

City of Lemon Grove
City Council Regular Meeting Agenda

Tuesday, April 18, 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

Presentation

Swearing in NAACP Youth Council

San Diego County Water Authority

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

April 4, 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. Preparation and Submittal of the Urban Greening Grant Program Application

The City Council will consider a resolution approving the submittal of a grant application for segments of the Connect Main Street Project.

Reference: Stephanie Boyce, Management Analyst and Miranda Evans,
Management Analyst

Recommendation: Adopt Resolution

E. Legislative Update

The City Council will review the update on pending state legislation which the Lemon Grove City Council took a position.

Reference: Lydia Romero, City Manager

Recommendation: Note and File

F. Financial Audit Services Agreement

The City Council will consider adopting a resolution approving an agreement for financial audit services with Van Lant & Fankhanel, LLP.

Reference: Gilbert Rojas, Interim Finance Director
Recommendation: Adopt Resolution

G. Rejection of Claim

The City Council will consider rejecting a claim submitted by C. Martinez.

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

2. Wastewater Rate Case

The Lemon Grove Sanitation District will conduct a public hearing regarding the proposed rate increase, the Proposition 218 rate increase process and introduce Ordinance No. 28.

Reference: Mike James, Assistant City Manager/Public Works Director
Recommendation: Conduct Public Hearing and Introduce 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:
Two Cases

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**

April 4, 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

City Councilmembers Present:

Mayor Racquel Vasquez, Councilmember David Arambula, Councilmember Jerry Jones, Mayor Pro Tem Jennifer Mendoza, and Councilmember Matt Mendoza

City Council Members Absent:

None.

City Staff Present:

Lydia Romero, City Manager, Lt. Scott Amos, Sheriff's Department; David De Vries, Development Services Director; Daryn Drum, Division Fire Chief; Tim Gabrielson, City Engineer; Mike James, Assistant City Manager/Public Works Director; and James P. Lough, City Attorney, and Corinne Russell.

Changes to the Agenda

There were no changes to the agenda.

Public Comment

Eric Lund, San Diego East County Chamber, provided the City Council with a summary of the Homeless Task Force activities.

Lani Stacks commented on the treatment of animals at Lemon Grove Pet Store, the public comment portion of the City Council meetings, a response during the previous City Council meeting, and applied the penalty of perjury clause that her statements are true.

John L. Wood commented on vehicle drivers, speeding, traffic on Central Avenue, the use of sidewalks as bicycle lanes. He requested an update on the benefit package that is provided to the Executive Director of MTS.

Brenda Leverette commented on the amount of thrift stores in Lemon Grove, asked for communication to citizen's regarding their concerns, and issues with the Senior Center rentals.

1. **Consent Calendar**
 - A. **Approval of City Council Minutes**
March 21, 2017 Regular Meeting
 - B. **Ratification of Payment Demands**
 - C. **Waive Full Text Reading of All Ordinances and Resolutions on the Agenda**
 - D. **Rejection of Claim**
 - E. **Rejection of Claim**
 - F. **Rejection of Claim**
 - G. **Acceptance of the FY 2016-17 CIP Concrete Repair and Upgrade Program, Various Locations, Project (Contract No. 2017-06)**
 - H. **Third Amendment to Option Agreement between City of Lemon Grove and the San Diego Community Land Trust for 8084 Lemon Grove Way**
 - I. **Oppose Assembly Bill 805 (Gonzalez Fletcher)**

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

Mike Richards commented on Consent Calendar item 1.H and expressed concern related to the time extension.

Lydia Romero explained that the San Diego Community Land Trust is having difficulty meeting the new storm water requirements and Helix Water District issues.

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

Resolution No. 2017-3496: Resolution of the Lemon Grove City Council Accepting the FY 2016-17 CIP Concrete Repair and Upgrade Program, Various Locations, Project (Contract No. 2017-06) as Complete

Resolution No. 2017-3497: Resolution of the City Council of the City of Lemon Grove, California Approving an Amendment to an Option Agreement with the San Diego Community Land Trust for the Parcel Identified as 8084 Lemon Grove Way (APN 475-450-19-00)

Resolution No. 2017-3498: Resolution of the City Council of the City of Lemon Grove, California Opposing Assembly Bill 805 (Gonzalez Fletcher)

2. **Public Hearing to Consider Planned Development Permit PDP-160-0001 and Tentative Map TM0-000-0063 to Authorize a 13 Unit Single-Family Residential Subdivision with a Private and Public Park on 3.67-Acres at 1993 Dain Drive**

Michael Viglione stated that this item a request for a Tentative Subdivision Map and associated Planned Development Permit. These entitlements propose the construction of 13 Single Family residences, a private park and a public park.

The project site is accessed via private driveway from Dain Drive south of its intersection with Ildica Street. The existing Single-Family home sits at the end of this driveway on a hilltop near the geographic center of the site. The property gradually slopes downward in all directions from this high point and then slopes more steeply near the property boundaries along Dain Drive and Ildica Street. Dain Drive is improved on both sides with curb, gutter, and sidewalk and underground utilities. Ildica Street is similarly improved though the sidewalk improvements end on the south side of the street opposite Camino De Las Palmas.

Thirteen Single Family Residences with various options are proposed. These homes front along a proposed private street which takes access from Dain Drive in the location of the current driveway. Rolled curb, gutter and sidewalk are provided on both sides of the private street. An HOA landscape easement with street lights and street trees is included behind these sidewalks.

The proposed private street includes appropriate fire access and turnaround and on-street parking. With the inclusion of two-car garages and two-car driveways for each residence, the project exceeds of parking requirements.

A common landscaped private park that includes, among other things, a barbeque, swimming pool and shade structure is also provided. A permanent basketball hoop and striped court are also integrated into the emergency access turnaround. These open space areas will be restricted to residents and guests only. Retaining walls are proposed near the north end of the site, near the southeast corner and near the site entrance. Six foot high wooden sound walls are provided around and between the Single Family Residences while a partially clear six foot high sound wall is provided around the private park. Three biofiltration basins and a large street tree well are included to address storm water.

The developer also proposes to construct a public park along Ildica Street opposite Camino De Las Palmas to serve the surrounding community in lieu of paying parkland fees. Among its amenities are a play structure, shade structure and site furnishings. The City will maintain this park after construction. Landscaping in excess of code requirements, is provided on 23% of the site which results in the provision of 90 new trees. This total includes a citrus tree for each residence and 13 street trees along Dain Drive. Nine existing mature trees will also be retained on site. A bicycle rack is provided in the common area and bicycle racks will be required in each garage. The location of the site also provides for expansive views to the north and south. In exchange for these features the developer is requesting deviations to the lot frontage, open space, front yard setback and public street requirements.

Two different floor plans for the Single Family Residences are available, both of which are two-stories. Floor Plan One provides 2,565 square feet of living area, including four bedrooms, four bathrooms, and a 456 square foot two-car garage. Floor Plan Two provides 2,952 square feet of living area with four bedrooms plus a loft area, three and a half bathrooms, and a 474 square foot two-car garage. There are a total of eight different color and materials options for these two floor plans.

The Initial Environmental Study prepared for this project identified potential impacts to Cultural Resources, Geology and Soils, Noise and Mandatory Findings of Significance. These impacts are mitigated to below a level of significance. No significant impacts to traffic are proposed.

Mr. Vigilone recommended that the City Council conduct the public hearing and adopt the resolutions that certify the Mitigated Negative Declaration of Environmental Impact and conditionally approve the project.

Mayor Vasquez opened the public hearing.

Public Speaker(s)

Sameer Qasim, project applicant, provided an overview of the project and was available to answer questions.

Sami Jihad commented on the quality of the proposed housing project and will enhance the neighborhood.

Kiyoko Swayne expressed concern with noise and grading processes that might include explosions.

Jeff Pfizenmayer stated that his residence is directly across the street from the proposed project and he expressed concern with possible impacts such as headlights at the entrance of the project on Dain Drive into his residence.

Aiga Poumele asked about the back entrance and if there would be another entrance to the project other than on Dain Drive.

Bill Mowery expressed concern for ingress and egress along with the condition of Dain Drive.

John L. Wood commented on the fence height requirements in the City and noted that the project fence height.

Brenda Leverette asked questions related to the project's proposed park and its maintenance.

Larry Walsh, Walsh Engineering, answered the questions from the public and reported that there will be no explosions at the site, an entrance on Ildica Street was not an option due to various issues, there will not be a back entrance to the project, the landscape will be enhanced and trees will be added, and the fence height is 6 foot not 8 foot in height.

Tim Gabrielson noted that regards to the project entrance all site distances met engineering standards and they could evaluate an internal stop sign.

David De Vries explained that there is a park inside the project area and they will be responsible for its maintenance. There is another park planned and accessed off Ildica Street. This proposed park is vacant City's property and will be available to all residents to use. . He added it was viewed as an opportunity to provide a public park to the neighborhood. The proposed project density is under what is allowed in the City's code.

Mayor Vasquez closed the public hearing (no vote was taken to close the public hearing.)

Reginald Wallace expressed concern due to methods used to eliminate the boulders on the proposed project area, sewer main line issues, and possible drainage impacts.

Bill Mowery recommended that the entrance be removed from Dain Street and moved another area for the access road.

Jeff Pfizenmayer expressed concerns with impact with vehicle headlights and for children that play in the street.

Mark Swayne expressed concerns with possible impacts for the proposed park on the City's property.

David De Vries provided an overview of the amenities for the proposed parks. He added that the City's sewer system is sufficient to manage the additional sewer usage, and there are three drainage basins proposed to manage possible storm water run-off.

Action: Motion by Councilmember Jones, seconded by Councilmember Arambula, to close the public hearing passed, by the following vote:

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

Action: Motion by Mayor Pro Tem J. Mendoza, seconded by Councilmember Jones, to adopt the resolution approving Tentative Map and certifying Mitigated Negative Declaration ND17-01 passed, by the following vote:

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

Resolution No. 2017-3499: Resolution of the Lemon Grove City Council Approving Tentative Map TM0-000-0063 Authorizing the Subdivision of a 3.67 Acre Parcel into Thirteen Residential Lots, One Common Lot for a Private Street, and One Common Lot for a Private Park on a Site Developed with One Single-Family Residence at 1993 Dain Drive, Lemon Grove, California.

Action: Motion by Councilmember Jones, second by Councilmember Arambula, to adopt the resolution approving Planned Development Permit PDP-160-0001 passed, by the following vote:

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

Resolution No. 2017-3500: Resolution of the Lemon Grove City Council Approving Planned Development Permit PDP-160-0001 Authorizing the Development of a Thirteen Unit Single-Family Residential Project with a Private Street and Park and Off-Site Public Park On a 3.67-Acre Developed Residential Site at 1993 Dain Drive, Lemon Grove, California

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

Councilmember Jones had no reports.

Councilmember Arambula had no reports.

Councilmember M. Mendoza had no reports.

Mayor Pro Tem J. Mendoza attended the Cesar Chavez Service Clubs' breakfast, and attended the water education for Latino Leaders, League of California Cities meeting, and Lemon Grove Lyons Club pancake breakfast Little League fundraising event.

Mayor Vasquez attended the regional Taekwondo tournament event and reported on a recent LAFCO meetings.

City Manager and Department Director Reports

David De Vries reported on the quarterly City community clean-up event will be held on April 22, from 9:00 a.m. to 11:30 a.m.

Lydia Romero stated that she will be providing legislative updates to the City Council on upcoming agendas on the Consent Calendar.

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

Closed Session Report: No reportable action was taken

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 8:06 p.m.

Susan Garcia
Susan Garcia, City Clerk

City of Lemon Grove Demands Summary

Approved as Submitted:

Albert Rojas, Interim Finance Director

for Council Meeting: 04/18/17

ACH/AP Checks 03/24/17-04/05/17

698,339.64

Payroll - 03/28/17

122,224.32

Total Demands

820,563.96

Check No	Vendor No	Vendor Name	Check Date	Vendor Name	Check Amount	
CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
ACH	Feb17	Colonial Life	03/24/2017	Colonial Optional Insurance -Feb17	714.78	714.78
ACH	0480507	Aflac	03/27/2017	AFLAC Insurance 03/15/17	1,192.80	1,192.80
ACH	Feb17	San Diego County Sheriff's Department	03/27/2017	Law Enforcement Services - Feb'17	433,409.45	433,409.45
ACH	Refill 3/27/17	Pitney Bowes Global Financial Services	03/28/2017	Postage Usage 3/27/17	250.00	250.00
ACH	49040566	WEX Bank	03/29/2017	Fuel - Fire Dept - Feb'17	584.92	584.92
ACH	Mar17	Southern CA Firefighters Benefit Trust	03/29/2017	LG Firefighters Benefit Trust - Mar'17	2,630.55	2,630.55
ACH	Mar28 17	Employment Development Department	03/30/2017	State Taxes 3/28/17	6,058.55	6,058.55
ACH	Mar15-28 17	Calpers Supplemental Income 457 Plan	03/31/2017	457 Plan 3/15/17-3/28/17	4,856.97	4,856.97
ACH	Mar28 17	US Treasury	03/31/2017	Federal Taxes 3/28/17	23,889.07	23,889.07
ACH	Mar17	Dharma Merchant Services	04/03/2017	Merchant Fees - Mar'17	480.60	480.60
ACH	Mar17	Power Pay Biz/Evo	04/03/2017	Online Credit Card Processing - Mar'17	55.63	55.63
ACH	Mar17	Authorize.Net	04/04/2017	Merchant Fees In-Store & Online - Mar'17	41.72	41.72
ACH	7251685	LEAF	04/04/2017	Ricoh C3502 Copier System-PW Yard - Mar'17	174.37	174.37
ACH	Apr 2017	Pers Health	04/04/2017	Pers Health Insurance - Apr 17	50,975.53	50,975.53
ACH	Mar27-Apr5 17	Wage Works	03/22/2017	FSA Disbursement 3/27/17-4/5/17	108.39	108.39
7391	30143-IN	Aztec Landscaping Inc	03/29/2017	Landscape Mgmt Svc Feb '17	9,629.00	9,629.00
7392	762090-9 762433-9	BJ's Rentals	03/29/2017	Propane Auger/PostHole Rental -Berry St Dog Park -Water Fountain Install	14.71 71.85	86.56
7393	60933	Cantol USA Inc	03/29/2017	Grafitti Liquid Removal	358.50	358.50
7394	235-2	Circulate San Diego	03/29/2017	Caltrans SSARP Project- 12/1/16-12/31/16	2,610.00	2,610.00
7395	Feb 2017	City of Chula Vista	03/29/2017	After Hours Calls- Feb '17 Mileage & Fuel for Animal Control Veh- Feb '17	391.64 657.73	1,049.37
7396	19067	City of La Mesa	03/29/2017	Overtime Reimbursement - Hardenburger 3/11/17	665.39	665.39
7397	3/18/2017	Cox Communications	03/29/2017	City Manager/Copy Room Fax Line- 3/18/17-4/17/17	3.73	3.73
7398	3536 3536 3537	D- Max Engineering Inc	03/29/2017	Northside Commons SWQMP Review #1 - thru 3/20/17 Northside Commons Erosion Control Plan Review #2 - thru 3/20/17 LG Plaza (Starbucks)SW Post Const BMP Inspection thru 3/22/17	842.50 120.00 905.35	1,867.85
7399	204149 204176	Dell Awards	03/29/2017	Appreciation Plaque for Lt May Nameplate for City Hall Office/Mayor Vasquez	74.35 21.55	95.90
7400	12737	Duke's Root Control Inc	03/29/2017	CUPCCA # 2017-13 Annual Sewer Main Line Root Control / 8" Pipes	18,091.02	18,091.02
7401	3/20-23/17	Esgil Corporation	03/29/2017	75% Building Fees- 3/20/17-3/23/17	8,996.79	8,996.79

