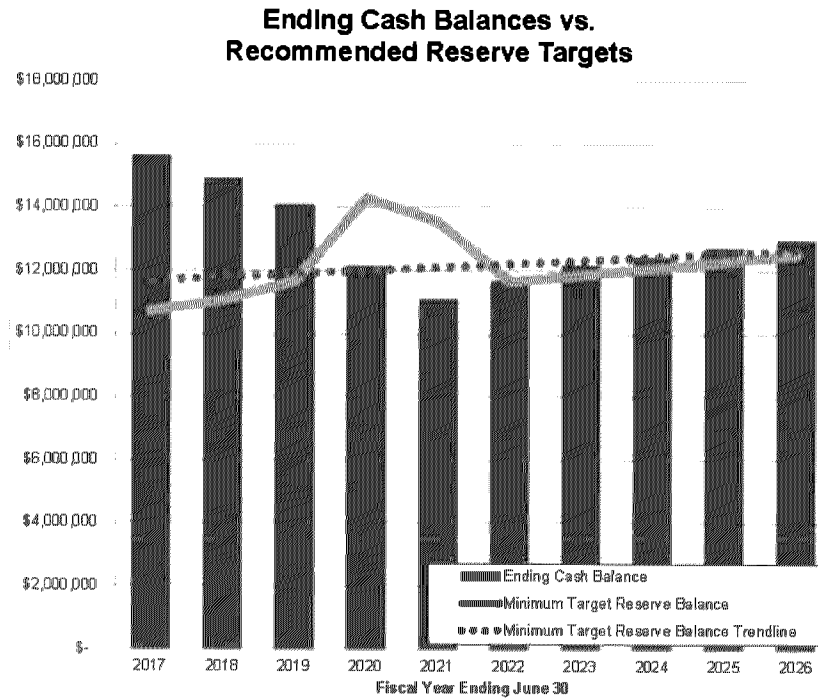


Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Rate Adjustment Charts and Report Tables

Alternative Number - 2

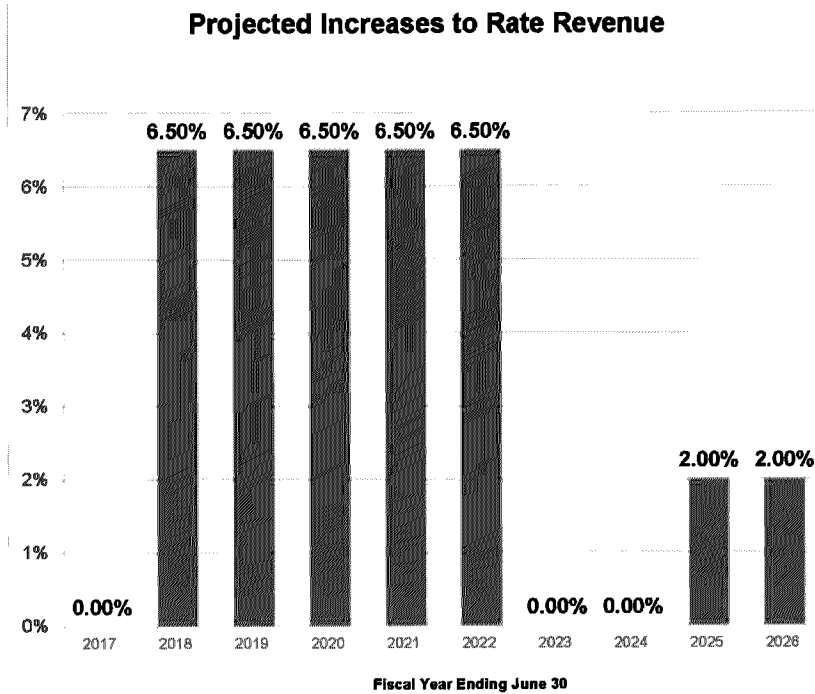
CHART 2



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Charts and Tables
Page 4 of 11

CHART 3



Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE J - REVENUE FORECAST (1)

TABLE 3 - REVENUE FORECAST (1)		6 Year Study Period										
SOURCE OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4379	Other Revenue (2)	1	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income												
4479	Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430	Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430	Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4026	Sewer Capacity Fee	0	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4020	Sewer Service Fee	1	\$ 5,963,000	\$ 5,968,917	\$ 5,984,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963	\$ 6,194,942
4085	Sewer Service - LGBD La Mesa SD	1	\$ 60,000	\$ 50,130	\$ 50,272	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 52,400	\$ 52,929
TOTAL REVENUE			\$ 5,944,800	\$ 5,996,061	\$ 5,995,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,287,518	\$ 6,257,948

TABLE K

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Operations - 15:											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Subtotal: Sewer Operations Revenue		\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,287,518	\$ 6,257,948

Attachment B

**CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses**

EXHIBIT 1
Alternative Number - 2

TABLE 1 - OPERATING EXPENSE FORECAST (4)											
A Ten Year Period											
Sewer Fund Operations	Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
0500 Salaries	3	\$ 795,800	\$ 788,774	\$ 812,437	\$ 830,810	\$ 861,815	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,083	\$ 999,165
0540 Overtime	3	\$ 14,200	\$ 14,820	\$ 15,095	\$ 15,517	\$ 15,982	\$ 16,482	\$ 16,946	\$ 17,404	\$ 17,860	\$ 18,328
0590 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 18,992	\$ 19,572
Subtotal: E05 Salaries		\$ 795,000	\$ 819,050	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
1000 Health Benefits	4	\$ 98,700	\$ 102,848	\$ 106,754	\$ 111,024	\$ 115,495	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
1070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,766	\$ 17,435	\$ 18,133	\$ 18,859	\$ 19,612	\$ 20,387	\$ 21,213	\$ 22,081
0800 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
1090 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1100 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,898	\$ 38,003	\$ 39,143
1150 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,795	\$ 18,476	\$ 19,215
1170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
1190 Long Term Disability	4	\$ 8,000	\$ 8,240	\$ 8,480	\$ 8,748	\$ 9,019	\$ 9,300	\$ 9,586	\$ 9,886	\$ 10,191	\$ 10,504
1190 Retirement	5	\$ 80,285	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
1200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 248,999	\$ 255,851	\$ 264,723	\$ 274,124	\$ 283,885	\$ 293,958	\$ 304,419	\$ 315,259	\$ 326,482	\$ 338,133
E15 Benefits - Retirement											
1510 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1590 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E15 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 10 - Sewer Operations		\$ 1,044,000	\$ 1,074,901	\$ 1,108,139	\$ 1,142,842	\$ 1,178,665	\$ 1,215,581	\$ 1,253,691	\$ 1,293,009	\$ 1,333,564	\$ 1,375,428

Prepared By NBS

Exhibit 1 (06A)
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Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 6 - OPERATING EXPENSE FORECAST (1)

Sewer Fund Operations		Fiscal Year Period									
	Basic	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E60 Other Operating Expenses											
5430 Class Roll	2	\$ 20,000	\$ 20,000	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,891	\$ 24,597	\$ 25,335	\$ 26,065
5440 Computer Maintenance	2	\$ 48,800	\$ 47,998	\$ 49,436	\$ 50,021	\$ 52,449	\$ 54,022	\$ 55,843	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 58,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5480 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5490 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5540 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5550 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5590 Estimated Claims Payable	2	\$ 20,000	\$ 20,800	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,891	\$ 24,597	\$ 25,335	\$ 26,065
5700 Fuel	2	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,685	\$ 21,482
6100 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6760 Insurance - Liability	2	\$ 49,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,819	\$ 63,673
6770 Insurance - Property	2	\$ 7,700	\$ 7,831	\$ 8,166	\$ 8,414	\$ 8,688	\$ 8,928	\$ 9,184	\$ 9,470	\$ 9,754	\$ 10,047
6800 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6880 Litigation Services	2	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,550	\$ 91,643	\$ 93,792	\$ 96,000	\$ 98,266
6990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6999 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6999 Metro Annual Capacity & Treatment (5)	10	\$ 2,778,455	\$ 2,868,482	\$ 3,327,176	\$ 4,093,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,287
6999 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,748	\$ 11,068	\$ 11,401	\$ 11,743
6999 Sewage Transportation	11	\$ 88,040	\$ 87,097	\$ 88,170	\$ 89,261	\$ 90,389	\$ 91,495	\$ 92,639	\$ 93,801	\$ 94,982	\$ 96,182
6999 Office Supplies	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6999 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6999 Professional Services	2	\$ 72,500	\$ 74,875	\$ 76,915	\$ 78,223	\$ 81,569	\$ 84,047	\$ 86,569	\$ 89,188	\$ 91,841	\$ 94,588
6999 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,087	\$ 5,219
6999 Repairs & Maintenance	2	\$ 5,400	\$ 5,582	\$ 5,728	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,048
6999 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,618
6999 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6999 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6999 Street Sweeping	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6999 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6999 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 548	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6999 Training	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6999 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6999 Utilities - Gas & Electric	2	\$ 700	\$ 728	\$ 757	\$ 787	\$ 818	\$ 852	\$ 886	\$ 921	\$ 956	\$ 990
6999 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6999 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
Subtotal: E60 Other Operating Expenses		\$ 3,325,185	\$ 3,532,818	\$ 3,687,770	\$ 5,588,782	\$ 5,887,721	\$ 3,848,432	\$ 3,884,106	\$ 4,082,213	\$ 4,263,954	\$ 4,328,138
E65 Transfers											
6999 Interfund Transfers - Expenditures (6)	2	\$ 895,000	\$ 890,950	\$ 917,670	\$ 945,200	\$ 973,585	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,730	\$ 1,128,629
Subtotal: E65 Transfers		\$ 895,000	\$ 890,950	\$ 917,670	\$ 945,200	\$ 973,585	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,730	\$ 1,128,629
Subtotal: Sewer Fund 11 - Sewer Operations		\$ 4,190,185	\$ 4,423,768	\$ 4,605,440	\$ 6,533,982	\$ 6,861,306	\$ 4,851,204	\$ 4,916,961	\$ 5,146,053	\$ 5,299,684	\$ 5,456,767
Total: Sewer Fund 11 - Sewer Operations		\$ 4,190,185	\$ 4,423,768	\$ 4,605,440	\$ 6,533,982	\$ 6,861,306	\$ 4,851,204	\$ 4,916,961	\$ 5,146,053	\$ 5,299,684	\$ 5,456,767

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 1 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (%)	1	---	0.17%	0.37%	1.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation	2	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (%)	3	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (%)	4	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (%)	5	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (%)	6	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (%)	7	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (%)	8	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
No Escalation	9	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (%)	10	20.10%	8.32%	12.08%	10.09%	-10.42%	-29.08%	3.00%	3.00%	3.00%	3.00%
Transportation (%)	11	---	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

1. Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source file: Sanitation Budgets.xlsx, budgetEmail 4.13.16.pdf
2. In FY 2015/16, there was a one time settlement from Padre Dam. Source file: budgetEmail 4.13.16.pdf
3. Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years
4. Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source file: Sanitation Budgets.xlsx, budgetEmail 4.13.16.pdf
5. Inflationary factors are applied to those expenses to project costs in FY 2017/18 and beyond
6. San Diego Metro cost for FY 2016/17 through 2024/25 from October JPA agenda item Pure Water Program Update. High range cost for each year (page 44). Then 3% annually
7. Expected Interfund Transfers confirmed via email. Source file: Sanitation Budgets.xlsx, budgetEmail 4.13.16.pdf
8. Client provided source file: Lemon Grove Sewerage Plant Projections.pdf and then asked calculations of the data was completed in source file: Lemon Grove Sewerage Projections.xlsx
9. NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
10. The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040 by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis
11. The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data Client provided source file: City of San Diego-Transportation Rate Feb 2016.pdf, pg. 2.

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Exhibit 1 (C&M)
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Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 2

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	5 Year Plan Period									
	Actual	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of SRF Loan Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of New Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capital Improvement Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Revenue	1,545,000	1,222,488	1,836,001	1,988,283	709,249	1,701,078	1,684,220	1,453,801	1,490,416	1,494,403
Total Revenues of Capital Funds	\$ 1,545,000	\$ 1,222,488	\$ 1,836,001	\$ 1,988,283	\$ 709,249	\$ 1,701,078	\$ 1,684,220	\$ 1,453,801	\$ 1,490,416	\$ 1,494,403
Uses of Capital Funds	\$ 1,545,000	\$ 1,591,350	\$ 1,836,001	\$ 1,836,583	\$ 1,733,911	\$ 1,701,078	\$ 1,711,721	\$ 1,753,073	\$ 1,815,985	\$ 1,870,444
Total Project Costs	\$ 1,545,000	\$ 1,591,350	\$ 1,836,001	\$ 1,836,583	\$ 1,733,911	\$ 1,701,078	\$ 1,711,721	\$ 1,753,073	\$ 1,815,985	\$ 1,870,444
Capital Funding Surplus (Deficiency)	\$ -	\$ -368,862	\$ -	\$ -148,300	\$ -24,662	\$ -	\$ -259,501	\$ -300,272	\$ -325,569	\$ -376,041

TABLE 9 - Capital Improvement Program Costs (in Current Year Dollars)

Project Description	5 Year Plan Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 1,391,700	\$ 1,391,700	\$ 1,391,700	\$ 1,391,700
Total Capital Improvement Program Costs (Current Year Dollars)	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,391,700	\$ 1,391,700	\$ 1,391,700	\$ 1,391,700

TABLE 10 - Capital Improvement Program Costs (in Future Year Dollars)

Project Description	5 Year Plan Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ 257,500	\$ 285,225	\$ 273,182	\$ 281,377	\$ 288,819	\$ 296,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 108,000	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,080,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,809	\$ 168,628	\$ 173,601	\$ 80,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,783,073	\$ 1,815,985	\$ 1,870,444
Total Capital Improvement Program Costs (Future Year Dollars)	\$ 1,540,000	\$ 1,601,350	\$ 1,635,061	\$ 1,686,283	\$ 1,738,011	\$ 1,781,078	\$ 1,711,721	\$ 1,783,073	\$ 1,815,985	\$ 1,870,444

TABLE 11 - FORECASTING ASSUMPTIONS

Economic Variables	5 Year Plan Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News-Record (3)	3.00%	3.00%	3.00%	3.33%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.02	1.06	1.09	1.11	1.15	1.19	1.22	1.27	1.30	1.34

1. Budgeted CIP project costs from source file: CIP through 2020-21.pdf

2. Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21

3. For reference purposes the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2016. Source: Engineering News-Record website (<http://www.enr.construction.com>)

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Existing Sewer Rate Schedule

EXHIBIT 4
Alternative Number - 2

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
		\$553.17	\$589.13	\$627.42	\$668.20	\$711.63
Rate Per EDU (240 gpd)	\$553.17	\$589.13	\$627.42	\$668.20	\$711.63	\$757.89

1: Ordinance No. 28.pdf

Attachment B

Alternative #3 - Operations & Maintenance reserve target set to 40 percent of annual operating & increasing annual percent increases.



Attachment B

**CITY OF LEMON GROVE
SEWER RATE STUDY
Financial Plan and Reserve Projections**

Financial Plan & Reserve Summary
Alternative Number - 3

TABLE 1
FINANCIAL PLAN AND QUANTITY OF REVENUE REQUIREMENTS

FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS		5 Year Total Period													
NATE REVENUE REQUIREMENT SUMMARY		2014		2015		2016		2017		2018		2019		2020	
		\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL	\$ MIL
Revenues of Sewer Funds															
Rate Revenue Under Current Rates (1-2)		\$ 6,003,000	\$ 5,818,053	\$ 5,835,108	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168	\$ 6,123,168
Other Operating Revenue		3,000	3,008	3,010	3,112	3,112	3,112	3,112	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)		31,850	28,865	18,433	23,730	58,406	43,440	43,440	43,440	43,440	43,440	43,440	43,440	53,000	53,000
Total Sources of Funds		\$ 6,037,850	\$ 5,850,026	\$ 5,956,551	\$ 6,156,000	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,184,670	\$ 6,282,036	\$ 6,282,100
Uses of Sewer Funds															
Operating Expenses: (4)															
Salaries		\$ 785,000	\$ 818,060	\$ 843,416	\$ 888,718	\$ 894,708	\$ 921,023	\$ 948,272	\$ 977,760	\$ 1,007,062	\$ 1,037,285	\$ 1,067,508	\$ 1,097,731	\$ 1,127,954	\$ 1,158,177
Benefits		246,695	255,951	264,723	274,124	283,500	293,959	304,419	315,258	326,492	338,133	349,874	361,615	373,356	385,097
Other Operating Expenses		3,326,195	3,632,618	3,907,700	5,690,782	5,997,721	3,648,032	3,984,106	4,082,519	4,203,854	4,325,189	4,446,524	4,567,859	4,689,194	4,810,529
Transfers		865,000	880,950	917,679	945,208	973,585	1,002,722	1,032,722	1,032,859	1,033,961	1,095,558	1,128,629	1,161,629	1,198,629	1,236,629
Subtotal: Operating Expenses		\$ 5,222,890	\$ 5,588,589	\$ 5,933,867	\$ 7,078,813	\$ 7,236,531	\$ 6,087,787	\$ 6,250,655	\$ 6,438,669	\$ 6,631,444	\$ 6,824,219	\$ 7,017,000	\$ 7,209,775	\$ 7,402,550	\$ 7,595,325
Other Expenditures:															
Prepayment PERS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Debt Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Other Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Uses of Sewer Funds		\$ 5,222,890	\$ 5,588,589	\$ 5,933,867	\$ 7,078,813	\$ 7,236,531	\$ 6,087,787	\$ 6,250,655	\$ 6,438,669	\$ 6,631,444	\$ 6,824,219	\$ 7,017,000	\$ 7,209,775	\$ 7,402,550	\$ 7,595,325
Excess Revenue Over Rate Increases		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451	\$ 1,167,670	\$ 974,895	\$ 879,486	\$ 686,775
Amount Surplus/Deficit		\$ 814,960	\$ 261,437	\$ 1,022,684	\$ 1,077,187	\$ 1,948,139	\$ 1,096,883	\$ 1,934,015	\$ 1,746,001	\$ 1,553,226	\$ 1,360,451				

1. Customer growth rates for each year per City of London Grove estimates and are shown in Table 7 of Exhibit 1.
2. Growth estimates are given for the base case scenario and are shown in Table 7 of Exhibit 1.
3. Expenses for FY 2016/17 are given in the City of London Grove's Financial Plan for the future years.
4. Expenses for FY 2016/17 are given in the City of London Grove's Financial Plan for the future years.

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary
Alternative Number - 3

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Fiscal Year									
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Total Beginning Cash	\$ 16,307,511									
Operating Reserves:										
Beginning Reserve Balance (1)	\$ 11,125,823	\$ 5,781,000	\$ 2,159,000	\$ 2,373,000	\$ 3,072,500	\$ 3,550,000	\$ 2,427,300	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increases)	465,716	630,229	334,738	(648,221)	(118,498)	483,061	688,809	758,978	781,982	463,297
Net: Transfer From / (To) Rate Stabilization Reserve	(465,850)	(190,027)	(330,738)	1,385,221	(58,132)	(1,124,317)	(368,525)	(88,419)	(102,402)	(109,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Improvement Reserve	(1,867,477)	(4,032,267)	-	-	-	(28,184)	(419,386)	(581,567)	(582,389)	(477,824)
Ending Operating Reserve Balance	\$ 5,952,009	\$ 2,194,925	\$ 2,159,000	\$ 2,072,000	\$ 2,885,000	\$ 2,407,000	\$ 2,000,000	\$ 2,378,000	\$ 2,653,000	\$ 2,733,000
Target Ending Balance (40% of O&M) (2)	\$ 2,583,000	\$ 2,199,000	\$ 2,153,000	\$ 1,972,000	\$ 2,885,000	\$ 2,407,000	\$ 2,000,000	\$ 2,378,000	\$ 2,653,000	\$ 2,733,000
Operating Reserve Surplus/Deficit	\$ 3,369,009	\$ 0	\$ 0	\$ 1,100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital Improvement Reserves:										
Beginning Reserve Balance (1)	\$ 3,054,310	\$ 3,577,766	\$ 5,612,648	\$ 4,173,050	\$ 2,465,205	\$ 1,368,305	\$ 1,618,484	\$ 1,825,983	\$ 1,897,357	\$ 2,008,380
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,867,477	4,032,267	-	-	-	-	-	-	-	-
Less: Use of Reserves for Capital Projects	(1,546,000)	(1,891,365)	(1,630,001)	(1,080,253)	(1,006,365)	-	419,386	581,567	582,389	477,824
Ending Capital Reserve Balance	\$ 3,375,787	\$ 5,718,668	\$ 9,604,647	\$ 7,172,797	\$ 3,468,840	\$ 1,368,305	\$ 2,037,869	\$ 2,407,446	\$ 2,415,335	\$ 2,430,556
Target Ending Balance (10% of net assets) (3)	\$ 1,338,800	\$ 1,364,300	\$ 1,975,700	\$ 1,735,100	\$ 1,368,800	\$ 1,368,800	\$ 1,408,200	\$ 1,418,400	\$ 1,426,180	\$ 1,437,800
Capital Reserve Surplus/Deficit	\$ 2,036,987	\$ 4,354,368	\$ 7,628,947	\$ 5,437,697	\$ 2,100,040	\$ 0	\$ 629,669	\$ 989,046	\$ 989,155	\$ 992,756
Operating Reserves:										
Beginning Reserve Balance (1)	\$ 3,510,500	\$ 2,776,453	\$ 2,858,482	\$ 3,296,211	\$ 2,024,000	\$ 2,093,152	\$ 3,217,849	\$ 3,213,972	\$ 3,413,302	\$ 3,515,793
Plus: Net Cash Flow (After Rate Increases)	465,850	190,027	330,738	(2,790,721)	63,133	1,124,317	368,525	88,419	102,402	109,474
Less: Transfer From / (To) Operating Reserve	-	-	-	-	-	-	-	-	-	-
Ending Pure Water Reserve Balance	\$ 3,976,350	\$ 2,966,480	\$ 3,189,220	\$ 2,505,490	\$ 2,087,133	\$ 3,217,469	\$ 3,586,374	\$ 3,604,391	\$ 3,515,704	\$ 3,625,267
Target Ending Balance (10 year rolling average) (4)	\$ 2,778,435	\$ 2,658,483	\$ 2,837,138	\$ 2,893,854	\$ 2,473,354	\$ 3,217,469	\$ 3,513,872	\$ 3,413,302	\$ 3,515,704	\$ 3,625,267
Pure Water Reserve Surplus/Deficit	\$ 1,197,915	\$ 1,307,997	\$ 352,082	\$ 611,636	\$ 613,779	\$ 0	\$ 72,517	\$ 191,089	\$ 0	\$ 0
Operating Reserves:										
Beginning Reserve Balance (1)	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	\$ 330,000	-	-	-	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ 4,030,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Target Ending Balance (50% of O&M) (5)	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
Operating Reserve Surplus/Deficit	\$ 1,930,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000
Operating Reserves:										
Beginning Reserve Balance (1)	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500	\$ 3,111,500
Plus: Net Cash Flow (After Rate Increases)	465,850	190,027	330,738	(2,790,721)	63,133	1,124,317	368,525	88,419	102,402	109,474
Less: Transfer From / (To) Operating Reserve	-	-	-	-	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ 3,577,350	\$ 3,301,527	\$ 3,442,238	\$ 3,320,779	\$ 3,174,633	\$ 4,235,817	\$ 4,488,344	\$ 4,508,324	\$ 4,213,902	\$ 4,230,448
Target Ending Balance (50% of O&M) (5)	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
Operating Reserve Surplus/Deficit	\$ 1,477,350	\$ 1,201,527	\$ 1,342,238	\$ 1,220,779	\$ 1,074,633	\$ 2,135,817	\$ 2,388,344	\$ 2,388,324	\$ 2,113,902	\$ 2,130,448
Operating Reserves:										
Beginning Reserve Balance (1)	\$ 17,000	\$ 34,043	\$ 81,213	\$ 68,061	\$ 68,293	\$ 104,361	\$ 122,927	\$ 142,678	\$ 161,920	\$ 182,156
Plus: Interest Earnings	43	170	384	469	1,078	1,595	2,161	2,842	3,728	4,843
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
Ending Connection Fee Fund Reserve	\$ 34,043	\$ 61,213	\$ 98,597	\$ 85,530	\$ 86,770	\$ 123,956	\$ 142,988	\$ 162,520	\$ 182,648	\$ 204,000
Target Ending Balance (50% of O&M) (5)	\$ 34,043	\$ 61,213	\$ 98,597	\$ 85,530	\$ 86,770	\$ 123,956	\$ 142,988	\$ 162,520	\$ 182,648	\$ 204,000

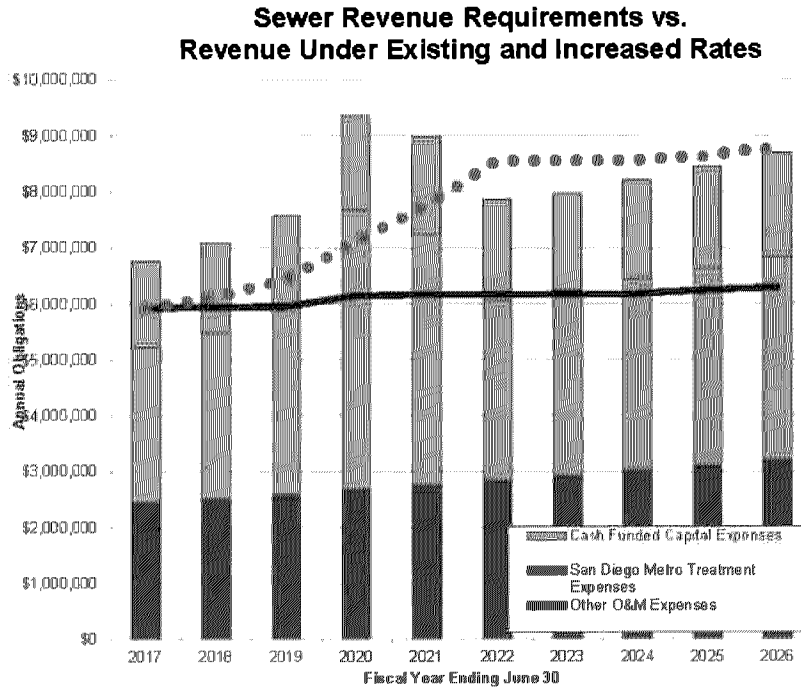
1. Operating cash balance is from the City's General Fund. The City's General Fund is the City's primary source of revenue.
2. The operating reserve target ending balance recommendation to be 10.3 days or 50% of O&M Expenses.
3. Beginning cash balance is from the City's General Fund Balance Sheet Cash for 10-00-00-1000 for FY 2015/16, 2016/17. Source: Not Detailed Trial Balance Fund 10 2016.pdf & Summary Trial Balance Fund 10.
4. Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.
5. The 5% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.
6. The Pure Water San Diego Program is intended to provide secondary equivalence for treatment of waste water in the metro system. It is an interim program to provide secondary treatment or secondary equivalence until the Pure Water San Diego Program is fully operational. The program is intended to provide secondary equivalence for treatment of waste water in the metro system. It is an interim program to provide secondary treatment or secondary equivalence until the Pure Water San Diego Program is fully operational.
7. Historical interest earnings rates were referenced on the California Treasurer's Office website for funds invested in LAIF.

Future years earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.

CITY OF LEMON GROVE
SEWER RATE STUDY
Rate Adjustment Charts and Report Tables

Alternative Number - 3

CHART 1



Prepared By HBS

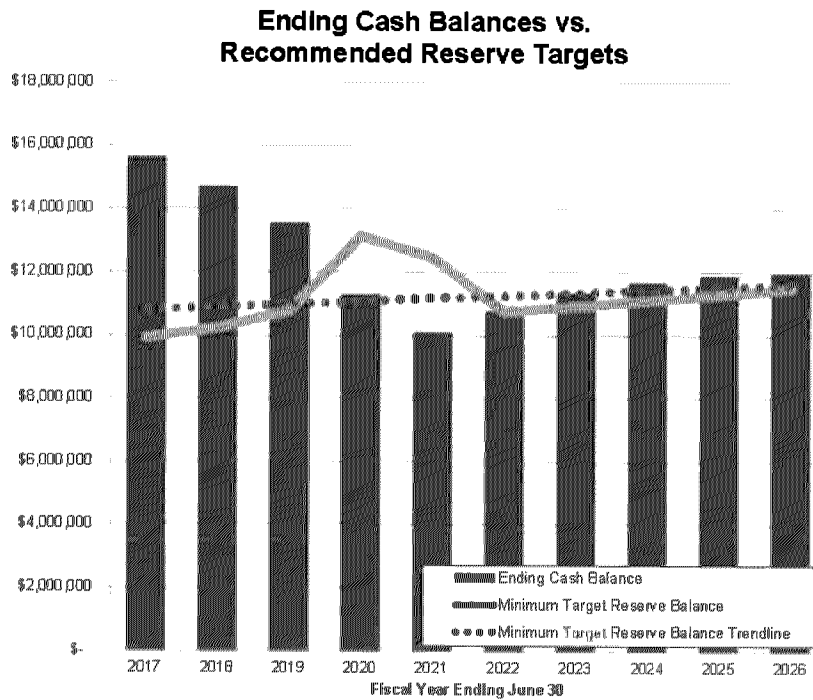
Charts and Tables
Page 3 of 11

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Rate Adjustment Charts and Report Tables