7402	Reimb 3/27/17	Evans, Miranda	03/29/2017	Reimb: Mileage 2/6/17-3/23/17 - Evans	139.42	139.42
7403	25186	Excell Security, Inc.	03/29/2017	Senior Center Security Guard - 3/18/17	139.72	139.72
7404	Reimb-3/22/17	Govea, Garrett	03/29/2017	Reimb: Tuition Reimb-BS Mgmt Program/Govea	425.00	J
7405	00042401	Hudson Safe-T- Lite Rentals	03/29/2017	Vinyl Flags with Dowel/Traffic Safety	112.58	112.58

7406	32484	Interwest Consulting Group	03/29/2017	Prof Svc: SSARP Grant Procurement Svc - Feb '17	1,040.00	1,040.00
7407	103729	League of California Cities	03/29/2017	2017 Local Streets & Roads Needs Assessment	400.00	400.00
7408	1436345 1436346	Liebert Cassidy Whitmore	03/29/2017	Prof Svcs: LE050-00001 General thru 2/28/17 Prof Svcs: LE050-00003 Pre-Litigation thru 2/28/17	175.00 140.00	315.00
7409	Feb17 Feb17 Feb17 Feb17 Feb17 Feb17	Lounsbery Ferguson Altona & Peak LLP	03/29/2017	General 01163-00002 - Feb '17 Code Enforcement 01163-00003 - Feb '17 Cost-Share Agreement 00023 - Feb '17 7741 Broadway 01163-00028 - Feb '17 1440 San Altos Pl 01163-00033 - Feb '17 Jesse Lane, Minor v LG 01163-00034 - Feb '17 Sanitation 01163-0002x - Feb '17	7,436.80 2,175.96 1,315.80 365.20 685.50 597.60 1,228.40	13,805.26
7410	22482P	Marken PPE Restoration	03/29/2017	Wildland Jackets/Govea/Lavigne/Lopez/Medina	499.36	499.36
7411	102416-20	MJC Construction	03/29/2017	Remove & Replace Asphalt/7670 Lemon Ave Roadway	4,500.00	4,500.00
7412	INV19966	NEOGOV/Governmentjobs.com.Inc.	03/29/2017	Job Posting: Finance Manager 12/20/16-2/19/17	175.00	175.00
7413	NEX16-226	NexTech Systems, Inc.	03/29/2017	Audible Pedestrian Push Button Light System for LGA & Brdwy	2,843.23	2,843.23
7414	206109 206110 206111 206112	Ninyo & Moore	03/29/2017	100 Celsius Project Inspection Svcs thru 2/24/17 Grove Loft Apartments Project Inspection Svcs thru 2/24/17 Hilltop Condos Project Inspection Svcs thru 2/24/17 Materials Testing/CIP Sewer Upsizing thru 2/24/17	2,089.00 2,899.25 1,832.00 3,504.00	10,324.25
7415	145362	Pacific Sweeping	03/29/2017	Street Sweeping/Parking Lot/Power Washing/Bus Shelters- Feb '17	6,655.15	6,655.15
7416	0296997	SCS Engineers	03/29/2017	Env Consulting Svc: LGA Realignment 2/1/17-2/28/17	3,258.00	3,258.00
7417	3/23/2017	SDG&E	03/29/2017	3225 Olive- 2/20/17-3/21/17	95.00	95.00
7418	547614	SealMaster	03/29/2017	PatchMaster/Pothole Repair Materials	210.00	210.00
7419	79403897 79403897 79403979 79403979	SiteOne Landscape Supply, LLC	03/29/2017	PVC Pipe/Water Line for Dog Park/Berry St Park Classic Lifeguard Hat/PW/Rodriguez Refund/Incorrect PVC Pipe/Water Line for Dog Park/Berry St Park PVC Pipe/Water Line for Dog Park/Berry St Park	781.67 10.18 781.67 83.46	93.64
7420	Feb 17 Mar 17 Apr 17	Sun Life Financial	03/29/2017	Life Insurance Premium - Feb '17 Life Insurance Premium - Mar '17 Life Insurance Premium - Apr '17	120.06 120.06 122.13	362.25
7421	0658-1	The Sherwin-Williams Co.	03/29/2017	PW Yard Striping Paint	46.94	46.94
7422	Mar28 14	Vantage Point Transfer Agents-457	03/29/2017	ICMA Deferred Compensation Pay Period Ending 3/28/17	580.77	580.77
7423	VivintSolar	Vivint Solar Inc.	03/29/2017	Refund/Vivint Solar/B17-000-0091/Withdrew Permit	119.42	119.42
7424	71396824 71396824 71401013	Vulcan Materials Company	03/29/2017	Asphalt SS1H 4.5 Gallon Bucket Asphalt	557.01 75.46 234.71	867.18
7425	C2794	A-Pot Rentals, Inc	04/05/2017	Portable Restroom Rental 3/9/17-4/8/17	132.10	132.10
7426	11496	AAA Imaging	04/05/2017	Business Cards	150.85	150.85
7427	10002	AdminSure	04/05/2017	Workers' Compensation Claims Administration - Apr'17	415.00	415.00
7428	L1072895RD	American Messaging	04/05/2017	Pager Replacement Program- 4/1/17-4/30/17	40.70	40.70
7429	611753118	American Public Works Association	04/05/2017	APWA Membership Dues- Public Agency 6/1/17-5/31/18	740.00	740.00
7430	55948	Anthem Blue Cross EAP	04/05/2017	Employee Assistance Program - Apr 17	165.00	165.00
7431	3/22/2017 94499102	AT&T	04/05/2017	Backup City Hall Internet -2/23/17-3/22/17 Fire Backup Phone Line- 2/22/17-3/21/17	75.00 37.41	112.41
7432	5656700798	AutoZone, Inc	04/05/2017	Lawn & Garden Battery - Streets Lawnmower	42.01	42.01
7433	4571036	Bearcom	04/05/2017	Portable Radios Monthly Contract 3/22/17-4/21/17	150.00	150.00

7434	762852-9	BJ's Rentals	04/05/2017	Auger/Post Hole Rental- Trees at Nichals St- 3/23/17	43.11	150.89
	763729-9			Trencher W/B Rental- Berry St Dog Park - Water Fountain 3/27/17	107.78	

7435	28475	Broadway Auto Electric	04/05/2017	LGPW#26 Truck/Sanitation - Replace Battery	232.51	232.51
7436	Jan-Mar17	California Building Standards Commission	04/05/2017	BSA Fees: Jan-Mar'17	143.10	143.10
7437	38059	California Skateparks	04/05/2017	Skate Park Expansion- Cast Components & Metal Fab- thru 3/31/17	58,750.00	58,750.00
7438	FSA-Dec 16	Cappiello, Marjorie	04/05/2017	FSA Reimb - Cappiello 8/7/16-9/12/16	404.36	404.36
7439	694325367 694327907	Cintas Corporation #694	04/05/2017	Janitorial Supplies - 3/23/17 Janitorial Supplies - 3/30/17	184.16 247.67	431.83
7440	19069	City of La Mesa	04/05/2017	Overtime Reimbursement - Doig 3/4/17	1,330.79	1,330.79
7441	2017	City of Tustin	04/05/2017	CalPACS Membership 1/1/17-12/31/17	1,500.00	1,500.00
7442	17CTOFLGN09	County of San Diego- RCS	04/05/2017	800 MHZ Network - Mar '17	2,860.00	2,860.00
7443	3/20/2017	Cox Communications	04/05/2017	Phone/PW Yard/2873 Skyline- 3/19/17-4/18/17	210.83	210.83
7444	3539	D- Max Engineering Inc.	04/05/2017	100 Celsius Post Construction & Inspections thru 3/28/17	835.35	835.35
7445	204176 204245	Dell Awards	04/05/2017	City Hall Door Nameplate- Mayor Vasquez City Council Nameplate- Lt. Amos/Sheriff's Dept.	21.55 10.78	32.33
7446	Jan-Mar 17	Department of Conservation	04/05/2017	Qtrly SMIP Fees - Jan-Mar'17	349.50	349.50
7447	05EB48	DMV	04/05/2017	Registration for PW Trailer	52.00	52.00
7448	0324172305	Domestic Linen- California Inc.	04/05/2017	Shop Towels & Safety Mats 3/24/17	96.40	96.40
7449	3/27-30/17	Esgil Corporation	04/05/2017	75% Building Fees- 3/27/17-3/30/17	3,026.32	3,026.32
7450	225623	Evans Tire & Service Center	04/05/2017	LGPW #04 Truck - 2 Tires/Valve Stems/Balance	272.54	272.54
7451	108169987	Globalstar USA, Inc.	04/05/2017	Satellite Service 2/16/17-3/15/17	100.90	100.90
7452	28890801	Hawthorne Machinery Co	04/05/2017	Equip Rental- Caterpillar/Backhoe/Bakersfield Channel-1/25-26/17	532.24	532.24
7453	33389	Hunter's Nursery Inc.	04/05/2017	Crepe Myrtle Tuscarora/Nichals St & Sidewalk	484.87	484.87
7454	179	Janazz, LLC SD	04/05/2017	Computer Maintenance - Apr 17	2,500.00	2,500.00
7455	LaRussa	La Russa, Dominic F.	04/05/2017	Notary Fees for 20A Undergrounding Permit/LGA Realignment	30.00	30.00
7456	201717	Lemon Grove Car Wash, Inc.	04/05/2017	Supreme Car Wash - LGPW#28 Chevy Colorado	35.99	35.99
7457	31075147 31075869	RCP Block & Brick, Inc.	04/05/2017	Bulk Pea Gravel/Crushed Rock/Concrete- Berry St Dog Park Bulk Fertilized Soil - Skate Park	85.25 58.19	143.44
7458	FSA 2016	Romero, Lydia	04/05/2017	FSA 2016 - #2 - Romero	710.83	710.83
7459	2/20/2017	SDG&E	04/05/2017	3500 1/2 Main- 2/20/17-3/21/17	181.88	181.88
7460	1571	Smart Cover Systems Inc.	04/05/2017	Rnwl: SmartFLOE- Website Access, Updates, Satellite Connectivity	3,545.66	3,545.66
7461	483705 483706	South Coast Emergency Vehicle Services	04/05/2017	Light/Code-3/LED - E10 Handle Bracket Assembly	334.18 331.49	665.67
7462	854138	Superior Ready Mix Concrete LP	04/05/2017	Emulsion Oil - Pothole Repair/Drexel Dr Berm Work	80.81	80.81
7463	9782020607 9782482708 9782465121 9782019991	Verizon Wireless	04/05/2017	Mobile Broadband Access- 2/13/17-3/12/17 MDC Engine Tablets- 2/21/17-3/20/17 EOC Router/Emergency Phone Lines/Tablets- 2/21/17-3/20/17 PW Tablets- 2/13/17-3/12/17	76.02 190.05 361.07 188.78	815.92
					698,339.64	698,339.64

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.D
Mtg. Date April 18, 2017
Dept. Public Works

Item Title: **Preparation and Submittal of the California Climate Investments Urban Greening Program Grant Application**

Staff Contact: Stephanie Boyce, Management Analyst and Miranda Evans, Management Analyst

Recommendation:

Adopt a resolution (**Attachment B**) approving the preparation and submittal of the Urban Greening Grant Program Application.

Item Summary:

The Urban Greening Grant Program is funded by Greenhouse Gas Reduction Funds (GGRF) and administered by the State of California Natural Resources Agency. In 2016, SB 859 was signed into law authorizing the expenditure of \$1.2 billion in Cap and Trade revenues for projects aimed to reduce Greenhouse Gas (GHG) emissions. The California Resources Agency was allocated \$80 million to its Urban Greening Program specifically for green infrastructure that reduces GHG emissions by sequestering carbon, decreasing energy consumption and reducing vehicle miles traveled while also transforming the built environment into places that are sustainable, enjoyable, and effective in creating healthy and vibrant communities. These projects will establish and enhance parks and open spaces, using natural solutions to improving air and water quality and reducing energy consumption, and creating more walkable and bikeable trails.

Staff identified six (of the seven total) segments of the Connect Main Street Project design as an eligible project under the grant requirements. This portion of the Connect Main Street Project (**Attachment A – Exhibit 1**) will transform a 1.3 mile-long corridor of Main Street into a linear park that will incorporate native plant palettes, park related amenities and activity areas, a safe walkable pedestrian path and bikeable trails for all users. The linear park will support Connect Main Street's vision by connecting people, places and activities for generations to come.

Staff requests that the City Council adopts a resolution (**Attachment B**) approving the preparation and submittal of the City's application for the Urban Greening Grant Program to the California Natural Resources Agency no later than May 1, 2017.

Fiscal Impact:

None.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 500 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

Attachment A

A. Staff Report

B. Resolution

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 1.D

Mtg. Date April 18, 2017

Item Title: **Preparation and Submittal of the California Climate Investments Urban Greening Program Grant Application**

Staff Contact: Stephanie Boyce, Management Analyst and Miranda Evans, Management Analyst

Discussion:

In September 2016, the Greenhouse Gas Reduction Fund (GGRF) authorized the expenditures of \$1.2 billion in Cap and Trade revenues and the California Natural Resources Agency was allocated \$80 million to its Urban Greening Program (UGP). As defined in the grant guidelines, the California Natural Resources Agency is the agency responsible for developing and implementing the program.

The grant provides funding to reduce Greenhouse Gas (GHG) emissions and provides multiple additional benefits, including, but not limited to, a decrease in air and water pollution or a reduction in the consumption of natural resources and energy. Eligible projects will result in the conversion of an existing built environment into green space that uses natural and green infrastructure approaches to create sustainable and vibrant communities. Project areas authorized by UGP must be located within a .5 mile radius of a disadvantaged community and connected to an urban area.

Proposed Project

Staff took into account the expected outcomes of the UGP and available project areas in the City and identified six segments of the Connect Main Street Project as eligible sites under the grant requirements. The project is strategically designed to provide the community with safe routes for travel between residences, commercial centers, workplaces, schools, and neighboring jurisdictions. The proposed segments for UGP funding include the remainder of Broadway to Central Ave., Central to San Miguel, San Miguel to Mt. Vernon, Mt. Vernon to Main Street Cul-de-Sac, Main Street Cul-de-Sac to San Pasqual and San Pasqual to Massachusetts.

If the resolution is approved, staff will submit an application to the California Natural Resources Agency for consideration. If awarded funds, almost two miles of new park and green space will be constructed along Main Street. The park space created is anticipated to comply with UGP priorities and reduce greenhouse gas emissions by creating a safe, walkable pedestrian path and bikeable trail that will connect the community to public transportation and the City's Downtown Village. The landscaping proposed is significant and will sequester CO₂ emissions and assist the City with reducing greenhouse gas emissions while enhancing the natural environment, in compliance with SB 859 statutory requirements.

Grant Limitations

Eligible UGP projects must achieve one of two measurable benefits:

1. Acquire, create, enhance, or expand community parks and green spaces, and/or
2. Use natural systems or systems that mimic natural systems to achieve multiple benefits.

Attachment A

Staff believes Connect Main Street will achieve both measurable benefits and will comply with SB 859 statutory requirements. The focus of the grant is urban greening, and as such, project priorities will need to be shifted to allow staff to comply with the grant requirements, if funding is awarded. Upon review of the grant requirements, staff anticipates the following deviations from the approved conceptual plans will be necessary:

- Trees to be funded by the grant cannot exceed 15-gallons in size whereas 24" box trees were originally proposed in the project's conceptual landscape plan;
- Recreational amenities are not considered eligible for funding under the grant requirements;
- The thematic and artistic elements of the project, such as gateway signs and interpretive panels, are not considered eligible for funding under the grant requirements.

Additional funding for Connect Main Street's recreational, artistic and thematic elements will be pursued as future grant opportunities become available. This approach is in accordance with the direction staff received from the City Council in 2016 to construct the project from north to south, first in segments then in layers. It is notable that under the grant requirements, up to 25% of the funds awarded may be used towards the planning and design of the project. Staff expects the full 25% allocation will be required to take the existing 30% construction documents to 100% completion.

Estimated Project Cost

Staff's cost estimate for this project is \$7,317,962. An estimated project cost breakdown is listed below:

Description	Amount
Design Costs	\$1,238,585
Rehabilitation Costs	\$4,954,339
Const. Mgt./Inspection/Permits	\$459,769
Project Contingency ~ 10%	\$665,269
Total	\$7,317,962

Submittal of Grant Application

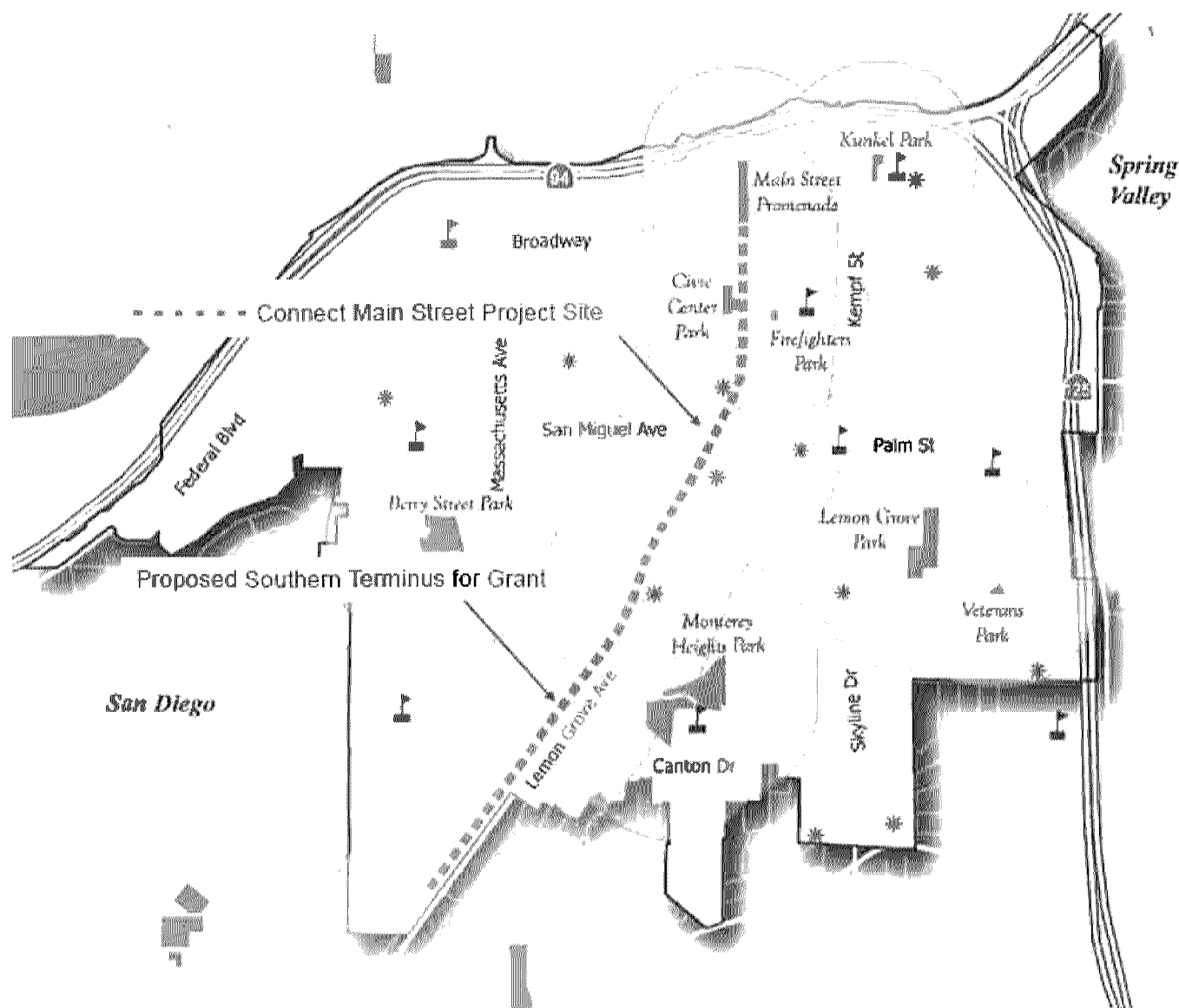
The UGP anticipates one funding cycle with approximately \$76 million available to award in that cycle of which no matching funds are required. Staff expects this to be a highly competitive grant program. There are no minimum grant amounts for this grant program and maximum award amounts are not specified either. Staff's cost estimate for this project is an estimate based on the 30% design completed by Michael Baker International in 2016. Staff remains cautiously optimistic that the final project cost will remain the same or decrease.

After completing the grant application, staff will submit the package to the California Natural Resources Agency for review. The California Natural Resources Agency is expected to review and approve all grant applications by Fall 2017.

Conclusion:

Staff recommends that the City Council adopts a resolution (**Attachment B**) approving the preparation and submittal of the Urban Greening Grant Application.

Attachment A – Exhibit 1



RESOLUTION NO. 2017-_____

RESOLUTION OF THE LEMON GROVE CITY COUNCIL APPROVING THE APPLICATION FOR GRANT FUNDS FOR THE CALIFORNIA CLIMATE INVESTMENTS URBAN GREENING PROGRAM)

WHEREAS, the Connect Main Street Project will create a community corridor that supports active lifestyles and transportation choices in the City by providing a safe, beautiful, and sustainable linear parkway to connect people, places, and activities; and

WHEREAS, the Project area is an approximate two-mile long corridor that runs parallel and to the west of the San Diego Metropolitan Transit System (MTS) Orange Trolley Line from Broadway to the northern terminus of Akins Avenue and includes private properties, existing public rights-of-way (ROW) within or adjacent to Main Street, utility easement areas, and an adjacent drainage channel within the City of Lemon Grove; and

WHEREAS, the Connect Main Street Project along Main Street between Broadway and Massachusetts Avenue, an area approximately 1.3 miles long, falls within the disadvantaged community designation and is an eligible project site under the Urban Greening Program requirements; and

WHEREAS, the cost to improve said segments of the Connect Main Street Project is beyond the City's financial capacity; and

WHEREAS, the City wishes to apply for a grant for State financial assistance through the Urban Greening Grant Program; and

WHEREAS, the goals of the grant are to reduce GHG emissions by sequestering carbon, decreasing energy consumption and reducing vehicle miles traveled; and

WHEREAS, the identified project is estimated to cost \$7,317,962 to complete; and

WHEREAS, the Legislature and Governor of the State of California have provided funds for the program shown above; and

WHEREAS, the California Natural Resources Agency has been delegated the responsibility for the administration of this grant program, establishing necessary procedures; and

WHEREAS, said procedures established by the California Natural Resources Agency require a resolution certifying the approval of application(s) by the Applicants governing board before submission of said application(s) to the State; and

WHEREAS, the applicant, if selected, will enter into an agreement with the State of California to carry out the Project ;

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

1. Approves the filing of an application for the Connect Main Street Project;
2. Certifies that applicant understands the assurances and certification in the application, and

Attachment B

3. Certifies that applicant or title holder will have sufficient funds to operate and maintain the project consistent with the land tenure requirements; or will secure the resources to do so, and
4. Certifies that it will comply with the provisions of Section 1771.5 of the State Labor Code, and
5. If applicable, certifies that the project will comply with any laws and regulations including, but not limited to, legal requirements for building codes, health and safety codes, disabled access laws, environmental laws and, that prior to commencement of construction, all applicable permits will have been obtained, and
6. Certifies that applicant will work towards the Governor's State Planning Priorities intended to promote equity, strengthen the economy, protect the environment, and promote public health and safety as included in Government Code Section 65041.1, and
7. Appoints the City Manager or designee, as agent to conduct all negotiations, execute and submit all documents including, but not limited to applications, agreements, payment requests and so on, which may be necessary for the completion of the aforementioned project(s).

/////
/////

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.E
Mtg. Date April 18, 2017
Dept. City Manager

Item Title: Legislative Update

Staff Contact: Lydia Romero, City Manager

Recommendation:

Note and File

Item Summary:

Attachment A is an update on pending state legislation which the Lemon Grove City Council took a position.

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:

Attachment A – Legislative Update

Attachment A

2017 Legislative Update

This is an update on legislative measures that the Lemon Grove City Council has previously taken a position.

Senate Bill 1 Transportation by Senator Beall

Summary:

SB 1 would increase gas taxes, vehicle licenses fees, and other transportation related fees to generate revenue for state and local jurisdictions to rehabilitate and rejuvenate California's aging road and bridge system. Currently, there is an approximate \$130 billion maintenance backlog of the State's highways, bridges and local roads. The backlog is comprised of approximately \$59 billion for State highways and \$73 billion for local streets, roads and bridges. This is a \$5.2 billion funding package with includes \$1.5 billion for local streets and roads.

This means an increase in funding for our local roads by 200%. Projected funding for FY17/18 is \$750,000 and FY 18/19 \$1 million.

Status

Awaiting Governor Brown's Signature

Passed Senate – 27 – 11 – 2 did not vote

Passed Assembly - 54 - 26

Local votes cast:

Assembly Member Weber - Yes

Senator Anderson – Did not vote on the measure

Assembly Bill 805 by Assembly Member Gonzalez Fletcher

Summary:

Assembly Bill 805 is a measure that would change the voting structure and board make up of SANDAG, MTS, and NCTD. The measure would create a new standing committee for SANDAG and allow both MTS and NCTD to propose and levy future taxes within their district boundaries.

This measure would have a negative impact on small cities like Lemon Grove by essentially making their participation on SANDAG negligible at best. The bill would eliminate the current one city one vote rule by creating a weighted voting structure based on population thereby giving the two largest cities, City of San Diego and City of Chula Vista virtual control of the SANDAG board. Should AB 805 become law, the many changes prescribed would concentrate all control of SANDAG to two largest cities in the county, City of San Diego and City of Chula Vista and make Lemon Grove's voice insignificant.

Status

Scheduled to be heard in Assembly Local Government Committee on April 19, 2017.

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.F
Mtg. Date April 18, 2017
Dept. Finance

Item Title: Financial Audit Services Agreement

Staff Contact: Gilbert Rojas, Interim Finance Director

Recommendation:

Adopt a resolution (**Attachment B**) approving an agreement for financial audit services with Van Lant & Fankhanel, LLP

Item Summary:

On February 15, 2017, the City released a Request for Proposals (RFP) for financial audit services. The RFP asked firms to provide a statement of qualifications and experience, an explanation of approach and tentative schedule for the audit, and a minimum of five (5) references.

One firm responded to the RFP. The staff report (**Attachment A**) provides an analysis of the response.

Fiscal Impact:

The anticipated Fiscal Year 2017-18 cost for the audit will be \$31,000. This includes \$27,500 for audit services, \$2,000 for single audit (which may not be required), \$2,500 for 3 State Controllers Reports.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution (with Agreement for Professional Services)

LEMON GROVE CITY COUNCIL STAFF REPORT

Item No. 1.F

Mtg. Date April 18, 2017

Item Title: **Financial Audit Services Agreement**

Staff Contact: Gilbert Rojas, Interim Finance Director

Discussion:

On February 15, 2017, the City released a Request for Proposals (RFP) for financial audit services. The RFP asked firms to provide an affirmative statement that the firm is independent of the City, a statement of qualifications and experience, an explanation of approach and tentative schedule for the audit, and a minimum of five (5) references. Additionally, the RFP required a separate itemized maximum fee schedule.

Only one firm responded with a proposal:

- Van Lant & Fankhanel, LLP

Staff contacted references provided by the firm. Van Lant & Fankhanel, LLP (VLF) received outstanding references from the five cities that staff contacted. All of these cities were small cities that VLF has audited a number of years.

The advantages of engaging the services of Van Lant & Fankhanel include the following:

- Staff has determined that VLF proposed fee schedule is reasonable;
- VLF received 100 percent positive feedback from cities contacted by staff;
- The partners, and staff at VLF have extensive experience in auditing local government entities.

Staff recommends that the City Council consider the appointment of Van Lant & Fankhanel, LLP. Staff has prepared a resolution (**Attachment B**) authorizing the execution of an agreement between the City and Van Lant & Fankhanel, LLP.

Included with the resolution is the City's Standard Agreement for Professional Services for a term of three years. However, the City Council has the ability to terminate the Agreement at any time with a 15-days' notice. This provision provides flexibility in deciding whether to continue with the same audit firm for the duration of the Agreement's three-year term or issue a new RFP before the end of the term.

Conclusion:

Staff recommends that the City Council adopt the resolution (**Attachment B**) awarding the contract to Van Lant & Fankhanel, LLP.

RESOLUTION NO. 2017-__

RESOLUTION OF THE LEMON GROVE CITY COUNCIL AUTHORIZING EXECUTION OF AN AGREEMENT BETWEEN THE CITY OF LEMON GROVE AND VAN LANT & FANKHANEL, LLP TO PROVIDE FINANCIAL AUDITING SERVICES

WHEREAS, on February 15, 2017, the City Council authorized the release of a Request for Proposals for Audit Services; and

WHEREAS, one firm responded to the Request for Proposals (RFP) and the response were evaluated using criteria identified in the RFP; and

WHEREAS, after evaluating the firms qualified based on RFP criteria and reference checks, it is in the best interest of the City Council to select Van Lant & Fankhanel, LLP to provide financial audit services; and

WHEREAS, an agreement for financial auditing services has been prepared to commence audit services for Fiscal Year 2016-17.