Alternative Number - 3

CHART 2

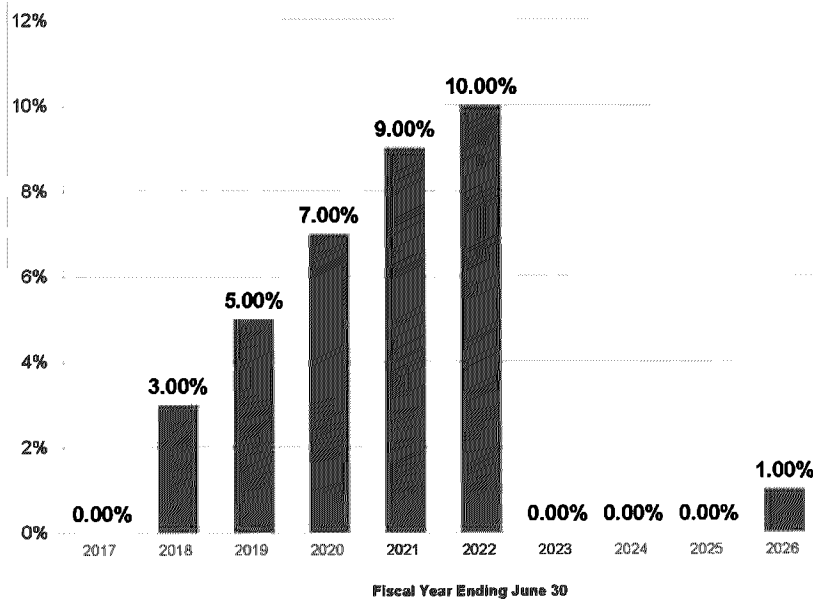


Prepared By NBS

Charts and Tables
Page 4 of 11

CHART 3

Projected Increases to Rate Revenue



Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 3 - REVENUE FORECAST (1)

SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4310 Other Revenue (2)	1	\$	3,000	\$ 3,008	\$ 3,010	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income												
4410 Interest (3)	See FP	\$	21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430 Cost Recovery	1	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4430 Sewer Capacity Fee	0	\$	17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4430 Sewer Service Fee	1	\$	5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,284	\$ 6,071,284	\$ 6,071,284	\$ 6,071,284	\$ 6,071,284	\$ 6,134,883	\$ 6,164,042
4430 Sewer Service - LSSD & Mesa SD	1	\$	50,000	\$ 50,138	\$ 50,272	\$ 51,885	\$ 51,885	\$ 51,885	\$ 51,885	\$ 51,885	\$ 52,408	\$ 52,828
TOTAL REVENUE			\$ 5,844,800	\$ 5,938,051	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,287,516	\$ 6,257,040

TABLE 4

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Operations - IS:											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Subtotal: Sewer Operations Revenue		\$ 5,944,800	\$ 5,938,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,287,516	\$ 6,257,040

Attachment B

**CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses**

**EXHIBIT 1
Alternative Number - 3**

TABLE 1 - OPERATING EXPENSE FORECAST 10-YEAR										
Sewer Fund Operations	Hours	2017	2018	2019	2020	2021	2022	2023	2024	2025
E05 Salaries	3	\$ 796,800	\$ 798,774	\$ 812,437	\$ 838,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093
E060 Salaries	3	\$ 14,200	\$ 14,828	\$ 15,085	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,958	\$ 17,484	\$ 17,988
E060 Overtime	3	\$ 15,000	\$ 16,450	\$ 16,814	\$ 18,391	\$ 18,863	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,572
E060 Extra Help	3	\$ 705,000	\$ 819,858	\$ 843,416	\$ 886,718	\$ 884,780	\$ 921,623	\$ 948,272	\$ 977,750	\$ 1,007,082
Subtotal: E05 Salaries										
E10 Benefits										
E060 Health Benefits	4	\$ 98,700	\$ 102,848	\$ 108,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078
E070 Health Benefits - Medicare	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213
E080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154
E09 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E100 Worker's Comp Insurance	3	\$ 30,000	\$ 30,800	\$ 31,827	\$ 32,782	\$ 33,785	\$ 34,778	\$ 35,822	\$ 36,898	\$ 38,003
E100 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,188	\$ 15,783	\$ 16,425	\$ 17,082	\$ 17,785	\$ 18,476
E110 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,519	\$ 1,579	\$ 1,642
E110 Long Term Disability	4	\$ 8,000	\$ 8,240	\$ 8,490	\$ 8,746	\$ 9,019	\$ 9,300	\$ 9,592	\$ 9,896	\$ 10,211
E130 Retirement	5	\$ 80,285	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715
E200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 248,885	\$ 255,851	\$ 264,723	\$ 274,124	\$ 283,885	\$ 293,859	\$ 304,419	\$ 315,258	\$ 326,482
E15 Benefits - Retirement										
E151 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E151 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E15 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,844,885	\$ 1,974,501	\$ 2,118,159	\$ 2,142,844	\$ 2,178,645	\$ 2,215,582	\$ 2,253,681	\$ 2,293,098	\$ 2,333,574

Prepared By NBS

Exhibit 1 (04/20)
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Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 4 - OPERATING EXPENSE FORECAST (d)

Sewer Fund Operations		Fiscal Year									
	Base	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E40 Other Operating Expenses											
6410 Claims Paid	2	\$ 20,000	\$ 20,800	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
6440 Computer Maintenance	2	\$ 48,800	\$ 47,900	\$ 49,436	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
6470 Contract Services	2	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
6480 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6520 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,148	\$ 6,334	\$ 6,524
6540 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6550 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,148	\$ 6,334	\$ 6,524
6560 Estimated Claims Payable	2	\$ 20,000	\$ 20,800	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
6700 Fuel	2	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,105	\$ 19,871	\$ 20,685	\$ 21,492
6710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6720 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6730 Insurance - Liability	2	\$ 48,800	\$ 50,284	\$ 51,772	\$ 53,265	\$ 54,765	\$ 56,273	\$ 57,789	\$ 59,312	\$ 60,841	\$ 62,376
6770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,166	\$ 8,414	\$ 8,666	\$ 8,922	\$ 9,184	\$ 9,470	\$ 9,754	\$ 10,047
6830 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6900 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 75,998	\$ 78,266
6980 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,778,455	\$ 2,998,482	\$ 3,327,178	\$ 4,063,534	\$ 4,473,368	\$ 3,217,448	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,287
6040 Mileage	2	\$ 8,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,748	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	14	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182
6090 Office Supplies	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6190 Professional Services	2	\$ 72,500	\$ 74,575	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6100 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,778	\$ 4,918	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,048
6100 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,668	\$ 32,610
6140 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,608	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6300 Utilities - Gas & Electric	2	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6310 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6320 Utilities - Water	2	\$ 2,580	\$ 2,675	\$ 2,772	\$ 2,872	\$ 2,974	\$ 3,078	\$ 3,185	\$ 3,295	\$ 3,407	\$ 3,522
Subtotal: E15 Other Operating Expenses		\$ 3,325,185	\$ 3,532,818	\$ 3,987,770	\$ 5,588,782	\$ 5,987,721	\$ 3,848,432	\$ 3,984,106	\$ 4,082,213	\$ 4,203,254	\$ 4,328,138
E65 Transfers											
6800 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 898,950	\$ 917,678	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,758	\$ 1,128,620
Subtotal: E65 Transfers		\$ 865,000	\$ 898,950	\$ 917,678	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,758	\$ 1,128,620
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,185	\$ 4,431,768	\$ 4,905,448	\$ 6,533,991	\$ 6,961,286	\$ 4,851,264	\$ 5,016,961	\$ 5,146,054	\$ 5,299,012	\$ 5,456,758
Total: Sewer Fund 15 - Sewer Operations		\$ 4,190,185	\$ 4,431,768	\$ 4,905,448	\$ 6,533,991	\$ 6,961,286	\$ 4,851,264	\$ 5,016,961	\$ 5,146,054	\$ 5,299,012	\$ 5,456,758

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 7 - FORECASTING ASSUMPTIONS:

5 Year Wide Forecast										
ECONOMIC VARIABLES	Range	2017	2018	2019	2020	2021	2022	2023	2024	2025
Customer Growth (%)	1	---	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation	2	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (B)	3	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (B)	4	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (B)	5	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (B)	6	---	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (B)	7	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (B)	8	---	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
No Escalation	9	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.18%	4.00%	12.00%	30.00%	-10.42%	20.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

1. Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source file: Sanitation Budgets.xlsx, BudgetEmail 4.13.16.pdf
2. In FY 2016/16, there was a one time settlement from Padre Dam. Source file: BudgetEmail 4.13.16.pdf
3. Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years
4. Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source file: Sanitation Budgets.xlsx, BudgetEmail 4.13.16.pdf
5. Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond
6. San Diego Metro cost for FY 2016/17 through 2019/20 from October JPA agenda item Public Water Program Update, high range cost for each year (page 44). Then 3% annually.
7. Client provided source file: Lemon Grove Sewerage Flow Projections.pdf, and then actual calculations of raw data was completed in source file: Lemon Grove Growth Projections.xlsx
8. NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
9. The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040 by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis
10. The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data. Client provided source file: City of San Diego-Transportation Rate Feb 2015.pdf, pg. 2.

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 3

TABLE 9 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING SOURCES	10 Year Rate Period									
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Grants	-	-	-	-	-	-	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserves	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524
Rate Revenue	-	-	-	-	-	-	-	-	-	-
Total Sources for Capital Expenditures	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524
Use of Capital Expenditures	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524
Total Project Costs	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524
Capital Funding Surplus (Deficiency)	-	-	-	-	-	-	-	-	-	-

TABLE 10 - Capital Improvement Program Costs (in Current Year Dollars) (1)

Project Description	10 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures (2)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Capital Improvement Program Costs (Current Year Dollars)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

TABLE 10 - Capital Improvement Program Costs (in Future Year Dollars)

Project Description	10 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Main (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Main (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any CIP updates)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ 307,465	\$ 316,675	\$ 326,150	\$ 335,890
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,080	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ 122,977	\$ 126,645	\$ 130,409	\$ 134,270
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ 1,229,875	\$ 1,266,745	\$ 1,304,660	\$ 1,343,620
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,809	\$ 168,528	\$ 173,291	\$ 178,107	\$ 182,972	\$ 187,884	\$ 192,844	\$ 197,852
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524
Total Capital Improvement Program Costs (Future Year Dollars)	1,545,000	1,591,350	1,638,091	1,685,283	1,732,911	1,781,078	1,829,721	1,878,843	1,928,444	1,978,524

TABLE 11 - FORECASTING ASSUMPTIONS

Economic Variables	10 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News-Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.12	1.15	1.18	1.21	1.24	1.27	1.30

1. Budgeted CIP project costs from source file: CIP through 2020-Q1.pdf

2. Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21

3. For reference purposes the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2016. Source: Engineering News-Record website (<http://enr.construction.com>)

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Existing Sewer Rate Schedule

EXHIBIT 4
Alternative Number - 3

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU (240 gpd)	\$553.17	\$569.77	\$596.26	\$640.13	\$697.74	\$767.52

1. Ordinance No. 29.pdf

Prepared By NBS

Exhibit 3 (Rates)
Page 11 of 11

Attachment B

Alternative #4 - Operations & Maintenance reserve target set to 55 percent of annual operating & increasing annual percent increases.



**CITY OF LEMON GROVE
SEWER RATE STUDY
Financial Plan and Reserve Projections**

Financial Plan & Reserve Summary
Alternative Number - 4

**TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS**

RATE REVENUE REQUIREMENT SUMMARY	5 Year Rate Projections									
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Sources of Sewer Funds										
Rate Revenue Under Current Rates (1-2)	\$ 5,803,000	\$ 5,919,053	\$ 6,036,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,970
Other Operating Revenue	3,000	3,008	3,019	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)	21,800	32,880	22,880	32,830	52,786	56,730	58,386	66,780	70,820	72,960
Total Sources of Funds	\$ 5,827,800	\$ 5,954,941	\$ 6,061,905	\$ 6,159,101	\$ 6,179,056	\$ 6,186,000	\$ 6,186,000	\$ 6,186,000	\$ 6,261,336	\$ 6,313,100
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 785,000	\$ 818,850	\$ 843,410	\$ 869,719	\$ 884,780	\$ 921,923	\$ 949,272	\$ 977,760	\$ 1,007,082	\$ 1,037,285
Benefits	246,895	255,951	264,720	274,124	283,895	293,959	304,418	315,258	326,482	338,133
Other Operating Expenses	3,325,195	3,632,918	3,807,770	6,580,762	5,087,721	3,848,432	3,864,106	4,082,213	4,203,854	4,328,138
Transfers	885,000	890,850	917,879	945,209	973,585	1,003,772	1,032,955	1,063,841	1,095,756	1,128,629
Subtotal: Operating Expenses	\$ 5,232,090	\$ 5,498,569	\$ 5,833,979	\$ 7,679,813	\$ 7,239,901	\$ 6,067,787	\$ 6,250,653	\$ 6,439,082	\$ 6,533,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	388,854	-	-	1,366,524	1,781,078	1,708,620	1,124,639	778,483	697,662
Subtotal: Other Expenditures	\$ -	\$ 388,854	\$ -	\$ -	\$ 1,366,524	\$ 1,781,078	\$ 1,708,620	\$ 1,124,639	\$ 778,483	\$ 697,662
Total Uses of Sewer Funds	\$ 5,232,090	\$ 5,887,423	\$ 5,833,979	\$ 7,679,813	\$ 8,606,425	\$ 7,856,807	\$ 7,959,273	\$ 7,563,721	\$ 7,311,667	\$ 7,530,854
Annual Surplus/Deficit	\$ 595,710	\$ 1,067,518	\$ 227,926	\$ 1,523,288	\$ 1,572,631	\$ 1,329,193	\$ 1,226,727	\$ 1,622,279	\$ 1,949,669	\$ 1,782,246
Net Operating Surplus/Deficit After Rate-Related Projections	\$ 595,710	\$ 1,067,518	\$ 227,926	\$ 1,523,288	\$ 1,572,631	\$ 1,329,193	\$ 1,226,727	\$ 1,622,279	\$ 1,949,669	\$ 1,782,246
Total Rate Revenue After Rate Increases	\$ 6,423,510	\$ 7,027,460	\$ 6,289,831	\$ 7,682,389	\$ 7,751,687	\$ 7,515,193	\$ 7,412,727	\$ 7,808,279	\$ 8,211,005	\$ 8,095,246
Projected Annual Rate Revenue Increase	10.9%	1.9%	-3.9%	1.0%	0.8%	-3.8%	-1.3%	4.9%	4.9%	1.6%
Customer Growth Rates, from Sewer Budget & Projections	6.0%	1.3%	1.3%	1.0%	1.0%	0.7%	0.7%	0.7%	0.7%	0.7%
Cost of Sewerage, from Sewer Budget & Projections	5.0%	0.6%	-5.2%	0.0%	0.1%	-4.5%	-2.0%	4.2%	4.2%	0.9%

1. Projections for FY 2016/17 are from the City of Lemon Grove's Budget & Projections for FY 2016/17. All other years are projections based on the City of Lemon Grove's Budget & Projections for FY 2016/17.
2. Customer growth rates for each year are the City of Lemon Grove's estimates, and are shown in Table 1 of Exhibit 1.
3. Interest earnings are for the City's Sewer Budget for FY 2016/17, and are calculated in the Financial Plan for all future years.
4. Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source file: Sanitation Budgets - cda_budgetEntol4-13-16.pdf
- Inflationary factors are applied to these expenses to project costs in 2018/19 and beyond.