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

1. Approves the Agreement for Professional Services (**Exhibit 1**) with Van Lant & Fankhanel, LLP to provide financial audit services; and
2. Authorizes the City Manager to execute said agreement.

CITY OF LEMON GROVE AGREEMENT FOR PROFESSIONAL FINANCIAL AUDITING SERVICES

This agreement is entered into the eighteenth day of April 2017, by and between the City of Lemon Grove ("CITY") and Van Lant & Fankhanel, LLP ("AUDITOR");

Section 1. RECITALS.

CITY desires to employ an audit firm to provide professional audit services. CITY has determined that AUDITOR is qualified by experience and ability to perform the desired services and that AUDITOR is willing to perform those services.

Section 2. ENGAGEMENT OF CONTRACTOR.

CITY agrees to engage AUDITOR to perform and AUDITOR agrees to perform the services outlined in "AUDITOR'S proposal" dated March 22, 2017, and Exhibit C (City of Lemon Grove Request for Proposals for Audit Services). AUDITOR represents that all professional services will be performed directly by AUDITOR or under AUDITOR's direct supervision.

Section 3. PROJECT COORDINATION AND SUPERVISION.

The Finance Manager is the Project Coordinator for the CITY and will monitor the progress and execution of this agreement.

Section 4. SCOPE OF SERVICES.

Any professional services performed by AUDITOR before AUDITOR receives written authorization to proceed will be treated as having been done at AUDITOR's own risk and on a volunteer basis.

AUDITOR will, in a professional manner, furnish all labor and all personnel; all supplies, materials, equipment, printing, vehicles, transportation, office space, and facilities; all testing, analyses, and calculations; and all other means, except as otherwise expressly specified to be furnished by the CITY, that are necessary or proper to complete the work and provide the required professional services.

AUDITOR will meet the deadlines imposed by the Project Coordinator, as outlined in Request for Proposal issued by City. When a delay occurs, AUDITOR must immediately notify the Project Coordinator in writing of the cause and the extent of the delay. The Project Coordinator will ascertain the facts and the extent of the delay and, when justified by the circumstances, may grant an extension of time for the completion of the professional services. A delay caused by circumstances beyond AUDITOR's control will be reason for granting an extension of time for completing services. When delays are not sufficiently justified, in the Project Coordinator's sole discretion, liquidated damages of one hundred dollars (\$100) per late report per day will be levied.

Section 5. TOTAL COST AND PAYMENT.

The total cost for all work and deliverables (including the optional reports) specified in the Auditor's Proposal is not to exceed Thirty One Thousand Dollars (\$31,000) for the Fiscal Year ending June 30, 2017. AUDITOR will submit to CITY detailed invoices, describing work performed and the associated costs. CITY will pay AUDITOR for undisputed invoiced amounts within thirty (30) days of receiving an invoice.

Exhibit 1

Section 6. LENGTH OF AGREEMENT.

This agreement is effective as of the date noted above. The agreement will terminate when all work is complete for fiscal years ending June 30, 2017, 2018 and 2019, with the option of extensions to fiscal years ending June 30, 2020 and 2021 (after acceptable cost proposals for each year), unless terminated earlier under Section 10 of this agreement.

Section 7. CHANGES.

CITY may change the requested services within the general scope of this agreement. Changes may consist of additions, deletions, or other revisions; and the contract sum and the contract time will be adjusted accordingly. All changes must be authorized in writing and executed by AUDITOR and CITY.

Section 8. OWNERSHIP OF MATERIALS.

All documents, data, reports, work papers, and other materials including any electronic files prepared by AUDITOR under this agreement are the property of CITY.

Section 9. STANDARD PROVISIONS.

AUDITOR will not discriminate against, harass, or allow the harassment of an employee or applicant for employment because of race, color, religion, sex, or national origin. AUDITOR also will not discriminate against, harass, or allow the harassment of any qualified individual with a disability. AUDITOR will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, sex, age, marital status, or national origin and will make reasonable accommodation to qualified individuals with disabilities. Affirmative action includes, but is not limited to, the following: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. AUDITOR will post in conspicuous places accessible to employees and applicants for employment all notices provided by CITY that describe the provisions of this non-discrimination clause.

Section 10. TERMINATION.

Either party may terminate this agreement at any time, by giving the other party at least fifteen (15) days written notice and specifying the effective date of the termination.

AUDITOR must provide the originals of all finished and unfinished documents, data, studies, reports, or other materials prepared under this agreement to CITY by the effective date of termination. AUDITOR is entitled to equitable compensation for any work completed, up to the effective date of notice of termination. Compensation may not exceed the total costs authorized in Section 5.

Section 11. INTEREST OF CONTRACTOR.

AUDITOR (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by this agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of AUDITOR's services hereunder. AUDITOR further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this agreement.

Exhibit 1

AUDITOR is not a designated employee within the meaning of the Political Reform Act because AUDITOR:

- a. will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the CITY or of any CITY official, other than normal agreement monitoring; and
- b. possesses no authority with respect to any CITY decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

Section 12. ASSIGNABILITY.

This agreement may not be assigned by either party without the prior written approval of the other.

Section 13. INDEPENDENT CONTRACTOR.

AUDITOR and any subcontractors employed by AUDITOR are independent contractors and not employees of CITY. Under any provision in this agreement that may appear to give CITY the right to direct AUDITOR or subcontractors regarding the details of the work or to exercise a measure of control over the work, AUDITOR will follow CITY's direction only regarding the end results of the work.

Section 14. NO AGENCY.

AUDITOR is not an agent of CITY's and may not make any contracts or commitments for or on behalf of CITY without CITY's prior written consent.

Section 15. AUDIT OF RECORDS.

At any time during normal business hours and as often as necessary, AUDITOR must make available to CITY all records pertinent to this agreement and must permit CITY to audit, examine, and reproduce those records. AUDITOR will retain financial and program service records for at least five (5) years after termination of or final payment under this agreement.

Section 16. INSURANCE/WORKER'S COMPENSATION.

AUDITOR will maintain worker's compensation insurance for all work performed under this agreement. The insurance must meet levels required by the State of California and comply with requirements for CITY employees. Additionally, AUDITOR will maintain other insurances as outlined in Attachment B, Section V.

Section 17. DISPUTE RESOLUTION.

Claims or disputes that arise out of this agreement and cannot be settled through negotiation may be submitted to mediation, upon written agreement by both parties. CITY and AUDITOR agree to cooperate in good faith to promptly select a mediator, to schedule a mediation session, and to attempt to settle the claim or dispute.

Exhibit 1

Section 18. NOTICES.

All communication to a particular party is deemed made when received by that party at the following name and address:

Auggie Matt
Finance Manager
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945

Greg Fankhanel
Partner
Van Lant & Fankhanel, LLP
25901 Kellogg Street
Loma Linda, CA 92354

Written communication is conclusively deemed to have been received by the addressee five (5) days after it is deposited in the United States Mail, postage prepaid and properly addressed.

Section 19. TIME IS OF THE ESSENCE.

Time is of the essence for every provision of this agreement that states a time for performance and for every deadline imposed by the Project Coordinator.

Section 20. HOLD HARMLESS.

To the fullest extent permitted by law, AUDITOR shall defend (with legal counsel reasonably acceptable to the CITY), indemnify and hold harmless CITY and its officers, agents, departments, officials, representatives and employees (collectively "Indemnitees"), from and against any and all claims, loss, cost, damage, injury (including, without limitation, injury to or death of an employee of AUDITOR or its Subcontractors), expense and liability of every kind, nature and description (including, without limitation, incidental and consequential damages, court costs, attorneys' fees, litigation expenses and fees of expert contractors or expert witnesses incurred in connection therewith and costs of investigation) that arise out of, pertain to, or relate to, directly or indirectly, in whole or in part, the negligence, recklessness, or willful misconduct of AUDITOR, any Subcontractor, anyone directly or indirectly employed by them, or anyone that they control (collectively "Liabilities"). Such obligations to defend, hold harmless and indemnify any Indemnitee shall not apply to the extent that such Liabilities are caused by the sole negligence, active negligence, or willful misconduct of such Indemnitee.

To the extent there is an obligation to indemnify under this Section 20, AUDITOR shall be responsible for incidental and consequential damages resulting directly or indirectly, in whole or in part, from AUDITOR's negligence, recklessness, or willful misconduct.

Section 21. SEVERABILITY.

If a portion of this agreement is determined to be invalid or unenforceable, the rest of the agreement is not affected and remains valid and enforceable.

Section 22. BINDING.

This agreement is binding upon and inures to the benefit of each party's heirs and successors.

Section 23. GOVERNING LAW.

This agreement is governed by and will be construed in accordance with the laws of the State of California. Any action brought to enforce or interpret any portion of this agreement must be brought in San Diego County, California.

Section 24. ENTIRE AGREEMENT.

This document sets forth the entire understanding of the parties regarding the rendering of professional services. All other agreements and understandings are superseded by this document and do not affect this document in any way.

CITY OF LEMON GROVE

Van Lant & Fankhanel, LLP

Lydia Romero, City Manager

Greg Fankhanel, Partner

Date

Date

**LEMON GROVE CITY COUNCIL
AGENDA ITEM SUMMARY**

Item No. 1.G
Mtg. Date April 18, 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 Cecilia Martinez.

Item Summary:

On March 14, 2017, the City of Lemon Grove received a timely claim from Cecilia Martinez. After reviewing the claim staff recommends that it is rejected.

Fiscal Impact:

None.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

None.

**LEMON GROVE SANITATION DISTRICT
AGENDA ITEM SUMMARY**

Item No. 2
Mtg. Date April 18, 2017
Dept. Public Works

Item Title: Wastewater Rate Case

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

Recommendation:

Staff recommends that the District Board:

1. Conduct a public hearing,
2. Make a finding regarding the number of written protests received, and
3. Introduce and conduct first reading, by title only, of Ordinance No. 28 (**Attachment C**).

Item Summary:

On February 7, 2017, the District Board (Board) received a technical memorandum from staff that outlined four wastewater rate alternatives, recommended new reserve funds, and established a target reserve amount for each reserve fund. After discussing the information, the Board selected the rate alternative to implement a 5.75 percent increase for five years, created a pure water reserve fund, created a connection fee fund, and directed staff to move forward with the public noticing process (**Attachment D**) to adhere to Proposition 218 requirements.

The staff report (**Attachment A**) describes the District's background information regarding sanitation district rates approved and implemented, reviews key points in the technical memorandum (**Attachment B**) prepared by NBS Governmental Finance Group, and concludes with staff's recommendation to conduct a public hearing, introduce and conduct first reading of Ordinance No. 28 (**Attachment C**).

Fiscal Impact:

In Fiscal Year 2017-2018, a 5.75 percent increase will increase the cost per equivalent dwelling unit from \$553.17 to \$584.98 per year. The annual increase of \$31.81 equates to an increase of \$2.65 per month during the first year of rate study period.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft |
| <input type="checkbox"/> Notice published in local newspaper | | <input type="checkbox"/> Neighborhood meeting |

Attachments:

- | | |
|-------------------------|---------------------------|
| A. Staff Report | D. Proposition 218 Notice |
| B. Technical Memorandum | |
| C. Ordinance No. 28 | |

Attachment A

LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No. 2

Mtg. Date April 18, 2017

Item Title: **Wastewater Rate Case Study**

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

Discussion:

On February 7, 2017, the District Board (Board) received a technical memorandum (**Attachment B**) prepared by NBS Governmental Finance Group (NBS) that outlined four wastewater rate alternatives, established new reserve funds, and established a target reserve amount for each reserve fund.

The primary reason that the District is considering a rate increase, establishing new reserve funds and establishing funding goals for each reserve fund is due to the acceleration of the City of San Diego's Pure Water Program (Pure Water). With the recent unilateral actions taken by the City of San Diego, all participating agencies in Metro Wastewater Commission/Joint Powers Authority are realizing significant cost increases. The District estimated cost increase due to Pure Water is anticipated to equal \$3.8 million over the next five years. Many of the other participating agencies are performing studies at this time and the vast majority are anticipating rate increases to afford Pure Water expenditures.

After receiving a report from NBS and discussing the information contained in the presentation, the Board directed staff to implement the 5.75 percent increase each year for five years, create a pure water reserve fund, create a connection fee fund, maintain the 40 percent operational reserve threshold, and directed staff to move forward with the public noticing process (**Attachment D**) to adhere to Proposition 218 requirements.

Rate History:

Since 2007, the Board has implemented incremental rate increases which have allowed the District to remain financially stable. The table below compares the maximum amount that rates were approved versus the actual change that was implemented by the Board.

	Projected Change	Actual Change
FY 2007/08	+7.7%	+7.7%
FY 2008/09	+7.7%	+7.7%
FY 2009/10	+7.7%	+7.7%
FY 2010/11	+7.2%	+7.2%
FY 2011/12	+3.75%	+3.75%
FY 2012/13	+3.75%	+3.25%
FY 2013/14	+3.75%	+3.5%
FY 2014/15	+3.75%	+1.72%

Attachment A

	Projected Change	Actual Change
FY 2015/16	+3.75%	+1.72%
FY 2016/17	0%	0%

It is important to note that when it financially feasible, the Board reduced the amount of each year's increase from the projection because there was no financial need that would have supported the projected change.

Highlights of the Technical Memorandum:

The City Council directed staff, on February 7, 2017, to implement the following key portions of the technical memorandum highlighting the wastewater rate study moving forward:

- A 5.75% increase for the next five years,
- Maintain a 40% operational reserve,
- Create a capital reserve fund, connection fee fund, and a pure water reserve fund, and
- Consider all future capital and operational costs for the next 5 years.

Staff, in close work with NBS, have implemented these recommendations. NBS staff will present those final recommendations.

Public Noticing Process:

In keeping with the City Council direction as well as complying with Proposition 218, NBS created and mailed a public notice (**Attachment D**) on March 3, 2017 which was distributed at least 45 days prior to the public hearing date. The notice was sent to all district users in English and Spanish.

As of April 13, 2017, the District has received 45 written protests to the recommended establishment of a maximum wastewater rate increase for the next five years. 41 of the 45 protests written protest letters were validated. The four protests that were not valid included one was a duplicate, one was had no parcel or address identification, and two were submitted via email or fax which are invalid forms to submit a protest.

Staff recommends, at the conclusion of the public hearing, that the Board makes a finding that there were or were not a majority of property owners of the identified parcels upon which will receive the proposed rate increase received. If the District does not receive a majority (50% +1) in written protests, the Board will be authorized to adopt the proposed rates.

Moving Forward:

Staff will continue to evaluate the projected revenues and anticipated expenditures of the Sanitation District each fiscal year in order to confirm the appropriate rate increase is still warranted to maintain District operations.

Conclusion:

Staff recommends that the District Board:

1. Conduct a public hearing,
2. Make a finding regarding the number of written protests received, and
3. Introduce and conduct first reading, by title only, of Ordinance No. 28 (**Attachment C**).



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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"



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)*

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. $(55.8\% * 1.42\%) + (22\% * 1.15\%) + (22.2\% * 1.19\%) = 1.31\%$.