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Financial Plan and Reserve Projections

Financial Plan & Reserve Summary
Alternative Number - 4

TABLE 2
RESERVE FUND SUMMARY

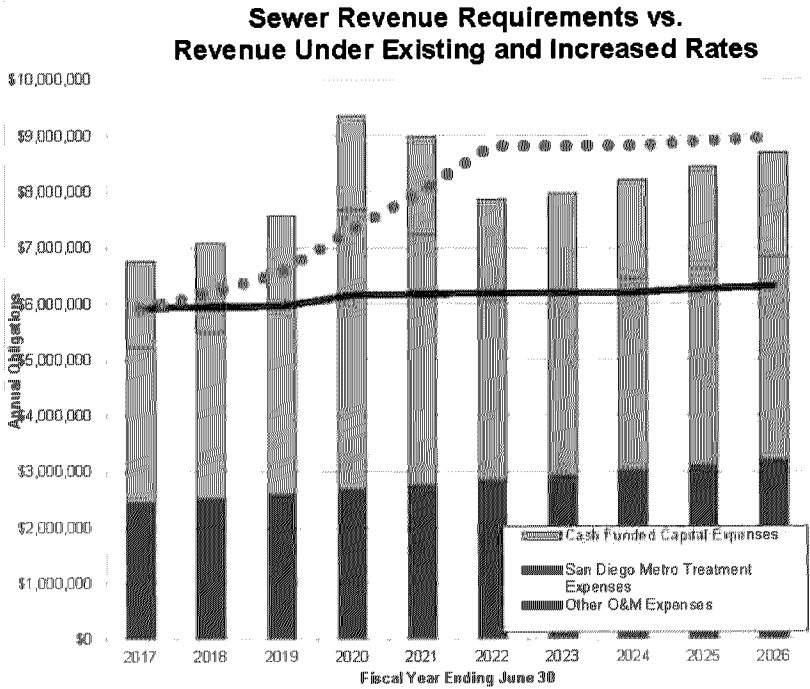
SUMMARY OF CASH ACTIVITY	5 Year Rate Projections									
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Total Beginning Cash	\$ 18,307,341									
Operating Reserves										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 6,570,000	\$ 3,024,092	\$ 1,703,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,341,000	\$ 3,048,000
Plus: Rate Cash Flow (After Rate Increase)	986,310	354,401	634,011	(353,800)	(804,250)	944,007	846,167	1,248,301	1,439,883	1,348,641
Net: Transfer From / To Rate Stabilization Reserve	(400,000)	(192,027)	(300,000)	1,312,888	363,255	(1,586,116)	(80,323)	(80,919)	(162,402)	(189,474)
Less: Transfer Out to Capital Replacement Reserve	(1,077,879)	(3,086,464)	(37,777)	-	-	(73,481)	(847,834)	(1,048,782)	(1,284,401)	(1,233,000)
Ending Operating Reserve Balance	\$ 9,633,053	\$ 3,605,900	\$ 3,280,406	\$ 4,272,000	\$ 2,881,000	\$ 2,326,000	\$ 2,458,000	\$ 3,546,200	\$ 3,464,000	\$ 2,708,000
Target Ending Balance (5% of O&M (2))	\$ 2,070,000	\$ 3,034,000	\$ 3,283,000	\$ 4,273,000	\$ 2,883,000	\$ 2,337,000	\$ 2,458,000	\$ 3,541,000	\$ 3,460,000	\$ 2,708,000
Operating Reserve Surplus/Deficit	\$ 7,563,053	\$ 551,900	\$ (12,594)	\$ (1,001,000)	\$ (1,002,000)	\$ (611,000)	\$ 1,000,000	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)
Capital Reserves										
Beginning Reserve Balance (3)	\$ 3,284,518	\$ 2,586,798	\$ 5,050,784	\$ 3,446,951	\$ 1,783,987	\$ 1,588,300	\$ 1,411,751	\$ 2,094,308	\$ 2,482,582	\$ 2,710,991
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,977,477	3,006,464	37,277	-	-	23,491	647,834	1,048,782	1,284,401	1,233,000
Less: Use of Reserves for Capital Projects	(1,548,000)	(1,227,480)	(1,638,001)	(1,689,200)	(373,567)	-	(3,294)	(630,834)	(1,248,483)	(1,277,761)
Ending Capital Reserve Balance	\$ 3,713,995	\$ 4,365,782	\$ 3,449,060	\$ 1,757,751	\$ 1,410,420	\$ 1,588,300	\$ 1,411,751	\$ 2,511,256	\$ 3,718,599	\$ 3,665,230
Target Ending Balance (1% of net assets (4))	\$ 1,500,000	\$ 1,564,300	\$ 1,571,000	\$ 1,570,000	\$ 1,568,000	\$ 1,568,000	\$ 1,406,000	\$ 1,475,000	\$ 1,436,000	\$ 1,427,000
Capital Reserve Surplus/Deficit	\$ 2,213,995	\$ 2,801,482	\$ 1,878,060	\$ 1,187,751	\$ (157,580)	\$ 2,020,300	\$ 1,005,751	\$ 1,036,256	\$ 2,282,599	\$ 2,238,230
General Fund Reserves										
Beginning Reserve Balance (5)	\$ 2,313,000	\$ 2,716,459	\$ 2,899,487	\$ 3,327,170	\$ 2,014,208	\$ 1,051,033	\$ 3,217,840	\$ 3,313,872	\$ 3,413,382	\$ 3,616,793
Plus: Net Transfer From / To Operating Reserve	165,850	180,027	369,004	(1,312,888)	363,255	1,586,116	846,167	1,248,301	1,439,883	1,348,641
Ending General Fund Reserve Balance	\$ 2,478,850	\$ 2,896,486	\$ 3,268,491	\$ 2,014,282	\$ 2,377,463	\$ 2,637,149	\$ 4,064,007	\$ 4,562,173	\$ 4,853,265	\$ 4,964,434
Target Ending Balance (1 year M&O Cost (6))	\$ 2,770,000	\$ 2,862,483	\$ 3,337,193	\$ 4,389,354	\$ 4,473,363	\$ 3,377,840	\$ 2,213,372	\$ 3,473,382	\$ 3,915,263	\$ 3,627,267
General Fund Reserve Surplus/Deficit	\$ (291,150)	\$ 34,003	\$ (78,702)	\$ (2,375,072)	\$ (1,095,899)	\$ 2,263,309	\$ 1,850,635	\$ 1,088,791	\$ 937,992	\$ 1,337,167
Other Reserves										
Beginning Reserve Balance (1)	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	-	-	-	-	-	-	-	-	-	-
Ending Other Reserve Balance	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Target Ending Balance (5% of net assets (7))	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Other Reserve Surplus/Deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Summary (Total) Compared to Reserve Targets	\$ 4,927,998	\$ 2,696,464	\$ 2,697,401	\$ (2,687,600)	\$ (2,687,600)	\$ 2,000,000	\$ 847,834	\$ 1,048,782	\$ 1,284,401	\$ 1,233,000
Commodities Reserves										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 61,213	\$ 68,507	\$ 69,283	\$ 68,381	\$ 122,927	\$ 182,578	\$ 181,920	\$ 182,168
Plus: Interest Earnings	43	170	584	468	1,070	1,506	2,151	3,947	3,238	3,643
Plus: Connection Fee Revenues	17,000	17,000	17,500	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
Ending Commodities Reserve Balance	\$ 34,043	\$ 51,313	\$ 79,307	\$ 85,975	\$ 87,761	\$ 86,887	\$ 142,078	\$ 203,525	\$ 198,158	\$ 202,811

- Operating Reserves - Based on City's General Fund Balance Sheet as of 12/31/2015. Source: City of Lemon Grove, CA, 2015/16 Financial Report.
- The operating reserve target ending balance is determined to be 10 days or 50% of O&M Expenses.
- Beginning cash balance is from the City's General Ledger Balance Sheet as of 10/01/2016 for FY 2015/16. Source: City of Lemon Grove, CA, 2015/16 Financial Report.
- The 5% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets and Lemon Grove owned assets.
- The Rate Stabilization Reserve ending balance remains equal one year of future costs making the previous study from March 2011 (page 2) Expected annual costs from October JPA agenda item Pure Water Program Update.
- The Pure Water San Diego Program is intended to provide secondary aqueduct for treated of waste water in the metro system. If another program replaces the pure water San Diego program to provide secondary treatment or a secondary aqueduct then this reserve will be moved to the replacement program. The reserve target is based upon the 5 year average of total expected Metro costs as reported by staff on 8/1/2016.
- Historical interest earnings were referenced on the California Treasurer's Office website for funds invested in LAF.

Prepared By: NBS

Financial Plan
Page 2 of 11

CHART 1

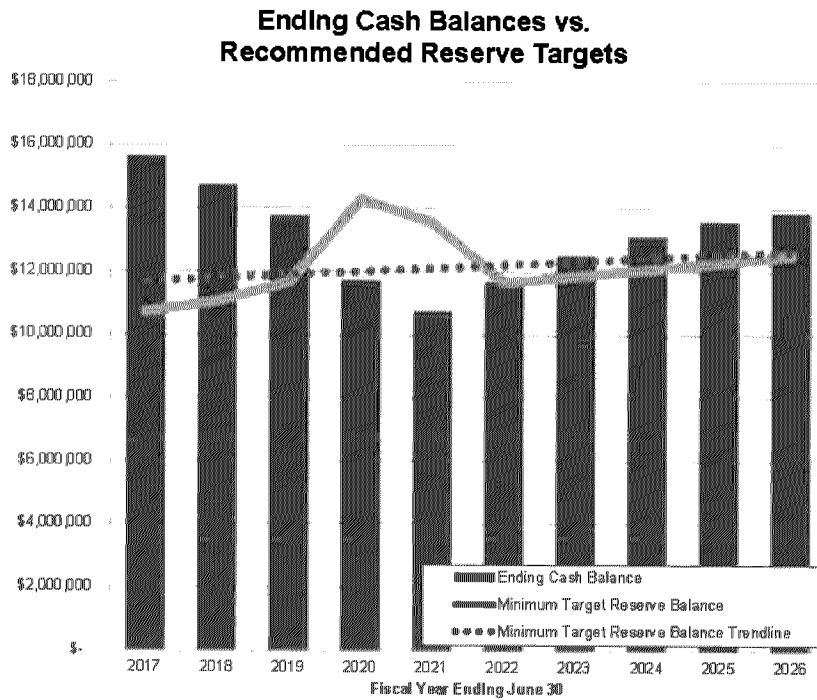


Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Rate Adjustment Charts and Report Tables

Alternative Number - 4

CHART 2

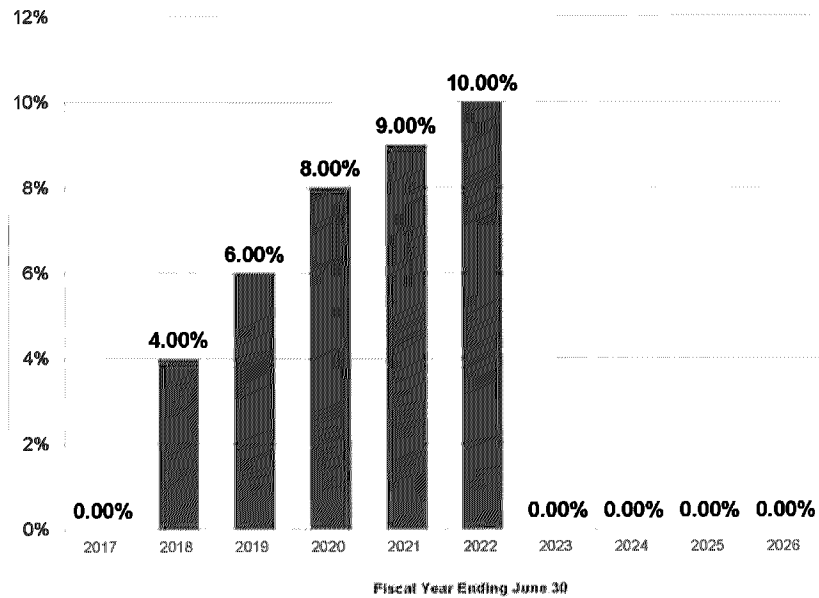


Prepared By HBS

Charts and Tables
Page 4 of 11

CHART 3

Projected Increases to Rate Revenue



Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 1 - REVENUE FORECAST (1)

SOURCES OF REVENUE		A Year Rate Period									
	Base	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R15 Miscellaneous Revenue											
4376 Other Revenue (2)	1	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income											
6470 Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6473 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue											
6430 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue											
6130 Sewer Capacity Fee	0	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
6520 Sewer Service Fee	1	\$ 5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,893	\$ 6,164,042
6605 Sewer Service - LGSD & Mesa SD	1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 51,895	\$ 52,408	\$ 52,929
TOTAL REVENUE		\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,267,318	\$ 6,257,049

TABLE 1

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Operations - 15:											
Sewer Rate Revenue		\$ 5,900,000	\$ 5,918,053	\$ 5,935,106	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,123,150	\$ 6,187,371	\$ 6,238,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Subtotal: Sewer Operations Revenue		\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,267,318	\$ 6,257,049

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 3 - OPERATING EXPENSE FORECAST (\$)

		5 Year High Period									
Sewer Fund Operations		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
0300 Salaries	3	\$ 705,000	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
0310 Overtime	3	\$ 14,300	\$ 14,828	\$ 15,045	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,948	\$ 17,434	\$ 17,909	\$ 18,529
0320 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 18,992	\$ 19,572
Subtotal: E05 Salaries		\$ 705,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
0330 Health Benefits	4	\$ 88,700	\$ 102,848	\$ 106,754	\$ 111,024	\$ 115,485	\$ 120,084	\$ 124,867	\$ 129,892	\$ 135,079	\$ 140,481
0340 Health Benefits - Retirees	4	\$ 16,900	\$ 16,120	\$ 16,785	\$ 17,435	\$ 18,133	\$ 18,898	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
0350 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,859	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,219
0360 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0370 Worker's Comp Insurance	3	\$ 30,900	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,779	\$ 35,822	\$ 36,899	\$ 38,003	\$ 39,143
0380 Medicare Insurance	4	\$ 13,900	\$ 14,040	\$ 14,802	\$ 15,198	\$ 15,793	\$ 16,425	\$ 17,092	\$ 17,785	\$ 18,479	\$ 19,215
0390 Life Insurance	4	\$ 1,300	\$ 1,248	\$ 1,286	\$ 1,350	\$ 1,404	\$ 1,480	\$ 1,519	\$ 1,579	\$ 1,642	\$ 1,709
0400 Long Term Disability	4	\$ 0,000	\$ 6,240	\$ 6,480	\$ 6,748	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
0410 Retirement	5	\$ 82,200	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
0420 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 248,899	\$ 255,651	\$ 264,723	\$ 274,124	\$ 283,885	\$ 293,959	\$ 304,416	\$ 315,259	\$ 326,492	\$ 338,133
E15 Benefits - Retirement											
0430 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0440 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,041,899	\$ 1,074,501	\$ 1,108,939	\$ 1,142,842	\$ 1,179,645	\$ 1,215,582	\$ 1,253,688	\$ 1,293,608	\$ 1,335,574	\$ 1,379,428

Prepared By NBS

Exhibit 1 (OMB)
Page 7 of 11

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 1 - OPERATING EXPENSE FORECAST (1)

		Year									
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
SEWER FUND OPERATIONS											
5410 Claims Paid	2	\$ 20,000	\$ 20,800	\$ 21,718	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 48,000	\$ 47,908	\$ 49,438	\$ 50,821	\$ 52,448	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 58,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,780	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5480 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5520 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,798	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5670 Estimated Claims Payable	2	\$ 20,000	\$ 20,800	\$ 21,718	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	2	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,108	\$ 19,871	\$ 20,665	\$ 21,492
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
5780 Insurance - Liability	2	\$ 46,000	\$ 50,284	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,575	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5790 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,668	\$ 8,928	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5830 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5880 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,288
5930 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,318	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	1/3	\$ 2,778,455	\$ 2,988,482	\$ 3,327,176	\$ 4,003,534	\$ 4,473,368	\$ 3,217,448	\$ 3,313,972	\$ 3,413,382	\$ 3,515,783	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,748	\$ 11,069	\$ 11,401	\$ 11,743
6090 Sewage Transportation	11	\$ 86,040	\$ 87,087	\$ 88,170	\$ 89,281	\$ 90,389	\$ 91,495	\$ 92,639	\$ 93,801	\$ 94,982	\$ 96,182
6090 Office Supplies	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,318	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,815	\$ 78,223	\$ 81,589	\$ 84,047	\$ 86,568	\$ 89,186	\$ 91,841	\$ 94,588
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,778	\$ 4,919	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,728	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,049
6180 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6340 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6370 Travel & Meetings	2	\$ 2,000	\$ 2,080	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,318	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6390 Utilities - Gas & Electric	7	\$ 700	\$ 726	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6310 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6320 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
Subtotal: E15 Other Operating Expenses		\$ 3,325,185	\$ 3,532,918	\$ 3,907,770	\$ 5,508,762	\$ 5,087,721	\$ 3,848,432	\$ 3,864,106	\$ 4,082,213	\$ 4,263,854	\$ 4,328,136
E15 Transfers		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6400 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,879	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,758	\$ 1,128,828
Subtotal: E16 Transfers		\$ 865,000	\$ 890,950	\$ 917,879	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,758	\$ 1,128,828
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,185	\$ 4,423,868	\$ 4,825,649	\$ 6,453,971	\$ 6,061,286	\$ 4,851,204	\$ 4,896,961	\$ 5,146,053	\$ 5,359,612	\$ 5,457,964
Total: Sewer Fund 15 - Sewer Operations		\$ 4,190,185	\$ 4,423,868	\$ 4,825,649	\$ 6,453,971	\$ 6,061,286	\$ 4,851,204	\$ 4,896,961	\$ 5,146,053	\$ 5,359,612	\$ 5,457,964

Attachment B

**CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses**

EXHIBIT 1
Alternative Number - 4

TABLE 7 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (1)	1	--	0.22%	0.22%	3.17%	0.30%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation	2	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (8)	3	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (8)	4	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (8)	5	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (8)	6	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
No Escalation	9	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.10%	6.92%	12.06%	50.00%	-10.42%	-26.08%	2.00%	3.00%	3.00%
Transportation (10)	11	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

- Revisions for FY 2016/17 are from the District's Budget 4, updated via staff email. Source files: Sanitation Budgets.docx, BudgetEmail 4.13.16.pdf
- In FY 2016/17 there was a one time settlement from Padre Dam. Source file: BudgetEmail 4.13.16.pdf.
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget 4, updated via staff email. Source files: Sanitation Budgets.docx, BudgetEmail 4.13.16.pdf.
- Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October 3PA agenda item Pure Water Progress Update, High range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: Sanitation Budgets.docx, BudgetEmail 4.13.16.pdf.
- Client provided source file: Lemon Grove Sewage Flow Projections.pdf, and then actual calculations of raw data were completed in source file: Lemon Grove Growth Projections.docx.
- HES has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected retail electricity rate for 2006-2025, for Southern California Edison customers as referenced in the following study: The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040 by Jonathan Coats, PhD, Energy Efficiency Center, LLC Davis.
- The most current base transportation rate adopted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data.

Client provided source file: City of San Diego Transportation Rate Feb 2016.pdf, pg. 2.

Attachment B

CITY OF LEMON GROVE SEWER RATE STUDY Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 4

TABLE 9 - CAPITAL FUNDING SUMMARY

Capital Funding Source	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Grants	-	-	-	-	-	-	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	-	-	-	-	-	-	-	-	-	-
Rate Revenue	1,545,000	1,222,466	1,839,091	1,688,263	372,387	-	5,091	836,534	1,036,482	1,272,791
Total Sources of Capital Funds	1,545,000	1,222,466	1,839,091	1,688,263	372,387	-	5,091	836,534	1,036,482	1,272,791
Use of Capital Funds	-	-	-	-	-	-	-	-	-	-
Total Project Costs	1,545,000	1,222,466	1,839,091	1,688,263	372,387	-	5,091	836,534	1,036,482	1,272,791
Capital Funding Surplus (Deficiency)	-	-	-	-	-	-	-	-	-	-

TABLE 9 - Capital Improvements Program Costs (in Current-Year Dollars) (1)

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786
Total Capital Improvements Program Costs (in Current-Year Dollars)	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,100,000	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786

TABLE 10 - Capital Improvements Program Costs (in Future-Year Dollars)

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Road Sewer Mats (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Road Sewer Mats (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 108,000	\$ 116,273	\$ 125,551	\$ 135,927	\$ 147,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,090,000	\$ 1,152,727	\$ 1,218,509	\$ 1,288,274	\$ 1,361,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	\$ 173,891	\$ 88,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,783,073	\$ 1,815,965	\$ 1,870,444
Total Capital Improvements Program Costs (Future-Year Dollars)	\$ 1,545,000	\$ 1,591,360	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,783,073	\$ 1,815,965	\$ 1,870,444

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News-Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

1. Budgeted CIP project costs from source file: CIP through 2020-21.pdf

2. Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21

3. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News-Record website (<http://enr.construction.com>)

Attachment B

CITY OF LEMON GROVE
SEWER RATE STUDY
Existing Sewer Rate Schedule

EXHIBIT 4
Alternative Number - 4

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU (240 gpd)	\$553.17	\$575.30	\$609.81	\$658.60	\$717.87	\$789.66

1 Ordinance No. 26.pdf

Prepared By NBS

Exhibit 3 (Rates)
Page 11 of 11

Attachment B

APPENDIX B

This appendix includes Attachment 7B to the October 6, 2016 Metro Wastewater JPA meeting agenda. The attachment includes the annual cost estimates and Pure Water Phase 1 Cost Allocations that are used in the analysis for this study.



**Attachment 7B
Annual Planning Estimates and Pure
Water Phase 1 Cost Allocation**

PROJECTED PARTICIPATING AGENCY CONTRIBUTION ESTIMATES ³

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
O&M ¹	\$ 126,481,524	\$ 136,377,600	\$ 142,075,400	\$ 145,376,000	\$ 161,735,878	\$ 178,205,756
Debt Service	68,166,070	75,982,234	77,125,111	77,122,382	88,066,972	79,747,939
Metro Baseline	15,067,708	26,188,309	18,167,098	12,993,261	12,036,688	12,568,354
Metro Pure Water ²	13,031,965	27,145,387	41,409,167	160,758,892	154,892,168	7,843,778
Subtotal	\$ 222,747,267	\$ 265,693,530	\$ 278,776,776	\$ 396,250,535	\$ 416,731,706	\$ 278,365,827
SRF Funding Metro Baseline	-	(18,529,849)	(11,850,000)	(2,142,412)	-	-
SRF Funding Metro Pure Water	-	(9,966,501)	(2,800,681)	(7,869,067)	(75,060,473)	(22,466,676)
Revenue Offset Estimate	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Total	\$ 217,747,267	\$ 232,197,180	\$ 259,126,095	\$ 381,239,056	\$ 336,671,233	\$ 250,899,151
Estimated PA percentage	33.56%	33.56%	33.56%	33.56%	33.56%	33.56%
Total Estimated PA Contribution	\$ 73,071,860	\$ 77,920,977	\$ 86,957,811	\$ 127,936,608	\$ 112,980,490	\$ 84,197,004

¹ Includes an assumed 2.27% annual increase in Wastewater System CIP project costs for Fiscal Years 2017 through 2020. Includes Infrastructure Asset Management Project (Metropolitan Sub-System) in Fiscal Years 2016 through 2018.

¹ Reflects Maintenance and Operation Costs increasing at a 1% rate per Fiscal Year for personnel expenses, at a 3.5% rate per Fiscal Year for supplies and contracts, and at a 3.3% rate per Fiscal Year for energy/utilities.

² Pure Water Cost Allocation projections involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. All projections, forecasts, assumptions, expressions of opinions, estimates and the forward-looking figures are expressly qualified in their entirety by this cautionary statement. Each agency should include additional contingency they feel necessary when developing rates for this component.

² Fiscal years 2020, 2021 and 2022 include the design and construction cost for the pilot demonstration project for phase II.

³ The achievement of certain results or other expectations contained in this table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in table to be materially different from any future results, performance or achievements expressed or implied. Although, in the opinion of the Public Utilities Department, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

PROJECTED PARTICIPATING AGENCY CONTRIBUTIONS BY FISCAL YEAR - ESTIMATED POTENTIAL RANGE ¹

Participating Agency	Allocation	FY 2017 Potential Range		FY 2018 Potential Range		FY 2019 Potential Range		FY 2020 Potential Range		FY 2021 Potential Range		FY 2022 Potential Range	
Arleta Vista	10.00%	\$ 20,810,193	\$ 23,043,702	\$ 22,381,155	\$ 24,712,351	\$ 24,041,650	\$ 27,725,454	\$ 24,027,118	\$ 27,812,782	\$ 21,054,051	\$ 27,278,064	\$ 22,141,155	\$ 28,812,071
Coronado	3.00%	3,085,899	3,305,178	3,238,153	3,471,735	3,508,597	3,772,617	3,467,732	4,101,228	3,139,306	3,727,897	3,314,119	4,045,097
Del Mar	1.10%	565,808	615,105	620,652	671,510	676,811	728,637	672,502	725,868	539,532	626,861	610,148	681,100
East Otay Mesa	0.10%	69,727	76,846	74,605	82,418	83,010	92,432	89,695	98,700	69,550	722,300	70,470	89,374
El Cajon	19.00%	10,439,096	11,326,895	11,190,703	12,368,675	11,542,525	13,063,235	12,318,416	13,866,591	13,523,518	15,059,034	11,671,897	13,309,010
Imperial Beach	1.70%	3,773,510	4,013,301	3,768,374	4,050,940	3,803,621	4,119,593	4,276,845	4,533,242	3,821,357	4,593,638	3,755,004	4,306,222
La Mesa	7.60%	1,384,575	1,860,104	1,889,638	2,486,708	2,335,681	3,024,018	2,784,921	3,641,305	2,869,814	3,643,777	3,620,120	4,752,102
Lakeside/Alpine	5.30%	2,634,947	3,071,837	3,954,050	4,378,368	4,421,545	5,006,342	4,125,116	5,381,091	3,484,360	5,589,789	3,441,333	4,730,890
Lemon Grove	3.60%	3,303,043	3,760,155	3,685,770	4,248,182	3,810,509	4,327,776	4,161,798	4,754,515	3,227,007	4,723,368	3,481,607	4,217,440
National City	7.40%	1,145,021	1,609,072	1,320,749	1,801,860	1,187,541	1,616,105	1,523,732	1,944,180	1,042,714	1,395,777	1,311,179	1,635,044
Oran	1.10%	764,800	844,100	831,652	927,030	919,112	1,016,637	977,102	1,123,808	715,035	1,004,863	810,153	1,081,100
Pacific Farm	6.50%	4,520,735	4,956,588	4,812,310	5,350,160	5,135,107	5,601,401	5,523,629	6,014,101	4,710,762	5,070,915	4,841,069	5,109,182
Poway	5.10%	3,545,911	3,919,143	3,864,840	4,205,110	4,104,504	4,711,494	5,895,144	7,074,171	3,281,040	4,327,772	3,704,177	4,538,552
Spring Valley	6.60%	5,079,149	6,008,754	6,116,006	7,091,375	7,101,777	7,948,251	9,040,831	11,928,998	8,905,110	10,084,880	8,405,106	9,638,128
Wintergarden	1.00%	1,321,010	1,460,073	1,477,450	1,666,690	1,588,770	1,756,000	1,696,130	2,015,470	1,067,614	2,300,944	1,415,082	1,698,098
Total	100.00%	\$ 89,337,308	\$ 96,846,071	\$ 94,504,718	\$ 103,577,843	\$ 101,019,499	\$ 113,431,952	\$ 115,502,089	\$ 128,309,873	\$ 104,339,100	\$ 124,200,228	\$ 101,677,980	\$ 119,371,576
County	15.95%	\$ 11,054,842	\$ 12,118,110	\$ 11,862,158	\$ 13,116,707	\$ 13,205,106	\$ 14,595,027	\$ 14,326,910	\$ 16,054,774	\$ 10,444,180	\$ 10,727,174	\$ 11,841,999	\$ 14,210,399

¹ The achievement of certain results or other expectations contained in this table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in table to be materially different from any future results, performance or achievements expressed or implied. Although, in the opinion of the Public Utilities Department, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

² Pure Water Cost Allocation projections involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. All projections, forecasts, assumptions, expressions of opinions, estimates and the forward-looking nature are expressly qualified in their entirety by this cautionary statement. Each agency should include additional contingency they feel necessary when developing rates for this component.

³ Potential Range estimates are based on various scenario outcomes for O&M costs, financing proceeds, baseline CIP spending, Pure Water expenditures, and Participating Agency allocations based on sampling. Ranges may not reflect actual requirements for Participating Agency contributions based on

Attachment B

APPENDIX C

This appendix includes Metro's 2017-2026 projected Capital Improvement Project list and the anticipated District's allocation. This attachment was used to estimate the District's share of Metro's Capital Assets.