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	289,819	298,513
Sewer Main Rehabilitation (Design)	103,000	106,090	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	89,554
Sewer Rate Study	-	-	-	-	-	89,554
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%.

Figure 5. Cumulative Rate Increases for Each Alternative

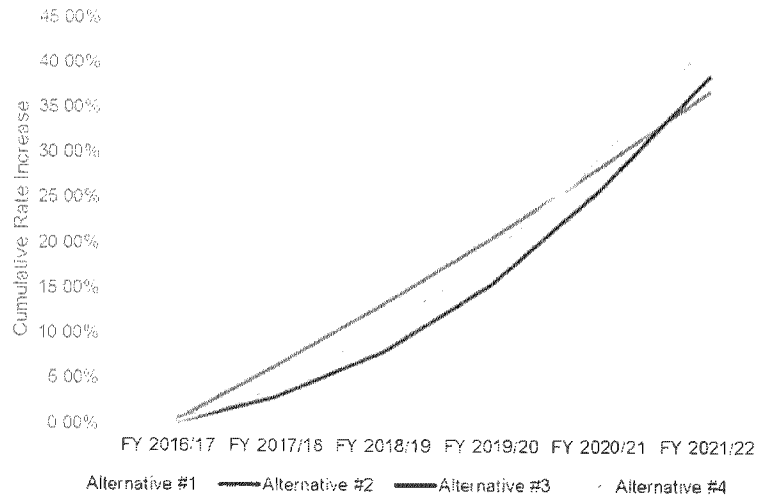


Figure 6 and Figure 7 show the five-year projection of reserve fund balances compared to the total reserve target for the District. These figures demonstrate that for all four alternatives, existing reserve funds will be spent down on capital improvement projects before climbing slightly in FY 2021/22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

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

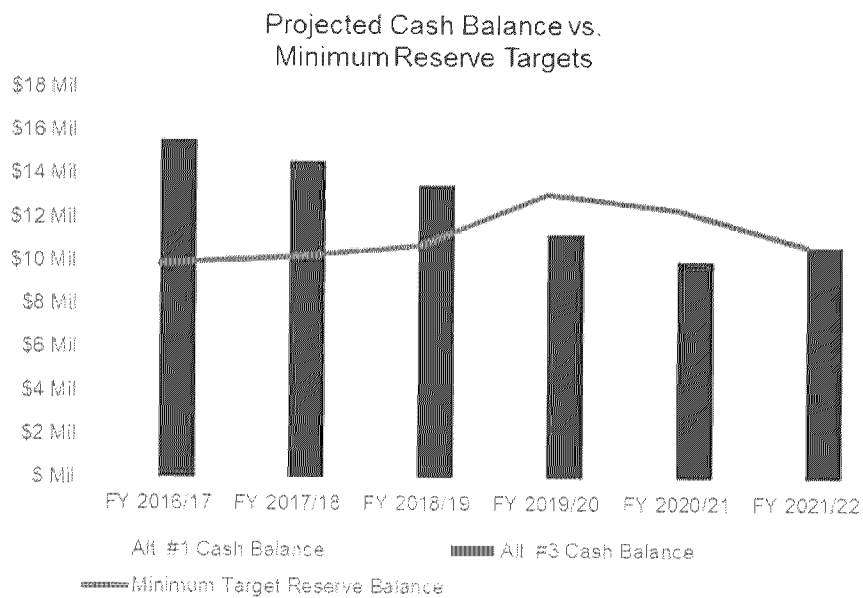


Figure 7. Five-Year Reserve Fund Projection – Alternatives 2 and 4
55% Operating Reserve Target

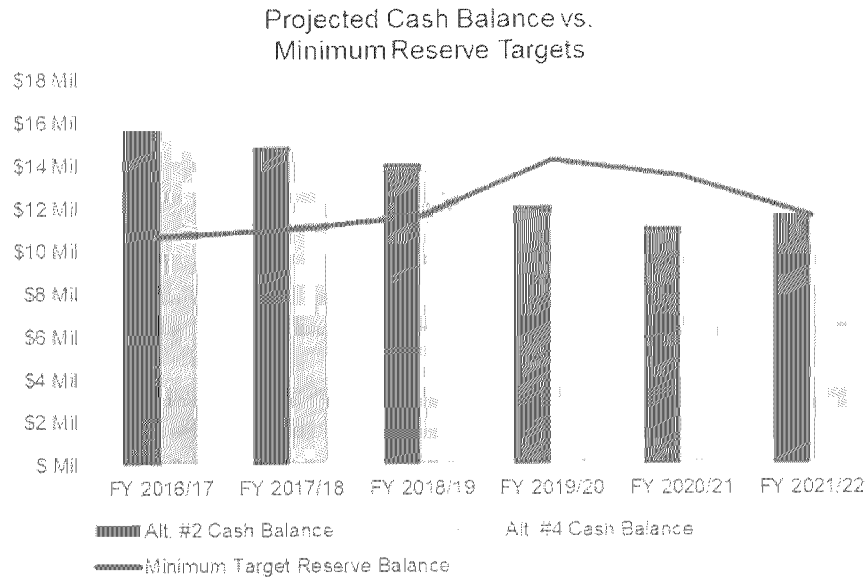


Figure 8 provides of a comparison of current and proposed rates per EDU, as the recommended rate increases are applied to the existing rate structure.

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

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.

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

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 LEMON 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

5 Year Rate Period

RATE REVENUE REQUIREMENTS SUMMARY	Budget	Projected								
	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)	\$ 5,903,000	\$ 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 (in Operating Reserve) (3)	21,800	28,965	16,493	23,730	38,400	43,440	42,473	50,000	51,520	53,060
Total Sources of Funds	\$ 5,927,800	\$ 5,951,026	\$ 5,954,615	\$ 6,150,000	\$ 6,164,670	\$ 6,169,710	\$ 6,168,743	\$ 6,176,270	\$ 6,242,036	\$ 6,293,100
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	255,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,762	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
Subtotal: Operating Expenses	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	288,647	1,791,078	1,628,774	1,596,565	1,723,437	1,849,162
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 288,647	\$ 1,791,078	\$ 1,628,774	\$ 1,596,565	\$ 1,723,437	\$ 1,849,162
Total Uses of Sewer Funds	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,528,578	\$ 7,858,865	\$ 7,879,426	\$ 8,035,628	\$ 8,356,621	\$ 8,682,354
plus: Revenue from Rate Increases	-	340,346	702,160	1,118,143	1,534,518	1,974,834	2,055,814	2,137,694	2,326,969	2,603,058
Annual Surplus/(Deficit)	\$ 695,710	\$ 793,003	\$ 723,188	\$ (410,670)	\$ 170,610	\$ 285,680	\$ 345,131	\$ 278,247	\$ 212,383	\$ 213,804
Net Revenue Req. (Total Uses less Non-Rate Revenue)	\$ 5,207,290	\$ 5,466,395	\$ 5,914,078	\$ 7,651,971	\$ 7,487,066	\$ 7,912,313	\$ 7,833,842	\$ 7,982,516	\$ 8,301,957	\$ 8,626,124
Total Rate Revenue After Rate Increases	\$ 5,903,000	\$ 6,259,399	\$ 6,637,267	\$ 7,241,301	\$ 7,657,876	\$ 8,097,993	\$ 8,178,973	\$ 8,260,762	\$ 8,514,340	\$ 8,839,928
Projected Annual Rate Revenue Increase	0.00%	5.75%	5.75%	5.75%	5.75%	5.75%	1.00%	1.00%	2.00%	3.00%
Cumulative Increase from Annual Revenue Increases	0.00%	5.75%	11.83%	18.26%	25.06%	32.25%	33.57%	34.91%	37.61%	41.74%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M) Source files: Sanitation Budgets.xlsx, budgetEmail 4.13.16.pdf

2 Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1

3 Interest earnings are per the City's Summary Budget in 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 (O&M) Source files: Sanitation Budgets.xlsx, budgetEmail 4.13.16.pdf
Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond

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									
	Budget	Projected								
	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	\$ 16,507,541									
Operating Reserve Fund										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 5,793,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increases)	695,710	793,003	723,188	(410,670)	170,610	285,680	345,131	278,247	212,383	213,604
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,694)	1,109,670	(346,610)	(653,333)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,852,477)	(4,194,976)	(190,494)	-	-	(101,347)	(175,607)	(102,828)	(32,982)	(28,330)
Ending Operating Reserve Balance	\$ 5,793,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000	\$ 2,733,000
Target Ending Balance (40% of O&M) (2)	\$ 2,093,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000	\$ 2,733,000
Capital Reserve Fund										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 3,371,796	\$ 5,975,423	\$ 4,526,827	\$ 2,838,564	\$ 1,388,300	\$ 1,489,647	\$ 1,582,307	\$ 1,518,628	\$ 1,459,082
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,862,477	4,194,976	190,494	-	-	101,347	175,607	102,828	32,982	28,330
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,591,350)	(1,638,091)	(1,688,263)	(1,450,264)	-	(82,947)	(185,507)	(92,528)	(21,282)
Ending Capital Reserve Balance	\$ 3,371,796	\$ 5,975,423	\$ 4,526,827	\$ 2,838,564	\$ 1,388,300	\$ 1,489,647	\$ 1,582,307	\$ 1,518,628	\$ 1,459,082	\$ 1,466,130
Target Ending Balance (3% net assets) (4)	\$ 1,358,800	\$ 1,364,300	\$ 1,371,100	\$ 1,379,100	\$ 1,386,300	\$ 1,398,800	\$ 1,406,700	\$ 1,415,800	\$ 1,426,100	\$ 1,437,800
Rate Stabilization Reserve										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,217,506	\$ 2,564,116	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,694	(1,109,670)	346,610	653,333	96,523	99,419	102,402	105,474
Ending Rate Stabilization Reserve Balance	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,217,506	\$ 2,564,116	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Target Ending Balance (1 year Metro Costs) (5)	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Pure Water Reserve										
Beginning Reserve Balance (3)	\$ -	\$ 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 Pure 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 (\$3.7 m) (6)	\$ 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
Ending Balance - Excl. Restricted Reserves	\$ 15,641,261	\$ 14,842,905	\$ 13,927,003	\$ 11,628,070	\$ 10,548,416	\$ 10,834,096	\$ 11,096,280	\$ 11,208,019	\$ 11,327,875	\$ 11,520,397
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 9,928,255	\$ 10,231,782	\$ 10,771,276	\$ 13,144,634	\$ 12,457,668	\$ 10,743,248	\$ 10,920,672	\$ 11,105,192	\$ 11,294,893	\$ 11,492,067
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 6,712,996	\$ 4,611,123	\$ 3,155,727	\$ (1,516,564)	\$ (1,909,252)	\$ 90,847	\$ 175,607	\$ 102,828	\$ 32,982	\$ 28,330
Restricted Reserves:										
Connection Fee Reserve										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,565	2,151	2,842	3,238	3,643
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 Balance	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	\$ 202,801
Annual Interest Earnings Rate (7)	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: *Detailed Trial Balance Fund 16 2016 pdf* & *Summary Trial Balance Fund 16*
Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve
- The 3% 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 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.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another 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. This reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earning 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