Attachment B

PUBLIC UTILITIES DEPARTMENT

ESTIMATED CIP PROJECTS FY 2017 - FY 2026

CIP PROJECTS - FUND 41508		10 YEAR TOTAL
CIP/WBS #	TITLE	
S00315	POINT LOMA - GRIT PROCESSING IMPROVEMENTS	\$ -
	TOTAL 41508	\$0

CIP PROJECTS - FUND 41509		10 YEAR TOTAL
CIP/WBS #	TITLE	
ABO00001	ANNUAL ALLOCATION-METRO TREATMENT PLANTS	\$ 3,344,451
S14000	EAM ERP IMPLEMENTATION (METRO)	\$ 3,540,000
AJB00001	ROSE CANYON TS (RCTS) JOINT REPAIR	\$ 6,488,996
ABP00002	METROPOLITAN SYSTEM PUMP STATIONS	\$ 3,792,830
S00319	EM & TS LAB ESPLANADE AND STEAM LINE RELOCATION	\$ 1,856,384
S00322	MBC BIOSOLIDS STORAGE SILOS	\$ 5,914
S00339	MBC DEWATERING CENTRIFUGES REPLACEMENT (SA)JO#141590	\$ 611,165
S00323	MBC ODOR CONTROL FACILITY UPGRADES	\$ 1,746,394
S00309	NCWRP - SLUDGE PUMP STATION UPGRADE	\$ 221,220
S00312	PUMP STATION 2 POWER RELIABILITY & SURGE PROTECTION	\$ 37,903,412
S00317	SOUTH METRO SEWER REHABILITATION PHASE 3B	\$ 8,164,957
S00314	WET WEATHER STORAGE FACILITY - LIVE STREAM DISCHARGE	\$ 5,000,000
S00099.1	VULNERABILITY MEASURES	\$ 350,000
	TOTAL 41509	\$73,026,723

With the implementation of SAP Capital Projects have WBS numbers.

Attachment B

TABLE A

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
FISCAL YEAR 2017 ESTIMATED UNIT COSTS
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2017 BUDGET		UNITS		COST PER UNIT
	AMOUNT	%			
WASTEWATER FLOW	\$91,352,734	49.0%	62,050	(a)	\$1,472.24 /per Million Gallons
SUSPENDED SOLIDS	\$50,205,080	26.9%	178,850	(b)	\$280.71 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$44,786,832	24.0%	334,705	(c)	\$133.81 /per Thousand Pounds
TOTAL	\$186,344,646	100%			

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

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Updated 1-14-16 (For January projections) P. Merino

Attachment B

TABLE B

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2017
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				expressed in percent:		
	FLOW (M)	SS (S)	COD (M)	TOTAL FLOW, SS & COD	SUSPENDED FLOW	SOLIDS	OXYGEN DEMAND
CHULA VISTA	\$8,984,628	\$4,753,591	\$4,434,302	\$18,172,521	9.84%	9.47%	9.80%
CORONADO	1,440,470	850,085	651,789	2,942,344	1.58%	1.69%	1.48%
DEL MAR	31,884	22,278	11,500	65,660	0.03%	0.04%	0.03%
EAST OTAY MESA	14,234	7,152	6,319	27,705	0.02%	0.01%	0.01%
EL CAJON	4,116,441	2,557,732	2,149,304	8,823,477	4.51%	5.09%	4.80%
IMPERIAL BEACH	1,309,518	552,861	474,741	2,337,120	1.43%	1.10%	1.06%
LA MESA	2,749,418	1,058,723	979,584	4,787,725	3.01%	2.11%	2.18%
LAKEVIEW/ALPINE	1,984,277	1,157,587	939,029	4,080,893	2.15%	2.31%	2.10%
LEMON GROVE	1,294,145	575,293	535,176	2,404,614	1.42%	1.15%	1.19%
NATIONAL CITY	2,762,513	1,345,908	1,398,518	5,506,939	3.02%	2.88%	3.12%
OTAY	115,010	381,525	157,720	654,255	0.13%	0.76%	0.35%
PADRE DAM	1,386,453	1,341,203	949,719	3,677,375	1.50%	2.67%	2.12%
POWAY	1,470,076	794,108	613,050	2,877,234	1.61%	1.58%	1.37%
SPRING VALLEY	4,127,828	1,955,312	1,782,332	7,865,472	4.52%	3.89%	3.98%
WINTERGARDENS	583,662	345,868	285,584	1,195,112	0.62%	0.69%	0.64%
SUBTOTAL PARTICIPATING AGENCIES	\$32,310,557	\$17,698,800	\$15,366,667	\$65,376,024	35.37%	35.25%	34.31%
SAN DIEGO	\$59,042,176	\$32,506,279	\$29,420,164	\$120,968,619	64.63%	64.75%	65.69%
TOTAL	\$91,352,733	\$50,205,079	\$44,786,831	\$186,344,643	100.00%	100.00%	100.00%

(a) Allocations based on estimated annual flows and strength loadings - See Table C

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Updated: 1-14-16 (For January projections) P. Merino

Attachment B

TABLE C
CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2017
SYSTEM STRENGTH LOADINGS INCLUDED

AGENCY	WASTEWATER CHARACTERISTICS			UNADJUSTED ANNUAL USE			ADJUSTED ANNUAL USE		
	AVERAGE FLOW million gallons per day	SS million pounds per day	COD million pounds per day	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.700	753	719	5,759,626	12,901	35,846	6,102,677	16,934	33,139
CORONADO	2.530	299	694	929,450	2,307	5,269	978,418	3,028	4,671
DEL MAR	0.056	354	545	20,440	60	93	21,867	79	86
EAST OTAY MESA	0.025	255	671	9,125	18	51	9,688	26	47
EL CAJON	7.230	315	789	2,638,950	6,842	17,375	2,796,032	9,112	16,062
IMPERIAL BEACH	2.300	214	548	839,500	1,500	3,838	889,471	1,870	3,546
LA MESA	4.629	195	538	1,782,585	2,873	7,819	1,867,502	3,772	7,321
LAKESIDE CAL PINE	3.400	299	722	1,259,250	3,142	7,591	1,334,206	4,124	7,018
UPHOLN GROVE	2.273	226	625	829,545	1,561	4,326	878,029	2,048	4,000
NATIONAL CITY	4.652	247	784	1,770,980	3,852	11,289	1,878,387	4,783	10,437
OTAY	0.202	1,883	2,072	73,730	1,035	1,275	78,119	1,359	1,179
RAVENS DAM	2.400	498	1,050	878,000	3,640	7,877	928,143	4,778	7,098
RODMAN	2.582	274	830	942,430	2,155	4,956	988,528	2,829	4,582
SERRINO VALLEY	7.250	240	862	2,846,250	5,307	14,406	2,803,788	6,968	13,320
WINTERGARDENS	0.946	111	759	381,360	939	2,308	382,859	1,232	2,134
SUBTOTAL PARTICIPATING AGENCIES	56,749	2,777	7,117	20,713,511	48,034	124,221	21,946,471	63,050	114,840
SAN DIEGO	103,700	279	753	37,850,500	98,221	237,827	40,103,529	115,800	219,965
REGIONAL SLUDGE RETURNS	9,551	1,460	(937)	3,485,989	42,595	(27,343)			
TOTAL	170,000	346	646	82,050,000	178,850	334,705	82,050,000	178,850	334,705

(a) Estimated flows based on sewage flow projections provided by participating agencies & San Diego December 2015 and January 2016, except for Coronado, National City and the County.

(b) SS and COD characteristics based on samples taken by Public Utilities Environmental Monitoring and Technical services division in FY 2014.
Sludge loads based on FY 2014 Mass Balance.

Mass Balance provided by the PUD Engineering & Program Management division January 13th, 2016

Attachment B

TABLE D
CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT
ALLOCATION OF FISCAL YEAR 2017 ESTIMATED BUDGET
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2017 BUDGET COSTS	FLOW %	FLOW COSTS	ALLOCATION OF COSTS				TOTAL COSTS
				\$0 %	\$0 COSTS	\$0 %	\$0 COSTS	
OPERATIONS AND MAINTENANCE								
TRANSMISSION AND SYSTEM MAINTENANCE	\$9,304,878	100.0%	\$9,304,878	0.0%	\$0	0.0%	\$0	\$9,304,878
OPERATIONS & MAINTENANCE	48,500,000	37.3%	17,324,060	33.9%	15,763,979	28.8%	13,411,971	48,500,000
TECHNICAL SERVICES	11,000,000	30.0%	3,300,000	40.0%	4,400,000	30.0%	3,300,000	11,000,000
COGENERATION	1,000,142	0.0%	0	60.0%	800,085	40.0%	400,057	1,000,142
METRO ADMIN & GENERAL EXPENSES - 41608	12,600,072	42.1%	5,308,111	31.8%	4,000,676	26.1%	3,291,284	12,600,072
METRO ADMIN & GENERAL EXPENSES - 41509	21,699,855	42.1%	9,225,688	31.5%	6,953,473	29.1%	5,720,494	21,699,855
TOTAL OPERATIONS AND MAINTENANCE	\$102,304,947	43.46%	\$44,482,928	31.00%	\$31,718,216	25.54%	\$26,123,805	\$102,304,947
CAPITAL IMPROVEMENT PROGRAM								
PAY-AS-YOU-GO METRO 41508	0	55.8%	0	22.0%	0	22.2%	0	0
PAY-AS-YOU-GO METRO 41509	15,873,628	55.8%	8,856,684	22.0%	3,491,845	22.2%	3,526,119	15,873,628
DEBT SERVICE	68,166,070	55.8%	38,033,144	22.0%	14,866,019	22.2%	15,137,909	68,166,070
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$84,039,698	55.8%	\$46,889,808	22.0%	\$18,488,864	22.2%	\$18,663,027	\$84,039,698
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$186,344,645	49.0%	\$91,352,734	28.9%	\$50,205,080	24.0%	\$44,786,832	\$186,344,645

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Updated 1-13-18 (For January projections) P. Marino



January 13, 2017

Tim Gabrielson
City Engineer
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

Dear Mr. Gabrielson:

~~Subject: Fiscal Year 2018 Estimated Sewer Service Charge~~

The Regional Wastewater Disposal Agreement (R-293125) requires San Diego to provide an estimate of Sewer Service Charges for the ensuing fiscal year. Enclosed are the Fiscal Year 2018 estimate and proposed Ten-Year Capital Improvement Plan.

The following assumptions were incorporated into the estimate for Fiscal Year 2018:

- Proposed Operations & Maintenance (O&M) Annual Budget which includes funding for Pure Water related expenses;
- Capital Improvement Program (CIP) Proposed Annual Budget, including funding related to Pure Water, Phase I expenditures ⁽¹⁾;
- Adjustments to Metro related expenses based on trending analysis;
- Adjustments to Metro related Capital expenses based on estimated execution rate and proposed State Revolving Loan Funds (SRF) funding, if applicable;
- Annual Debt Service based on debt issuance and SRF Loans payment schedules.

The enclosed estimate is \$5 million higher than the agreed upon Administrative Protocol ("Protocol") of \$65 million in estimated annual Metro contributions due to incorporation of Pure Water expenses. All the remaining provisions of the Protocol will remain in effect until revisions are embodied to a revised Protocol or into the new Regional Wastewater Disposal Agreement.

If the relied upon information changes, causing a material adjustment, a revised estimate will be issued. Potential SRF income credits, CIP execution rate, and O&M are subject to change, which may cause an increase in Participating Agencies' contributions above the estimated \$70 million. These potential variables were discussed at the Metro Technical

⁽¹⁾ CIP expenditures for Phase I for the Pure Water Program are currently anticipated through Fiscal Year 2022. Phase II and/or Phase III expenditures for the Pure Water Program are not included in projections.

Attachment C

Page 2
Tim Gabrielson
January 13, 2017

Advisory Committee on October 19, 2016 and Metro Wastewater Joint Powers Authority on October 20, 2016. If you have any questions regarding this estimate, please contact Hana Hanigan at (858) 292-6326 or hhanigan@san-diego.gov.

Sincerely,



Seth Gates
Deputy Director

EP/hkh

Enclosures: 1. Ten Year CIP Program
 2. Table A – Estimated Unit Costs FY 2018
 3. Table B – Projected Distribution of Wastewater System Costs FY 2018
 4. Table C – System Wastewater Characteristics FY 2018
 5. Table D – Allocation of Estimated Budget FY 2018

cc: Mike James, Public Works Director, City of Lemon Grove
 Stephanie Boyce, Engineering Tech III, City of Lemon Grove

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PUBLIC UTILITIES DEPARTMENT

ESTIMATED CIP PROJECTS FY 2018 - FY 2027 ⁽¹⁾

Metropolitan Sub-System Projects	10-year Total
Pure Water ⁽²⁾	\$392,049,294
Treatment Plants	\$23,671,800
Large Pump Stations	\$36,905,775
Trunk Sewers	\$21,793,200
Other	\$24,268,500
Total	\$498,688,569

Footnotes:

⁽¹⁾ Subject to change based on system need, timing, and cost.

⁽²⁾ CIP expenditures for Phase I for the Pure Water Program are currently anticipated through Fiscal Year 2022. Phase II and/or Phase III expenditures for the Pure Water Program are not included in projections.

TABLE A

**CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
FISCAL YEAR 2018 ESTIMATED UNIT COSTS
FUNCTIONAL-DESIGN COST ALLOCATION METHOD**

TREATMENT PARAMETER	FY 2018 BUDGET		UNITS	COST PER UNIT
WASTEWATER FLOW	AMOUNT \$96,933,922	% 48.5%	58,035 (a)	\$1,670.27 /per Million Gallons
SUSPENDED SOLIDS	\$54,429,252	27.3%	171,915 (b)	\$316.61 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$48,303,123	24.2%	315,725 (c)	\$152.99 /per Thousand Pounds
TOTAL	\$199,666,298	100%		

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

TABLE B
CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2018
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				expressed in percents:		
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD	FLOW	SUSPENDED SOLIDS	OXYGEN DEMAND
CHULA VISTA	\$10,091,754	\$5,629,985	\$5,164,211	\$20,885,950	10.41%	10.34%	10.69%
CORONADO	1,514,573	928,922	667,750	3,111,245	1.56%	1.71%	1.36%
DEL MAR	19,314	13,261	6,999	39,574	0.02%	0.02%	0.01%
EAST OTAY MESA	104,045	58,744	47,650	210,439	0.11%	0.11%	0.10%
EL CAJON	4,554,311	2,920,569	2,217,201	9,692,081	4.70%	5.37%	4.59%
IMPERIAL BEACH	1,432,957	608,749	545,590	2,587,296	1.48%	1.12%	1.13%
LA MESA	2,885,227	1,191,965	1,068,269	5,145,461	2.98%	2.19%	2.21%
LAKESIDE/ALPINE	1,755,684	1,060,347	895,295	3,711,326	1.81%	1.95%	1.85%
LEMON GROVE	1,419,873	665,726	611,770	2,697,369	1.46%	1.22%	1.27%
NATIONAL CITY	3,083,349	1,453,540	1,521,924	6,058,813	3.18%	2.67%	3.15%
OTAY	125,851	287,758	163,645	577,254	0.13%	0.53%	0.34%
PADRE DAM	1,545,101	1,846,289	1,213,463	4,604,853	1.59%	3.39%	2.51%
POWAY	2,323,882	1,295,572	970,775	4,590,229	2.40%	2.38%	2.01%
SPRING VALLEY	2,765,607	1,517,688	1,223,298	5,506,593	2.85%	2.79%	2.53%
WINTERGARDENS	573,806	383,219	286,937	1,243,962	0.59%	0.70%	0.59%
SUBTOTAL PARTICIPATING AGENCIES	\$34,195,334	\$19,862,334	\$16,604,777	\$70,662,445	35.28%	36.49%	34.38%
SAN DIEGO	\$62,738,588	\$34,566,918	\$31,698,347	\$129,003,853	64.72%	63.51%	65.62%
TOTAL	\$96,933,922	\$54,429,252	\$48,303,124	\$199,666,298	100.00%	100.00%	100.00%