CHART 1

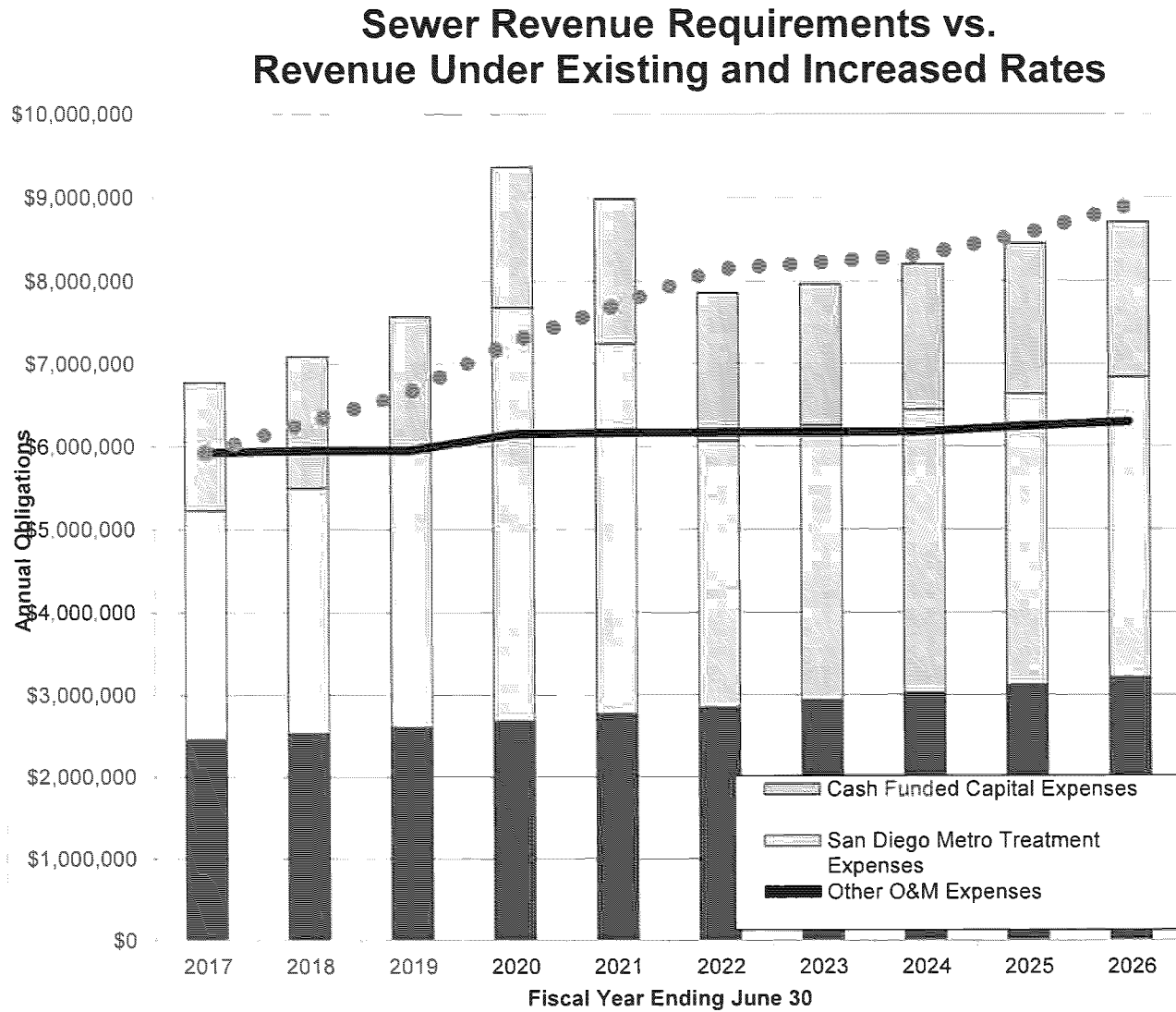


CHART 2

Ending Cash Balances vs. Recommended Reserve Targets

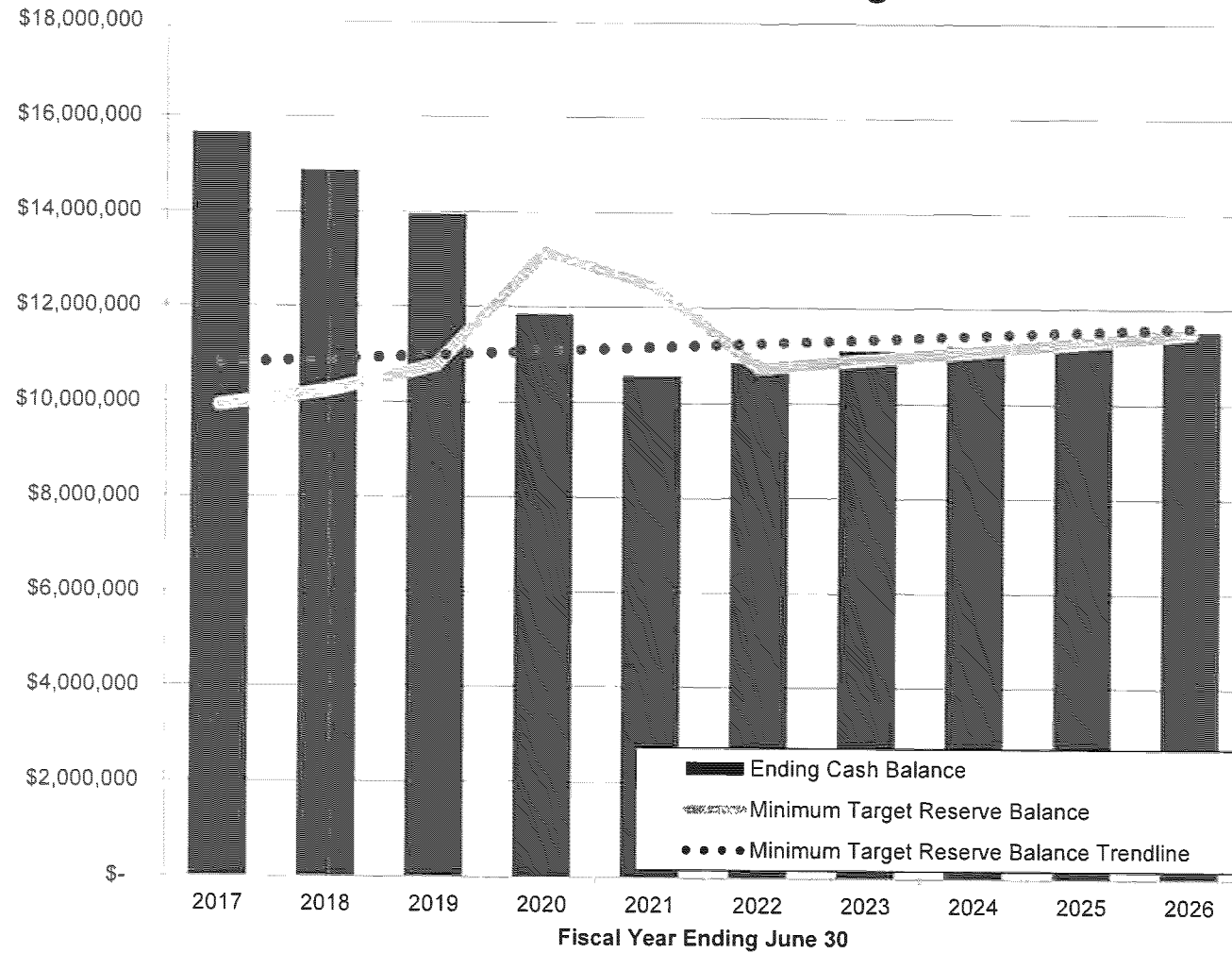
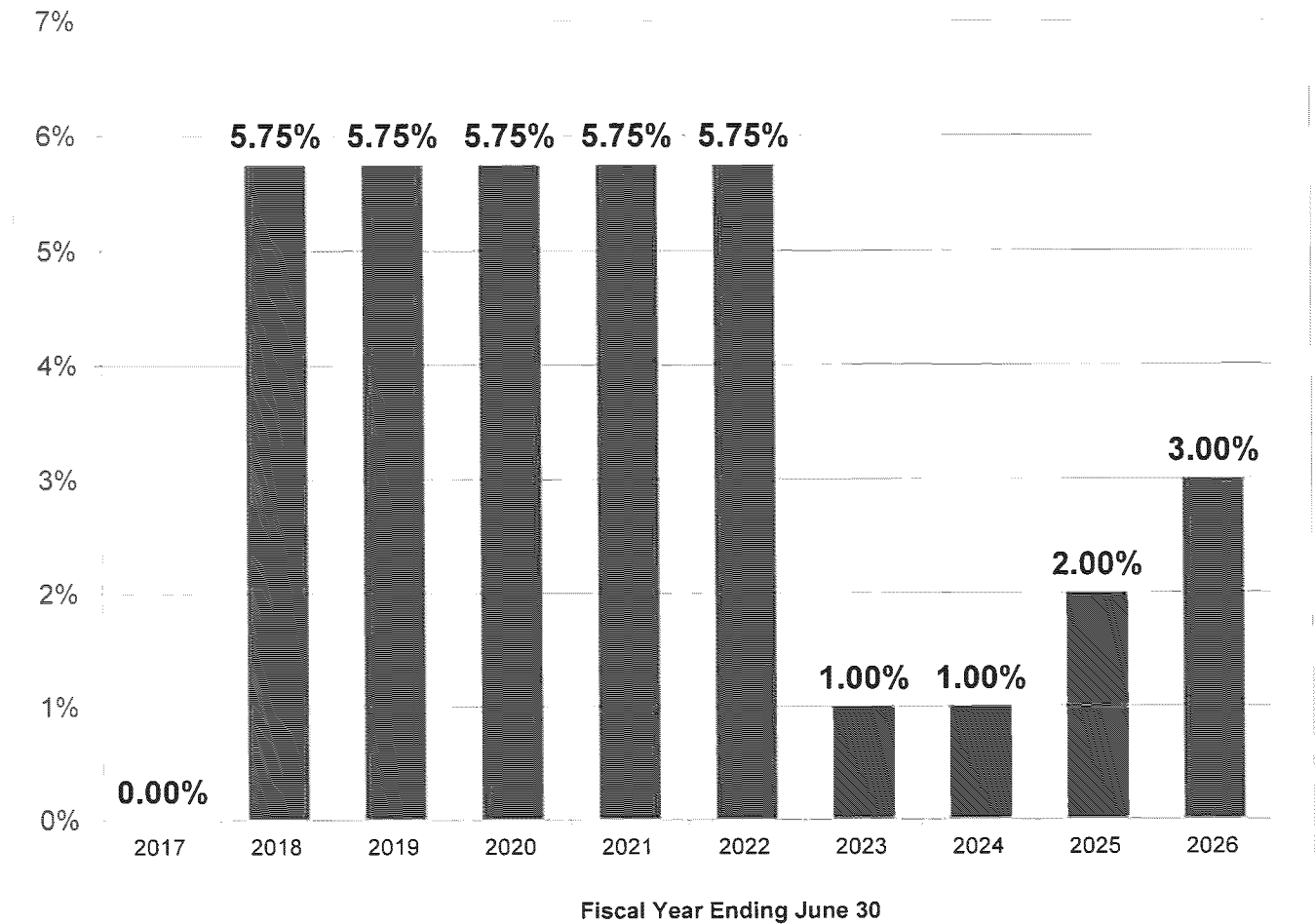


CHART 3

Projected Increases to Rate Revenue



CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 3 - REVENUE FORECAST (1)

		5 Year Rate Period									
SOURCES OF REVENUE	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue											
4370 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											
4420 Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue											
4430 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue											
4595 Sewer Capacity Fee	9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 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	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD	1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
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	\$ 6,207,516	\$ 6,257,040

TABLE 4

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	\$ 6,207,516	\$ 6,257,040

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
Subtotal: E05 Salaries		\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
590 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 246,895	\$ 255,651	\$ 264,723	\$ 274,124	\$ 283,865	\$ 293,959	\$ 304,419	\$ 315,259	\$ 326,492	\$ 338,133
E15 Benefits - Retirement											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,041,895	\$ 1,074,501	\$ 1,108,139	\$ 1,142,842	\$ 1,178,645	\$ 1,215,582	\$ 1,253,691	\$ 1,293,009	\$ 1,333,574	\$ 1,375,428

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 6 - OPERATING EXPENSE FORECAST (4):

5 Year Rate Period

Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E40 Other Operating Expenses											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5520 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 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	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5555 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 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
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 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	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 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	\$ 7,046
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
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 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		\$ 3,325,195	\$ 3,532,918	\$ 3,907,770	\$ 5,590,762	\$ 5,087,721	\$ 3,849,432	\$ 3,964,106	\$ 4,082,213	\$ 4,203,854	\$ 4,329,136
E65 Transfers											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: E65 Transfers		\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,195	\$ 4,423,868	\$ 4,825,448	\$ 6,535,971	\$ 6,061,286	\$ 4,852,204	\$ 4,996,962	\$ 5,146,053	\$ 5,299,610	\$ 5,457,765
Total: Sewer Fund 15 - Sewer Operations		\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 1

TABLE 7 - FORECASTING ASSUMPTIONS:

		5 Year Rate Period									
ECONOMIC VARIABLES	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
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 (8)	3	—	3.00%	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%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	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%	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	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
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%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *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 files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*.

Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.

5 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.

6 Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*.

7 Client provided source file: *Lemon Grove Sewage 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 2016.pdf*, pg. 2.

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	5 Year Rate Period									
	Budget	Projected								
Funding Sources:	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
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	1,545,000	1,591,350	1,639,091	1,688,263	1,450,264	-	82,947	166,507	92,528	21,282
Rate Revenue	-	-	-	-	288,647	1,791,078	1,628,774	1,596,565	1,723,437	1,849,162
Total Sources of Capital Funds	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Uses of Capital Funds:										
Total Project Costs	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786
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	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786

Average annual future 5-year projects \$ 1,391,786

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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 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	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 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

- Budgeted CIP project costs from source file: CIP through 2020-21.pdf
- Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.
- 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>).

CITY OF LEMON GROVE
SEWER RATE STUDY
Existing Sewer Rate Schedule

EXHIBIT 4
Alternative Number - 1

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
		5.75%	5.75%	5.75%	5.75%	5.75%
Rate Per EDU (240 gpd)	\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

1. Ordinance No.26.pdf

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

CITY OF LEMON 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	5 Year Rate Period									
	Budget	Projected								
	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)	\$ 5,903,000	\$ 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 (in Operating Reserve) (3)	21,800	32,890	22,680	32,630	52,788	59,730	58,398	68,760	70,820	72,960
Total Sources of Funds	\$ 5,927,800	\$ 5,954,951	\$ 5,960,803	\$ 6,158,900	\$ 6,179,058	\$ 6,186,000	\$ 6,184,668	\$ 6,195,030	\$ 6,261,336	\$ 6,313,000
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	255,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,762	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
Subtotal: Operating Expenses	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	368,854	-	-	1,029,663	1,791,078	1,684,220	1,453,801	1,460,418	1,464,403
Subtotal: Other Expenditures	\$ -	\$ 368,854	\$ -	\$ -	\$ 1,029,663	\$ 1,791,078	\$ 1,684,220	\$ 1,453,801	\$ 1,460,418	\$ 1,464,403
Total Uses of Sewer Funds	\$ 5,232,090	\$ 5,867,222	\$ 5,933,587	\$ 7,678,813	\$ 8,269,593	\$ 7,858,865	\$ 7,934,872	\$ 7,892,863	\$ 8,093,601	\$ 8,297,595
plus: Revenue from Rate Increases	-	384,738	795,640	1,273,309	1,754,079	2,266,099	2,266,099	2,266,099	2,459,408	2,553,403
Annual Surplus/(Deficit)	\$ 695,710	\$ 472,468	\$ 823,855	\$ (246,604)	\$ (336,457)	\$ 593,235	\$ 516,895	\$ 568,266	\$ 527,143	\$ 668,808
Net Revenue Req. (Total Uses less Non-Rate Revenue)	\$ 5,207,290	\$ 5,831,324	\$ 5,907,891	\$ 7,643,071	\$ 8,213,694	\$ 7,796,023	\$ 7,673,363	\$ 7,820,991	\$ 8,019,637	\$ 8,221,465
Total Rate Revenue After Rate Increases	\$ 5,903,000	\$ 6,303,792	\$ 6,731,746	\$ 7,396,467	\$ 7,877,237	\$ 8,389,258	\$ 8,389,258	\$ 8,389,258	\$ 8,646,780	\$ 8,890,273
Projected Annual Rate Revenue Increase	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	0.00%	0.00%	2.00%	2.00%
Cumulative Increase from Annual Revenue Increases	0.00%	6.50%	13.42%	20.79%	28.65%	37.01%	37.01%	37.01%	39.75%	42.54%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf

2 Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1

3 Interest earnings are per the City's Summary Budget in 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 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf

Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget	Projected								
	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	\$ 16,507,541									
Operating Reserve Fund										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000
Plus: Net Cash Flow (After Rate Increases)	695,710	472,468	823,855	(246,604)	(338,457)	593,235	515,895	568,266	627,143	668,808
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,694)	1,206,604	95,457	(1,192,334)	(96,523)	(99,418)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,077,477)	(3,834,441)	(226,161)	-	-	(45,901)	(318,371)	(365,847)	(417,741)	(453,334)
Ending Operating Reserve Balance	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000
Target Ending Balance (55% of O&M) (2)	\$ 2,878,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000
Capital Reserve Fund										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 2,586,796	\$ 5,198,741	\$ 3,785,812	\$ 2,097,549	\$ 1,388,300	\$ 1,434,201	\$ 1,725,071	\$ 1,781,647	\$ 1,843,841
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,834,441	226,161	-	-	45,901	318,371	365,847	417,741	453,334
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,222,486)	(1,638,081)	(1,688,263)	(709,249)	-	(27,501)	(309,271)	(355,647)	(408,041)
Ending Capital Reserve Balance	\$ 2,586,796	\$ 5,198,741	\$ 3,785,812	\$ 2,097,549	\$ 1,388,300	\$ 1,434,201	\$ 1,725,071	\$ 1,781,647	\$ 1,843,841	\$ 1,891,134
Target Ending Balance (3% net assets) (4)	\$ 1,358,900	\$ 1,364,300	\$ 1,371,100	\$ 1,379,100	\$ 1,388,300	\$ 1,398,800	\$ 1,406,700	\$ 1,415,800	\$ 1,426,100	\$ 1,437,800
Rate Stabilization Reserve										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,120,572	\$ 2,025,115	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,694	(1,206,604)	(95,457)	1,192,334	96,523	99,419	102,402	105,474
Ending Rate Stabilization Reserve Balance	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,120,572	\$ 2,025,115	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Target Ending Balance (1 year Metro Costs) (5)	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Pure Water Reserve										
Beginning Reserve Balance (3)	\$ -	\$ 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 Pure 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 (\$3.7 m) (6)	\$ 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
Ending Balance - Excl. Restricted Reserves	\$ 15,641,261	\$ 14,891,223	\$ 14,075,988	\$ 12,141,121	\$ 11,095,415	\$ 11,688,650	\$ 12,177,044	\$ 12,436,039	\$ 12,707,634	\$ 12,970,402
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 10,713,255	\$ 11,056,782	\$ 11,661,276	\$ 14,295,634	\$ 13,543,668	\$ 11,653,249	\$ 11,858,672	\$ 12,070,192	\$ 12,289,893	\$ 12,517,067
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 4,927,996	\$ 3,834,441	\$ 2,414,712	\$ (2,154,513)	\$ (2,448,253)	\$ 35,401	\$ 318,371	\$ 365,847	\$ 417,741	\$ 453,334
Restricted Reserves:										
Connection Fee Reserve										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,565	2,151	2,842	3,238	3,643
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 Balance	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	\$ 202,801
Annual Interest Earnings Rate (7)	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	2.50%

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: *Detailed Trial Balance Fund 16 2016 pdf & Summary Trial Balance Fund 16*
Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve
- The 3% 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 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.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another 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. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earning 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

CHART 1

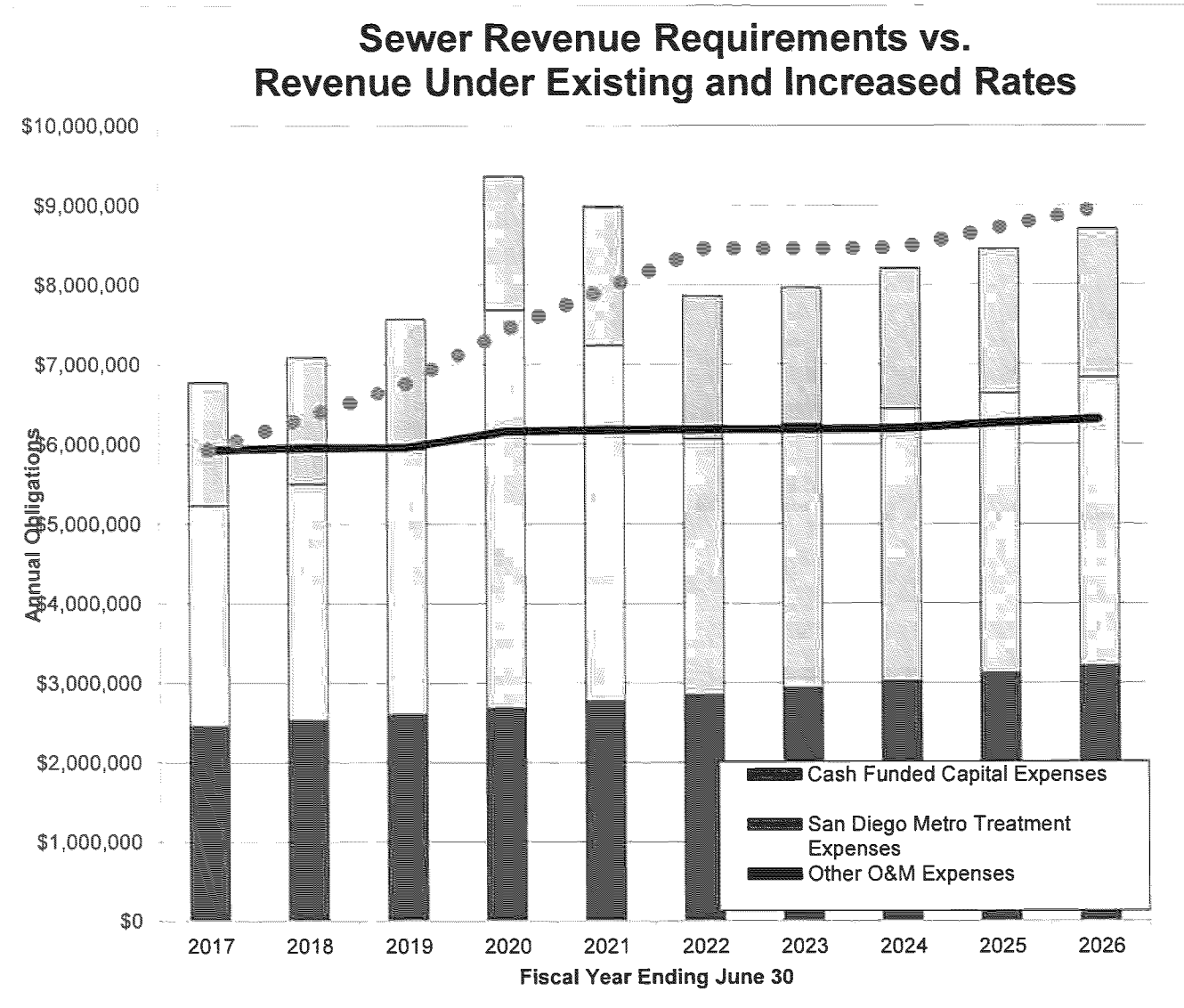


CHART 2

Ending Cash Balances vs. Recommended Reserve Targets

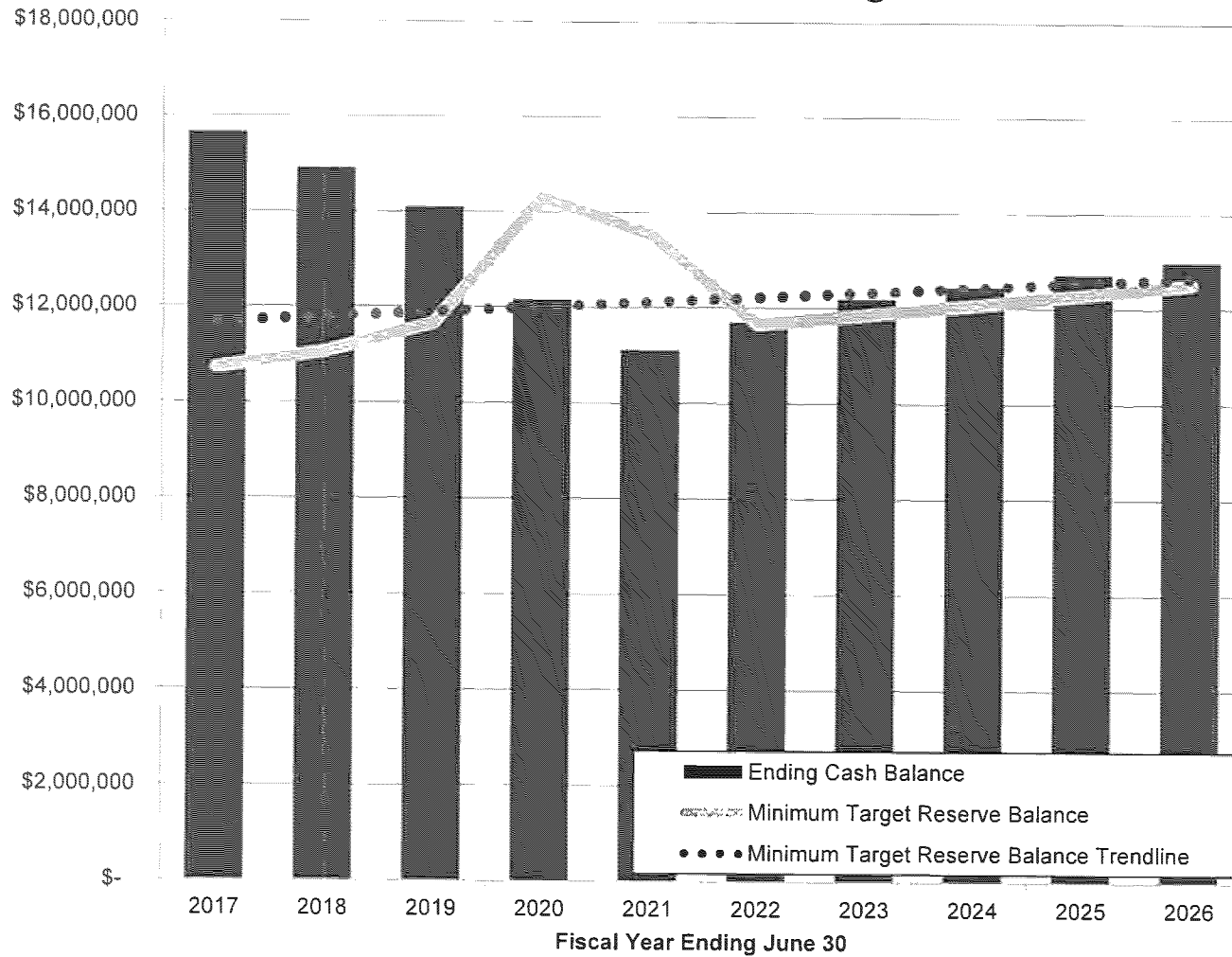
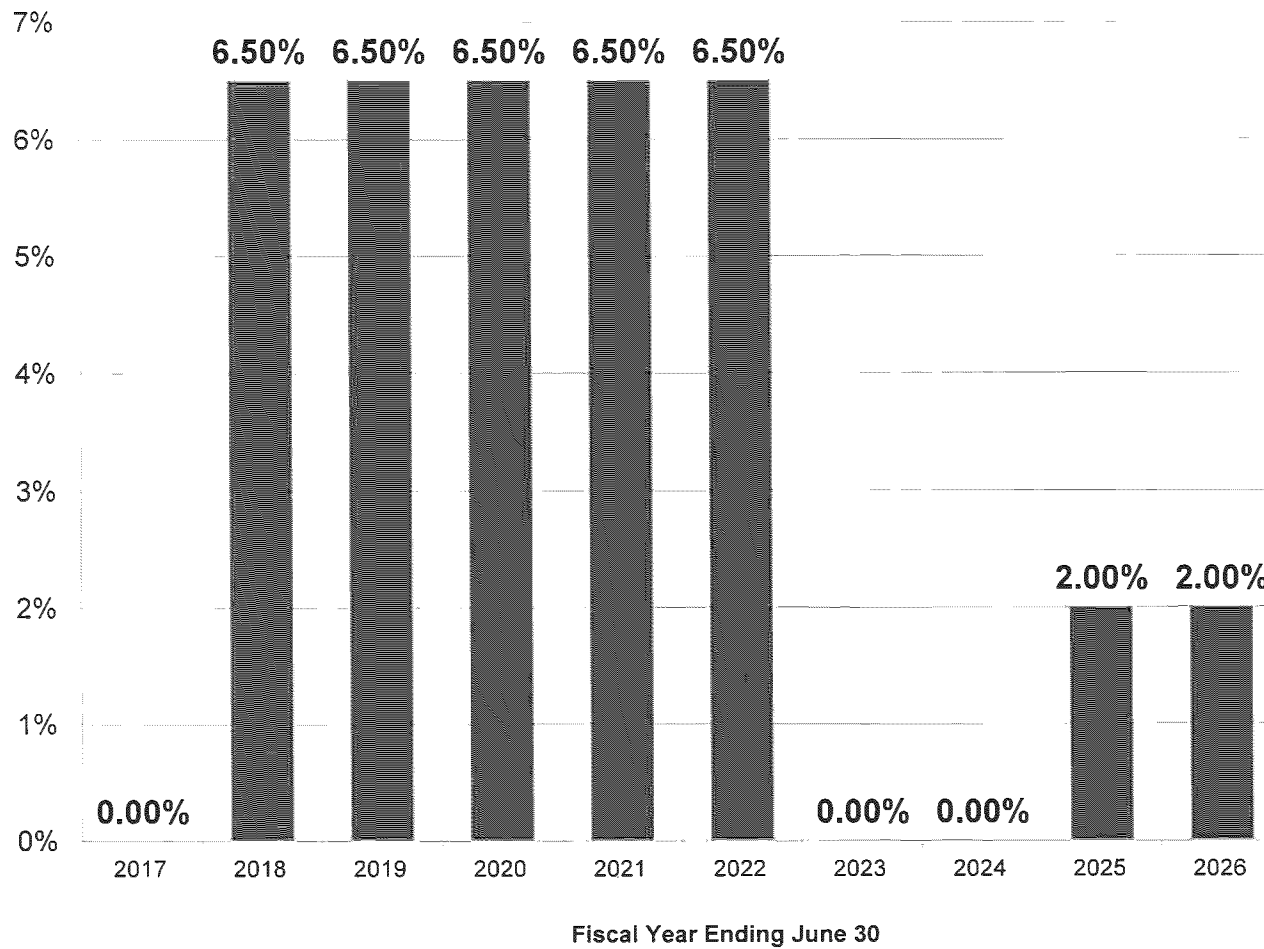


CHART 3

Projected Increases to Rate Revenue



CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 3 - REVENUE FORECAST (1)

		5 Year Rate Period									
SOURCES OF REVENUE	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue											
4370 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											
4420 Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue											
4430 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue											
4595 Sewer Capacity Fee	9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 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	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD	1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
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	\$ 6,207,516	\$ 6,257,040

TABLE 4

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	\$ 6,207,516	\$ 6,257,040

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 5 - OPERATING EXPENSE FORECAST (4):

5 Year Rate Period

Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
Subtotal: E05 Salaries		\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
590 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 246,895	\$ 255,651	\$ 264,723	\$ 274,124	\$ 283,865	\$ 293,959	\$ 304,419	\$ 315,259	\$ 326,492	\$ 338,133
E15 Benefits - Retirement											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,041,895	\$ 1,074,501	\$ 1,108,139	\$ 1,142,842	\$ 1,178,645	\$ 1,215,582	\$ 1,253,691	\$ 1,293,009	\$ 1,333,574	\$ 1,375,428

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 6 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E40 Other Operating Expenses											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 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	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 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
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6050 Sewage Transportation	11	\$ 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	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 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	\$ 7,046
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
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 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		\$ 3,325,195	\$ 3,532,918	\$ 3,907,770	\$ 5,590,762	\$ 5,087,721	\$ 3,849,432	\$ 3,964,106	\$ 4,082,213	\$ 4,203,854	\$ 4,329,136
E65 Transfers											
6600 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: E65 Transfers		\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,195	\$ 4,423,868	\$ 4,825,449	\$ 6,535,971	\$ 6,061,286	\$ 4,852,204	\$ 4,996,962	\$ 5,146,053	\$ 5,299,610	\$ 5,457,765
Total: Sewer Fund 15 - Sewer Operations		\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 2

TABLE 7 - FORECASTING ASSUMPTIONS:

		5 Year Rate Period									
ECONOMIC VARIABLES	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
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 (8)	3	—	3.00%	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%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	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%	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	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
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%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *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 files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*.

Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.

5 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.

6 Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*.

7 Client provided source file: *Lemon Grove Sewage 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 2016.pdf*, pg. 2.