(a) Allocations based on estimated annual flows and strength loadings - See Table C

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Updated 1/13/2017

TABLE C
CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2018
SYSTEM STRENGTH LOADINGS INCLUDED

AGENCY	WASTEWATER CHARACTERISTICS			UNADJUSTED ANNUAL USE			ADJUSTED ANNUAL USE		
	AVERAGE FLOW - mgd (a)	SS mg/l (b)	COD mg/l (b)	2018 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2018 FLOWS million gallons	SS thousand pounds	COD thousand pounds
CHULA VISTA	16.198	288	742	5,912.270	13,239	36,916	6,042.002	17,782	53,755
CORONADO	2.431	295	639	887.315	2,184	4,735	906.785	2,934	4,365
DEL MAR	0.031	330	526	11.315	31	50	11.563	42	46
EAST OTAY MESA	0.167	272	664	60.955	138	338	62.293	180	311
EL CAJON	7.310	308	706	2,666.150	6,666	15,721	2,726.697	9,225	14,492
IMPERIAL BEACH	2.300	204	552	839.500	1,431	3,868	857.921	1,923	3,566
LA MESA	4.631	199	537	1,690.315	2,803	7,574	1,727.405	3,765	6,983
LAKESIDE/ALPINE	2.818	291	740	1,028.570	2,493	6,348	1,051.140	3,349	5,852
LEMON GROVE	2.279	226	625	831.835	1,565	4,338	850.088	2,103	3,999
NATIONAL CITY	4.949	227	716	1,806.385	3,418	10,791	1,846.022	4,591	9,948
OTAY	0.202	1,100	1,885	73.730	677	1,160	75.348	909	1,070
PADRE DAM	2.480	575	1,139	905.200	4,342	8,604	925.063	5,832	7,932
POWAY	3.730	268	606	1,361.450	3,047	6,883	1,391.324	4,092	6,345
SPRING VALLEY	4.439	264	642	1,620.235	3,569	8,674	1,655.788	4,794	7,996
WINTERGARDENS	0.821	321	725	336.165	901	2,034	343.541	1,210	1,676
SUBTOTAL PARTICIPATING AGENCIES	54.886	279	702	20,033.390	46,706	117,734	20,472.980	62,735	108,534
SAN DIEGO	100.700	265	733	36,755.500	81,284	224,753	37,562.020	109,180	207,191
REGIONAL SLUDGE RETURNS	3.414	4,224	(2,574)	1,246.110	43,925	(26,762)			
TOTAL	159.000	355	652	58,035.000	171,915	315,725	58,035.000	171,915	315,725

(a) Estimated flows based on sewage flow projections provided by Participating Agencies & San Diego December 2016 and January 2017

(b) SS and COD characteristics based on samples taken by Public Utilities Environmental Monitoring and Technical services division in FY 2015
 Otay loads based on FY 2015 Mass Balance.

Mass Balance provided by the PUD Engineering & Program Management division January 9, 2017.

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Updated 1/13/2017

TABLE D
CITY OF SAN DIEGO - PUBLIC UTILITIES DEPARTMENT
ALLOCATION OF FISCAL YEAR 2018 ESTIMATED BUDGET
FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2018 BUDGET COSTS	FLOW %	FLOW COSTS	ALLOCATION OF COSTS				TOTAL COSTS
				SE %	SS COSTS	CGO %	CGO COSTS	
<u>OPERATION AND MAINTENANCE</u>								
TRANSMISSION AND SYSTEM MAINTENANCE	\$10,109,954	100.0%	\$10,109,954	0.0%	\$0	0.0%	\$0	\$10,109,954
OPERATIONS & MAINTENANCE	57,079,150	38.0%	21,673,518	33.5%	18,093,984	28.6%	16,311,848	57,079,150
TECHNICAL SERVICES	11,000,000	30.0%	3,300,000	40.0%	4,400,000	30.0%	3,300,000	11,000,000
COGENERATION	800,000	0.0%	0	60.0%	480,000	40.0%	320,000	800,000
METRO ADMIN & GENERAL EXPENSES - 41508	19,000,000	41.9%	7,963,244	31.9%	6,067,868	26.2%	4,978,689	19,000,000
METRO ADMIN & GENERAL EXPENSES - 41509	16,000,000	41.9%	6,697,468	31.9%	5,109,783	26.2%	4,192,748	16,000,000
PURE WATER O & M	4,332,118	41.9%	1,813,388	31.9%	1,383,511	26.2%	1,135,217	4,332,118
TOTAL OPERATIONS AND MAINTENANCE	\$118,321,220	43.57%	\$51,547,572	30.88%	\$36,535,145	25.66%	\$30,238,502	\$118,321,220
<u>CAPITAL IMPROVEMENT PROGRAM</u>								
PURE WATER CIP	19,845,387	55.8%	10,961,111	22.0%	4,321,548	22.2%	4,382,728	19,845,387
PAY-AS-YOU-GO METRO 41509	4,956,075	55.8%	2,765,234	22.0%	1,090,228	22.2%	1,100,615	4,956,075
DEBT SERVICE	56,743,616	55.8%	31,660,005	22.0%	12,482,333	22.2%	12,601,278	56,743,616
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$81,345,078	55.8%	\$45,388,350	22.0%	\$17,894,107	22.2%	\$18,064,621	\$81,345,078
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$199,666,298	48.5%	\$96,933,922	27.3%	\$54,429,252	24.2%	\$48,303,123	\$199,666,298

PROPOSED SEWER SERVICE RATES

The proposed sewer service rates for Fiscal Year 2017/18 through Fiscal Year 2021/22 are compared to the current sewer service rate for Fiscal Year 2016/17 in the following table:

Category	Current Rate	Proposed Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU	\$503.17	\$504.88	\$518.91	\$534.18	\$551.80	\$571.54

EDU ASSIGNMENTS PER PROPERTY CLASSIFICATION

Classification	EDU
Residential	
Single Family ¹	1.00
Condominium ¹	1.00
Multi-Family	1.00
Mobile Home	1.00
Commercial/Industrial Facilities	
a Food Service Establishments	
1 Take-out restaurants with disposable utensils, no dishwasher, and no public restrooms	3.00
2 Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premises only)	3.00
3 (i) Take-out/eat in restaurants with disposable utensils, out with seating and public restrooms ²	3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms ²	3.00
One EDU is assigned for each 6-seat unit as follows:	
0 - 18 seats ²	3.00
Each additional 6-seat unit	1.00
b Hotels and Motels	
1 Per living unit without kitchen	0.50
2 Per living unit with kitchen	0.50
c Commercial Professional, Industrial Buildings, Establishments not specifically listed herein	
1 Any office, store, or industrial condominium or establishment, First 1,000 sq. ft.	1.25
Each additional 1,000 sq. ft. or portion thereof	0.75
2 Where occupancy type or usage is unknown at the time of application for service	
First 1,000 sq. ft. of gross building floor area	1.25
Each additional 1,000 sq. ft. gross building floor area, or portion thereof	0.75
d Self-service laundry per washer	1.00
e Churches, theaters, and auditoriums per each 150 person seating capacity, or portion thereof	1.50
f Schools	
1 Elementary schools for 50 pupils or fewer	1.00
2 Junior/High Schools for 40 pupils or fewer	1.00
3 High School for 24 pupils or fewer	1.00
Additional EDUs will be prorated based upon the above values	

1 - EDU assignment shown as per dwelling unit

2 - Minimum EDU assignment is shown

NOTICE OF PUBLIC HEARING ON PROPOSED SEWER SERVICE RATES



DATE: APRIL 18, 2017
TIME: 6:00 PM

LEMON GROVE SANITATION DISTRICT
LEMON GROVE COMMUNITY CENTER
3146 SCHOOL LANE
LEMON GROVE, CA 91945

Sanitation District Board:
Racquel Vasquez
Jennifer Mendoza
Jerry Jones
David Acambula
Matt Mendoza

Lemon Grove Sanitation District
c/o District Clerk
3232 Main Street
Lemon Grove, CA 91945



NOTICE OF PUBLIC HEARING

THE LEMON GROVE SANITATION DISTRICT, IN COMPLIANCE WITH ARTICLE XIII D OF THE CALIFORNIA STATE CONSTITUTION AND THE PROPOSITION 218 OMNIBUS IMPLEMENTATION ACT, IS HEREBY NOTIFYING ALL AFFECTED PROPERTY OWNERS OF THE FOLLOWING:

- The Lemon Grove Sanitation District (the "District") is proposing to increase its sewer service rates. The proposed increases are needed to adequately fund the ongoing costs of providing sewer service to properties within the District. Revenue from the sewer service charge pays for the operation and maintenance of, and capital improvements to, the District's sewer system.
- This notice includes the proposed schedule of rates for Fiscal Year 2017/18 through Fiscal Year 2021/22. If the proposed rate increases are adopted by the District Board, the rate will become effective July 1 of each fiscal year, commencing July 1, 2017, and remain in effect until otherwise modified by the District Board. The proposed sewer service rate cannot exceed the amount adopted by the District Board without providing further written notice to property owners.

A Public Hearing on the proposed sewer service rates will be held on April 18, 2017, at 6:00 PM, or as soon thereafter as the matter may be heard, at the Lemon Grove Community Center located at 3146 School Lane in the City of Lemon Grove. The District Board will hear and consider all oral and written testimony concerning the proposed sewer service rates.

COMMENTS AND WRITTEN PROTEST

Any property owner may submit a written protest to the proposed increases to the sewer service rates; provided, however, only one protest will be counted per identified parcel. Each protest must (1) be in writing; (2) state that the identified property owner is in opposition to the proposed sewer service rates; (3) provide the location of the identified parcels (by assessor's parcel number or street address); and (4) include the signature of the property owner submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the District Clerk, or at the Public Hearing, so long as they are received prior to the conclusion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in-person to the District Clerk, that the enclosed letter is for the Public Hearing on the Proposed Sewer Service Rates.

Written protests will be tabulated pursuant to procedures adopted by the District Board. If, at the close of the Public Hearing, written protests against the proposed increases to the sewer service rates are not presented by a majority (50% plus 1) of property owners of the identified parcels upon which they are proposed to be imposed, the District Board will be authorized to adopt the proposed rates.

Prior to the Public Hearing, please mail or hand-deliver written protests to:

Lemon Grove Sanitation District
Office of the District Clerk
RE: PUBLIC HEARING ON PROPOSED SEWER SERVICE RATES
3232 Main Street
Lemon Grove, CA 91945

You may also hand-deliver written protests at the Public Hearing, to be held at:

Lemon Grove Community Center
April 18, 2017 @ 6:00 PM
3146 School Lane
Lemon Grove, CA 91945

HOW YOUR SEWER SERVICE CHARGE IS CALCULATED

The sewer service charge is an annual charge on your property tax bill and is determined based upon the classification of your property, as listed and determined in District Ordinance No. 27. Each property is assigned equivalent dwelling units (EDU) based upon such classification of property, and the number of assigned EDUs is multiplied by the Rate Per EDU to determine a property's annual sewer service charge.

Residential properties — including condominiums, townhomes, apartment buildings, duplexes, triplexes, fourplexes, and mobile home parks — are assigned one EDU for each dwelling unit. EDUs for commercial properties are assigned per one thousand square feet of improvements, and EDUs are assigned based on the number of pupils for schools. For food service establishments, EDUs are assigned per type of establishment and number of seats, and EDUs for self service laundry are assigned per washer. Hotels and motels are assigned EDUs based on living units, with or without a kitchen, and EDUs are assigned based on seating capacity for churches and auditoriums. Please see the table entitled *EDU Assignments Per Property Classification* within this notice for the full list of EDU assignments. The EDU assignment for each property classification will be the same as in previous years. Only the Rate Per EDU is proposed to change from the previous year.

For example, the Fiscal Year 2017/18 sewer service charge for a Single Family property assigned one EDU would be as follows:

$$1 \text{ EDU} \times \$584.98 \text{ per EDU} = \$584.98$$

The Fiscal Year 2017/18 sewer service charge for a three-dwelling Multi-Family property assigned three EDUs would be as follows:

$$3 \text{ EDU} \times \$584.98 \text{ per EDU} = \$1,754.94$$

BACKGROUND INFORMATION

The Lemon Grove Sanitation District, which assumed maintenance and repair of the sanitary sewer main lines from the County of San Diego on July 1, 1989, provides wastewater collection system management services for the City of Lemon Grove and its residents. These services include the transport of wastewater to the San Diego Metropolitan Wastewater Department for treatment, sewer line operations and maintenance, management of sewer finances, revenue sources and user charges, and other related duties to ensure the system continues to operate efficiently.

The increase in sewer service rates will fund: (1) the increasing costs of sewage treatment and transportation by the City of San Diego, (2) capital improvement projects of the City of San Diego related to sewage treatment and transportation, (3) District capital improvement projects, (4) the repair and rehabilitation of older sewer mains, (5) reserves for pay-as-you-go financing of the repairs and rehabilitation.

At its February 7, 2017, meeting, the District Board received and reviewed a report on a limited sewer rate analysis, prepared by the District's rate consultant, NBS. This report outlines the recommended sewer service rates for the next four fiscal years, based on the District's revenue requirements to maintain its sewer utility. Such report will be available for inspection at Lemon Grove City Hall, or at www.lemongrove.ca.gov, on or about March 4, 2017.

The District Board has also caused a written report to be prepared and filed with the District Clerk showing the proposed Fiscal Year 2017/18 sewer service charge on each property within the District. A copy of such report will also be available for inspection at Lemon Grove City Hall, or at www.lemongrove.ca.gov, on or about March 4, 2017.

For more information, please visit www.lemongrove.ca.gov.



**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 3
Mtg. Date February 7, 2017
Dept. City Attorney

Item Title: **ORDINANCE AMENDING LEMON GROVE MUNICIPAL CODE CHAPTER 8.64 (PROHIBITION OF RECREATIONAL MARIJUANA BUSINESSES) AND AMENDMENT OF LEMON GROVE MUNICIPAL CODE SECTION 17.12.070 (UNCERTAINTY OF USE CLASSIFICATIONS)**

Staff Contact: James P. Lough, City Attorney

Recommendation:

Adopt Ordinance No. 444 (**Attachment B**) amending Chapter 8.64 of the Lemon Grove Municipal Code ("LGMC") which adopts and reaffirms prohibitions against recreational marijuana dispensaries, deliveries and cultivation in all zones in the City of Lemon Grove and amends LGMC Section 17.12.070 to eliminate the ban on medical marijuana sales. .

Item Summary:

This Ordinance amends Chapter 8.64 to prohibit of recreational marijuana businesses. The Ordinance also amends LGMC Section 17.12.070 to eliminate references to prohibitions against medicinal marijuana businesses. This Ordinance reaffirms the ban on recreational marijuana sales by any means and cultivation under our current zoning rules .

Fiscal Impact:

There is no direct fiscal impact.

Environmental Review:

- | | |
|---|---|
| ☒ Not subject to review | ☐ Negative Declaration |
| ☐ Categorical Exemption, Section | ☐ Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| ☒ None | ☐ Newsletter article | ☐ Notice to property owners within 300 ft. |
| ☐ Notice published in local newspaper | ☐ Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Ordinance No. 444

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 3

Mtg. Date February 7, 2017

Item Title: **Adoption of Ordinance No. 444 an Ordinance Amending Lemon Grove Municipal Code Chapter 8.64 (PROHIBITION OF RECREATIONAL MARIJUANA BUSINESSES) and Amendment to Section 17.12.070 (UNCERTAINTY OF USE CLASSIFICATIONS)**

Staff Contact: **James P Lough, City Attorney**

Background

This Ordinance makes changes to the Lemon Grove Municipal Code ("LGMC") to confirm a ban on recreational marijuana businesses in Lemon Grove and to make other code changes that begin the steps to allow medicinal marijuana businesses in Lemon Grove pursuant to Measure V. The current language in the LGMC bans recreational and medicinal marijuana business operations. Adoption of this Ordinance will clarify that the recreational marijuana ban is still in place and that the City is taking the first of several steps to implement Measure V and its legalization of medicinal marijuana land uses.

In November 2016, the voters of California approved Proposition 64, which allowed the cultivation, processing and sale of recreational marijuana in California. The Initiative sets an implementation date for commercial operations of January 1, 2018. Proposition 64 allowed cities to ban all or part of the uses allowed under its provisions. Business & Professions Code section 26200(a), added by Proposition 64, states:

(a) Nothing in this division shall be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances to regulate businesses licensed under this division, including, but not limited to, local zoning and land use requirements, business license requirements, and requirements related to reducing exposure to second hand smoke, or to completely prohibit the establishment or operation of one or more types of businesses licensed under this division within the local jurisdiction. (*emphasis added.*)

As explained below, the City has had a ban in place for commercial marijuana businesses. First, the ban was based on nature of the City's Zoning Code. As with most zoning codes, only "permitted uses" are allowed within the City. If a use is not specifically permitted, it is not allowed. Medical marijuana uses have never been allowed in Lemon Grove. In November 2012, the Citizens of Lemon Grove voted on two ballot measures, Measures "P" and "Q", to allow medical marijuana operations in Lemon Grove. The voters rejected both and reaffirmed the ban on medicinal marijuana businesses.

Due to numerous requests to locate marijuana businesses in town, the City Council clarified that the collective sale of medical marijuana was not a permitted use in Lemon Grove. On December 2, 2014, the City added Ordinance No. 425 which added subsection C to Lemon Grove Municipal Code (LGMC) Section 17.12.070. It declares that, based on previous interpretations, marijuana dispensaries or collectives are not allowed in any zone in the City of Lemon Grove. LGMC Section 17.12.060 (Zoning-Compliance with Regulations) expressly provides that uses, which are not

Attachment A

specifically permitted, are prohibited. As medical marijuana dispensaries were not permitted by right or with a conditional use permit, they were prohibited. Further, as marijuana cultivation was not specifically permitted, it was also prohibited. However, under the 1996 Compassionate Use Act, private growing of medicinal marijuana was allowed in a residence only by a “qualified patient” or the patient’s “primary caregiver”.

On the November 2016 ballot, the voters of Lemon Grove adopted Measure “V”. This voter-sponsored initiative repeals the ban on medical marijuana businesses and allows them under the Conditional Use Permit process. City Staff is working on implementing language that must be put in place within three months of the certification of the election results at the December 20, 2016 City Council meeting. No applications will be accepted until this process is complete as required under the provisions of Measure V. Measure V does not address or limit the City Council’s authority to ban or limit recreational marijuana businesses in Lemon Grove.

State law had banned recreational marijuana until the adoption of Proposition 64. The current language of LGMC Chapter 8.64 bans recreational marijuana, to the extent that state law did not preempt the matter. However, with the adoption of Proposition 64, state law regulates, but no longer bans, commercial marijuana businesses. Therefore, it is recommended that the City Council clarify its intentions regarding recreational marijuana businesses.

Analysis:

Ordinance No. 444 serves two main purposes. First, it reaffirms the City Council policy to prohibit recreational marijuana businesses from locating in Lemon Grove. As stated above, Proposition 64 allows cities to regulate and/or outright ban recreational marijuana businesses from locating in Lemon Grove.

Prior to the adoption of Proposition 64, the City Council had approved language in LGMC Chapter 8.64 that banned marijuana, to the extent that the City could regulate a matter not preempted by the State of California. Now that the state voters have legalized commercial operations for recreational marijuana, Lemon Grove can choose to continue its ban of recreational marijuana. While the Lemon Grove voters approved medical marijuana business establishments, subject to a City Council approved Conditional Use Permit, this approval did not address or limit the authority of the City Council to ban or regulate recreational marijuana businesses.

The second purpose of Ordinance No. 444 is to repeal the portion of the Zoning Code interpretation section, LGMC Section 17.12.070(c), which indicates medical marijuana is not an allowed use. With the passage of Measure V, the voters have lifted the City Council-imposed ban on medical marijuana business operations. LGMC Section 17.12.070(c) is recommended for repeal because it is inconsistent with Measure V. Repealing this subsection does not automatically allow applications for medicinal marijuana businesses. Measure V independently establishes a timetable for implementation of the new medicinal marijuana regulations. No medical marijuana businesses are allowed in Lemon Grove until the City’s regulatory process is put in place. No business can begin operating without a valid Conditional Use Permit issued by the City Council under the provisions of Measure V.

Environmental Impact:

This Ordinance is categorically exempted from environmental review under CEQA Guideline 15321. It is a class 21 exemption in that it implements regulations of code enforcement measures that are declaratory of existing law in Lemon Grove. As a declarative measure of existing prohibitions, the action has no potential to cause either a direct change in the environment, or a reasonably foreseeable indirect physical change in the environment, and therefore does not require environmental review.

Attachment A

This Ordinance is also exempt as an implementation of ballot initiatives not subject to CEQA. This Ordinance either implements existing law or does not allow any new uses that would constitute a physical change to the environment.

Costs

There are no fiscal impacts. |

Conclusion:

Staff recommends that the City Council adopt Ordinance No. 444 by title and set the matter for adoption at the next regular city Council meeting. Further, that the City Council authorize publication of a summary of the Ordinance in a newspaper of general circulation.

Attachment B

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA, AMENDING LEMON GROVE MUNICIPAL CODE CHAPTER 8.64 (PROHIBITION OF RECREATIONAL MARIJUANA BUSINESSES) AND AMENDMENT OF LEMON GROVE MUNICIPAL CODE SECTION 17.12.070 (UNCERTAINTY OF USE CLASSIFICATIONS)

WHEREAS, the voters of the State of California adopted Proposition 64 on the November 2016 Ballot that legalizes recreational marijuana businesses throughout the state; and

WHEREAS, Proposition 64, under Business & Professions Code Section 26200(a), allow cities to determine whether they will allow commercial recreational marijuana businesses in their communities; and

WHEREAS, the City Council of the City of Lemon Grove has determined that allowing commercial recreational businesses to locate in Lemon Grove would not be in the best interests of the health, safety and general welfare of this community; and

WHEREAS, this Ordinance shall continue the ban on commercial recreational marijuana businesses in this community after the adoption of Proposition 64 and that this Ordinance is declarative of existing law; and

WHEREAS, on December 2, 2014, the City added Ordinance No. 425 that added subsection C to LGMC Section 17.12.070 which declares that, based on previous interpretations, marijuana dispensaries or collectives are not allowed in any zone in the City of Lemon Grove; and

WHEREAS, LGMC Section 17.12.060 (Zoning-Compliance with Regulations) expressly provides that uses which are not specifically permitted are prohibited. As medical marijuana dispensaries, collectives are not permitted by right or with a conditional use permit, they are prohibited. Further, as marijuana cultivation is not specifically permitted, it is prohibited; and

WHEREAS, the voters of Lemon Grove approved Measure V, which allows, subject to a Conditional Use Permit, businesses that provide medical marijuana to locate within the City of Lemon Grove; and

WHEREAS, Lemon Grove Municipal Section 17.12.070(c) and Chapter 8.64 are inconsistent with the language contained in Measure V that allows medical marijuana businesses to locate in Lemon Grove, subject to a valid Conditional Use Permit.; and

WHEREAS, the City Council finds in its independent judgement that the proposed amendments to the Municipal Code are exempt from environmental review under section 15061(b)(3) of the California Environmental Quality Act Guidelines because they entail the

Attachment B

adoption of regulations intended to maintain and improve the public health, safety and welfare and will not have a significant effect on the environment; and

WHEREAS, the City Council hereby amends Lemon Grove Municipal Section 17.12.070(c) and Chapter 8.64 so that the Lemon Grove Municipal Code is consistent with the provisions of Measure V.

NOW THEREFORE, the City Council of the City of Lemon Grove does ordain as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. This Ordinance amends Chapter 8.64 (PROHIBITION OF RECREATIONAL MARIJUANA BUSINESSES) to the Lemon Grove Municipal Code to read as follows:

Chapter 8.64 PROHIBITION OF RECREATIONAL MARIJUANA BUSINESSES

8.64.010 Definitions.

The following definitions shall be used in this Chapter as follows:

A. “Recreational marijuana business” or “business” means any facility or location, whether fixed or mobile, where Recreational marijuana is made available, grown, processed or sold for any non-medicinal purpose.

B. “Recreational marijuana cultivation” or “cultivation” means the planting, growing, harvesting, drying or processing of marijuana plants or any part thereof, and any and all associated business and/or operational activities, either as a for profit or non-profit operation.

C. “Marijuana delivery” or “delivery” means the commercial delivery, transfer or transport, or arranging for the delivery, transfer or transport, or the use of any technology platform to arrange for or facilities the commercial delivery, transfer or transport of marijuana, marijuana edibles, and/or any marijuana products to or from any location within the jurisdictional limits of the city of Lemon Grove, and any and all associated business and/or operational activities, either as a for profit or non-profit operation. (Ord. No. 444 § 2, 2017; Ord. 437 § 2, 2016.)

8.64.020 Recreational marijuana dispensaries as a prohibited use and/or activity.

A Recreational marijuana business as defined in Section 8.64.010 is prohibited in all zones within the city’s jurisdictional limits. No permit, whether conditional or otherwise, shall be issued for the establishment of such use. This ban includes the cultivation, manufacture, transportation, storage, distribution, processing, sale of recreational marijuana, and associated activities. This Chapter shall not regulate businesses with a valid Conditional Use Permit issued pursuant to Chapter 17.53 of the Lemon Grove Municipal Code. (Ord. No. 444 § 2, 2017; Ord. 437 § 2, 2016.)

8.64.030 Violations.

The provisions of this chapter shall be enforced by means of administrative, civil, and/or criminal remedies. Such remedies are cumulative and not exclusive. (Ord. No. 444 § 2, 2017; Ord. 437 § 2, 2016.)

8.64.040 Cultivation of marijuana as a prohibited use and/or activity.

Except as specifically allowed under a valid permit issued pursuant to Chapter 17.32 of the Lemon Grove Municipal Code, marijuana cultivation by any person or entity, including clinics, collectives, cooperatives and dispensaries, is prohibited in all zones within the city's jurisdictional limits. No permit, whether conditional or otherwise, shall be issued for the establishment of such activity. Any cultivation that takes place in violation of any provision of this chapter is unlawful, and is hereby declared a public nuisance. This prohibition includes the cultivation, manufacture, transportation, storage, distribution, sale of Recreational marijuana, and associated activities. Nothing in this chapter is intended to, nor shall it be construed to, make legal any cultivation activity that is otherwise prohibited under California law. Nothing in this chapter is intended to, nor shall it be construed to, preclude any landlord from limiting or prohibiting marijuana cultivation by their tenants. (Ord. No. 444 § 2, 2017; Ord. 437 § 2, 2016.)

8.64.050 Delivery of marijuana as a prohibited use and/or activity.

Recreational marijuana delivery by any person or entity, including clinics, collectives, cooperatives and dispensaries, is prohibited in the city. No permit, whether conditional or otherwise, shall be issued for the establishment of such activity. This prohibition includes the cultivation, manufacture, transportation, storage, distribution, sale of Recreational marijuana and associated activities. Any delivery that takes place in violation of any provision of this chapter is unlawful, and is hereby declared a public nuisance. Nothing in this chapter is intended to, nor shall it be construed to, make legal any delivery activity that is otherwise prohibited under California law. Nothing herein prevents the use of public streets within the City of Lemon Grove by lawful businesses pursuant to state law. (Ord. No. 444 § 2, 2017; Ord. 437 § 2, 2016.)

Section 3. Lemon Grove Municipal Code Section 17.12.070 is amended to read as follows:

17.12.070 Uncertainty of use classifications.

A. It is recognized that in the development of a comprehensive zoning ordinance, not all uses of land can be listed, nor can all future uses of lands be anticipated. The listings of uses permitted or permitted subject to a conditional use permit in each zone, or subject to a conditional use permit, are illustrative and meant to indicate the types and scales of development intended for each district. A use may have been omitted from the list of those specified as permissible in each of the various districts herein designated, or ambiguity may arise concerning the appropriate classification of a particular use within the meaning and intent of this chapter. Where such uncertainty exists, the development services director shall determine the appropriate classification for any such use.

B. If the development services director believes that the determination of the appropriateness of a particular use in a zone should be made by the city council, all pertinent

Attachment B

facts shall be transmitted to the city council for consideration at its next regular meeting. Any decision of the development services director may be appealed pursuant to Section 17.28.020 of this title. (Ord. No. 444 § 2, 2017; Ord. 434 § 2, 2015; Ord. 426 § 2, 2014; Ord. 386 § 3, 2009)

Section 4. If any section, sentence, clause or phrase of this Ordinance is determined to be invalid, illegal or unconstitutional by a decision or order of any court or agency of competent jurisdiction, then such decision or order will not affect the validity and enforceability of the remaining portions of this Ordinance. The City Council declares that it would have passed and adopted the Ordinance, and each section, sentence, clause or phrase thereof, regardless of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid or unconstitutional.

Section 5. This Ordinance, in its ban on recreational marijuana businesses, is declarative of existing law.

Section 6. This Ordinance shall be effective thirty (30) days following its adoption. Within fifteen (15) days following its adoption, the City Clerk shall publish this Ordinance, or the title thereof, as a summary as required by state law.

INTRODUCED by the City Council on January 17, 2017. **PASSED AND ADOPTED** by the City Council of the City of Lemon Grove, State of California, on February 7, 2017 by the following vote:

AYES:

NOES:

ABSENT:

Racquel Vasquez, Mayor

Attest: _____

Susan Garcia, City Clerk

Approved as to form:

James P. Lough, City Attorney