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		5 Year Rate Period										
Funding Sources:		Budget	Projected									
		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	
Grants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-	-	-	
Use of SRF Loan Funding		-	-	-	-	-	-	-	-	-	-	
Use of New Revenue Bond Proceeds		-	-	-	-	-	-	-	-	-	-	
Use of Capital Improvement Reserve		1,545,000	1,222,496	1,639,091	1,688,263	709,249	-	27,501	309,271	355,547	406,041	
Rate Revenue		-	368,854	-	-	1,029,663	1,791,078	1,684,220	1,453,801	1,460,418	1,464,403	
Total Sources of Capital Funds	\$	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,711,721	1,763,073	1,815,965	1,870,444	
Uses of Capital Funds:												
Total Project Costs	\$	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,711,721	1,763,073	1,815,965	1,870,444	
Capital Funding Surplus (Deficiency)	\$	-	-	-	-	-	-	-	-	-	-	

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

		5 Year Rate Period									
Project Description		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 Improvement Program Costs (Current-Year Dollars)	\$	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,391,786	1,391,786	1,391,786	1,391,786

Average used for Future year (2023 - 2026) = \$ 1,391,786

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

		5 Year Rate Period									
Project Description		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)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$	257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$	103,000	\$ 106,090	\$ 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	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078	1,711,721	1,763,073	1,815,965	1,870,444

TABLE 11 - FORECASTING ASSUMPTIONS:

		5 Year Rate Period									
Economic Variables		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>).

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
		6.50%	6.50%	6.50%	6.50%	6.50%
Rate Per EDU (240 gpd)	\$553.17	\$589.13	\$627.42	\$668.20	\$711.63	\$757.89

1. Ordinance No.26.pdf

Alternative #3 - Operations & Maintenance reserve target set to 40 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 - 3

TABLE 1
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	5 Year Rate Period									
	Budget 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)	\$ 5,903,000	\$ 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 (in Operating Reserve) (3)	21,800	28,965	16,493	23,730	38,400	43,440	42,473	50,000	51,520	53,060
Total Sources of Funds	\$ 5,927,800	\$ 5,951,026	\$ 5,954,615	\$ 6,150,000	\$ 6,164,670	\$ 6,169,710	\$ 6,168,743	\$ 6,176,270	\$ 6,242,036	\$ 6,293,100
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	255,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,762	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
Subtotal: Operating Expenses	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	641,916	1,791,078	1,701,937	1,352,887	1,244,708	1,299,864
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 641,916	\$ 1,791,078	\$ 1,701,937	\$ 1,352,887	\$ 1,244,708	\$ 1,299,864
Total Uses of Sewer Funds	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,881,847	\$ 7,858,865	\$ 7,952,589	\$ 7,791,949	\$ 7,877,891	\$ 8,133,056
plus: Revenue from Rate Increases	-	177,572	483,711	982,591	1,600,309	2,372,655	2,372,655	2,372,655	2,397,537	2,503,253
Annual Surplus/(Deficit)	\$ 695,710	\$ 630,229	\$ 504,739	\$ (566,221)	\$ (116,868)	\$ 683,501	\$ 588,809	\$ 758,978	\$ 761,682	\$ 663,297
Net Revenue Req. (Total Uses less Non-Rate Revenue)	\$ 5,207,290	\$ 5,486,395	\$ 5,914,078	\$ 7,651,971	\$ 7,840,335	\$ 7,812,313	\$ 7,907,005	\$ 7,738,837	\$ 7,823,227	\$ 8,076,825
Total Rate Revenue After Rate Increases	\$ 5,903,000	\$ 6,096,625	\$ 6,418,818	\$ 7,085,750	\$ 7,723,467	\$ 8,495,814	\$ 8,495,814	\$ 8,495,814	\$ 8,584,908	\$ 8,740,124
Projected Annual Rate Revenue Increase	0.00%	3.00%	5.00%	7.00%	9.00%	10.00%	0.00%	0.00%	0.00%	1.00%
Cumulative Increase from Annual Revenue Increases	0.00%	3.00%	8.15%	15.72%	26.14%	38.75%	38.75%	38.75%	38.75%	40.14%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx, budgetEmail 4 13 16.pdf

2 Customer growth rates for each year per City of Lemon Grove estimates and are shown in Table 7 of Exhibit 1

3 Interest earnings are per the City's Summary Budget in 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 (O&M). Source files: Sanitation Budgets.xlsx, budgetEmail 4 13 16.pdf
Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget	Projected								
	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	\$ 16,507,541									
Operating Reserve Fund										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 5,793,000	\$ 2,189,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increases)	696,710	630,229	504,739	(566,221)	(116,868)	683,501	588,809	756,976	761,682	663,297
Net: Transfer From / (To) Rate Stabilization Reserve	(485,855)	(192,027)	(330,739)	1,265,221	(59,132)	(1,124,317)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,862,477)	(4,032,202)	-	-	-	(28,184)	(419,285)	(581,557)	(582,280)	(477,824)
Ending Operating Reserve Balance	\$ 5,793,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000	\$ 2,733,000
Target Ending Balance (40% of O&M) (2)	\$ 2,093,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000	\$ 2,733,000
Capital Reserve Fund										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 3,371,796	\$ 5,812,649	\$ 4,173,558	\$ 2,485,295	\$ 1,388,300	\$ 1,416,484	\$ 1,825,985	\$ 1,997,357	\$ 2,008,380
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,862,477	4,032,202	-	-	-	28,184	419,285	581,557	582,280	477,824
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,591,350)	(1,639,091)	(1,685,253)	(1,086,995)	-	(9,784)	(410,185)	(571,257)	(570,580)
Ending Capital Reserve Balance	\$ 3,371,796	\$ 5,812,649	\$ 4,173,558	\$ 2,485,295	\$ 1,388,300	\$ 1,416,484	\$ 1,825,985	\$ 1,997,357	\$ 2,008,380	\$ 1,915,624
Target Ending Balance (3% net assets) (4)	\$ 1,358,800	\$ 1,354,300	\$ 1,371,100	\$ 1,379,100	\$ 1,388,300	\$ 1,398,800	\$ 1,408,700	\$ 1,415,800	\$ 1,426,100	\$ 1,437,800
Rate Stabilization Reserve										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,299,221	\$ 2,034,000	\$ 2,093,132	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	485,855	192,027	330,739	(1,265,221)	59,132	1,124,317	96,523	99,419	102,402	105,474
Ending Rate Stabilization Reserve Balance	\$ 2,776,455	\$ 2,968,482	\$ 3,299,221	\$ 2,034,000	\$ 2,093,132	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Target Ending Balance (1 year Metro Costs) (5)	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,634	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Pure Water Reserve										
Beginning Reserve Balance (3)	\$ -	\$ 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 Pure 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 (\$3.7 m) (6)	\$ 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
Ending Balance - Excl. Restricted Reserves	\$ 15,641,261	\$ 14,680,131	\$ 13,545,780	\$ 11,291,295	\$ 10,077,432	\$ 10,760,933	\$ 11,339,958	\$ 11,686,749	\$ 11,877,173	\$ 11,969,891
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 9,928,255	\$ 10,231,782	\$ 10,771,276	\$ 13,144,634	\$ 12,457,668	\$ 10,743,249	\$ 10,920,672	\$ 11,105,192	\$ 11,294,893	\$ 11,492,067
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 5,712,996	\$ 4,448,349	\$ 2,774,504	\$ (1,853,339)	\$ (2,380,236)	\$ 17,684	\$ 419,285	\$ 581,557	\$ 582,280	\$ 477,824
Restricted Reserves:										
Connection Fee Reserve										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,565	2,151	2,842	3,238	3,643
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 Balance	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	\$ 202,801
Annual Interest Earnings Rate (7)	0.25%	0.60%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: *Detailed Trial Balance Fund 16 2016 pdf* & *Summary Trial Balance Fund 16*
Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve
- The 3% 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 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
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another 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. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earning 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

CHART 1

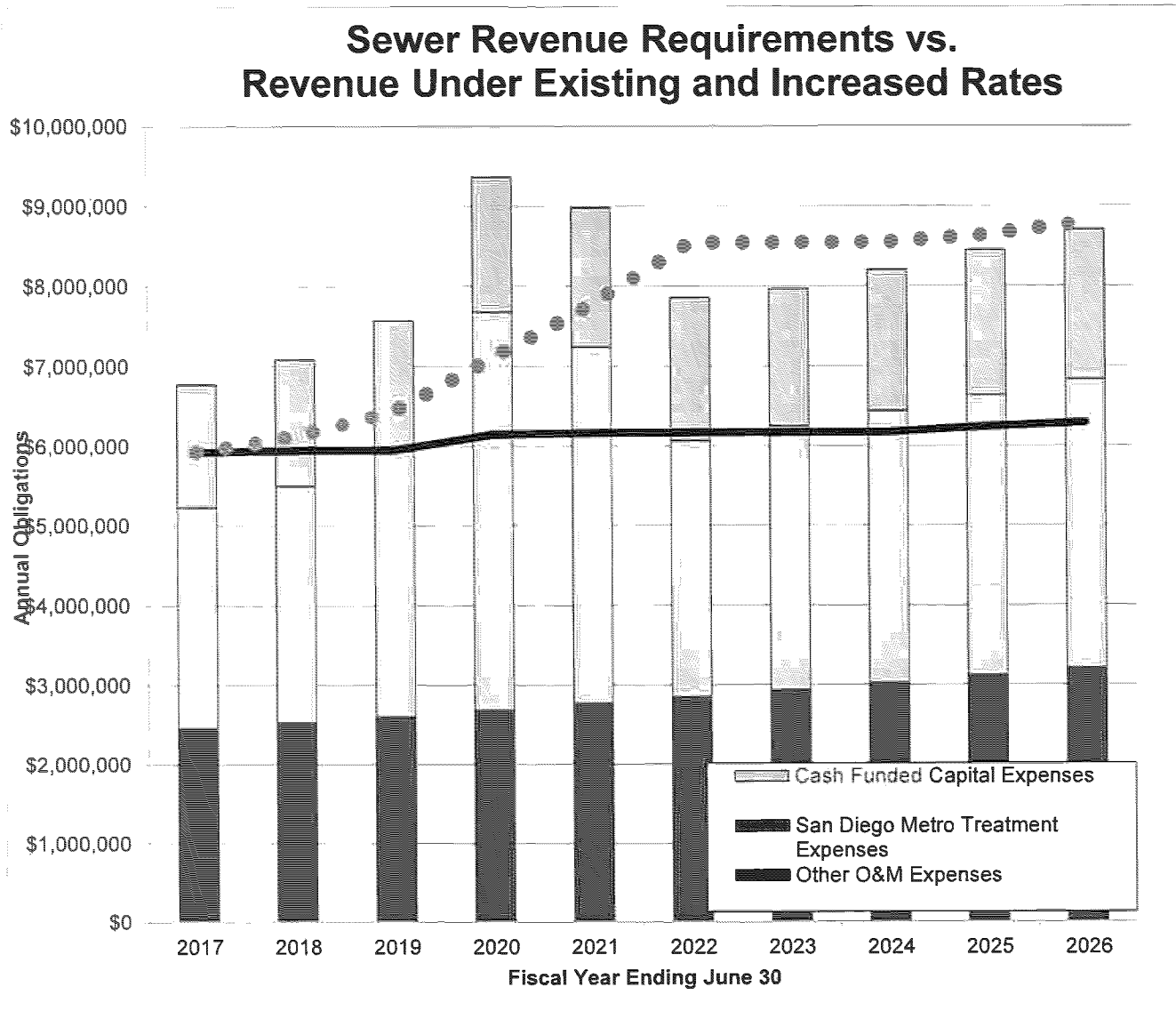


CHART 2

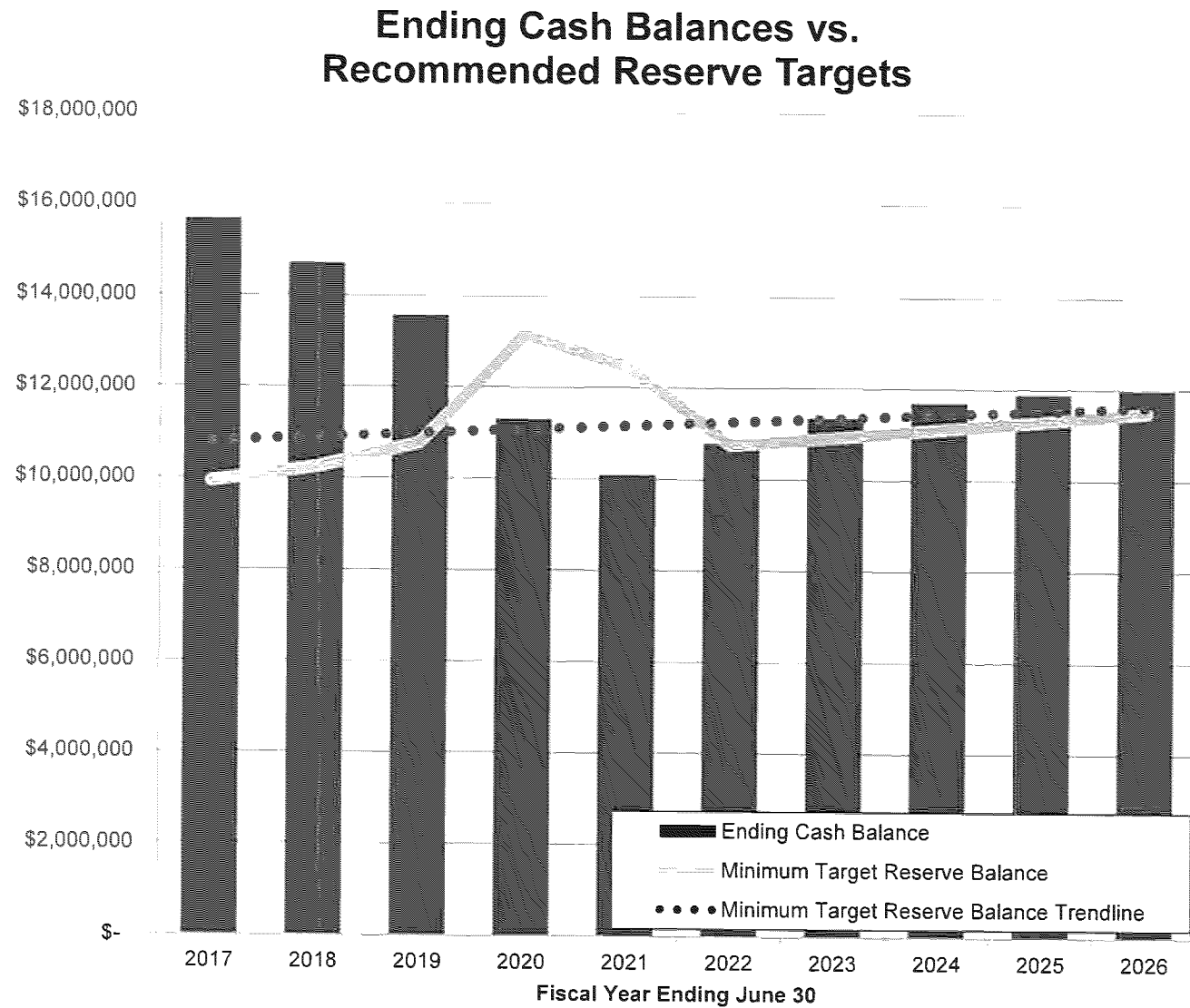
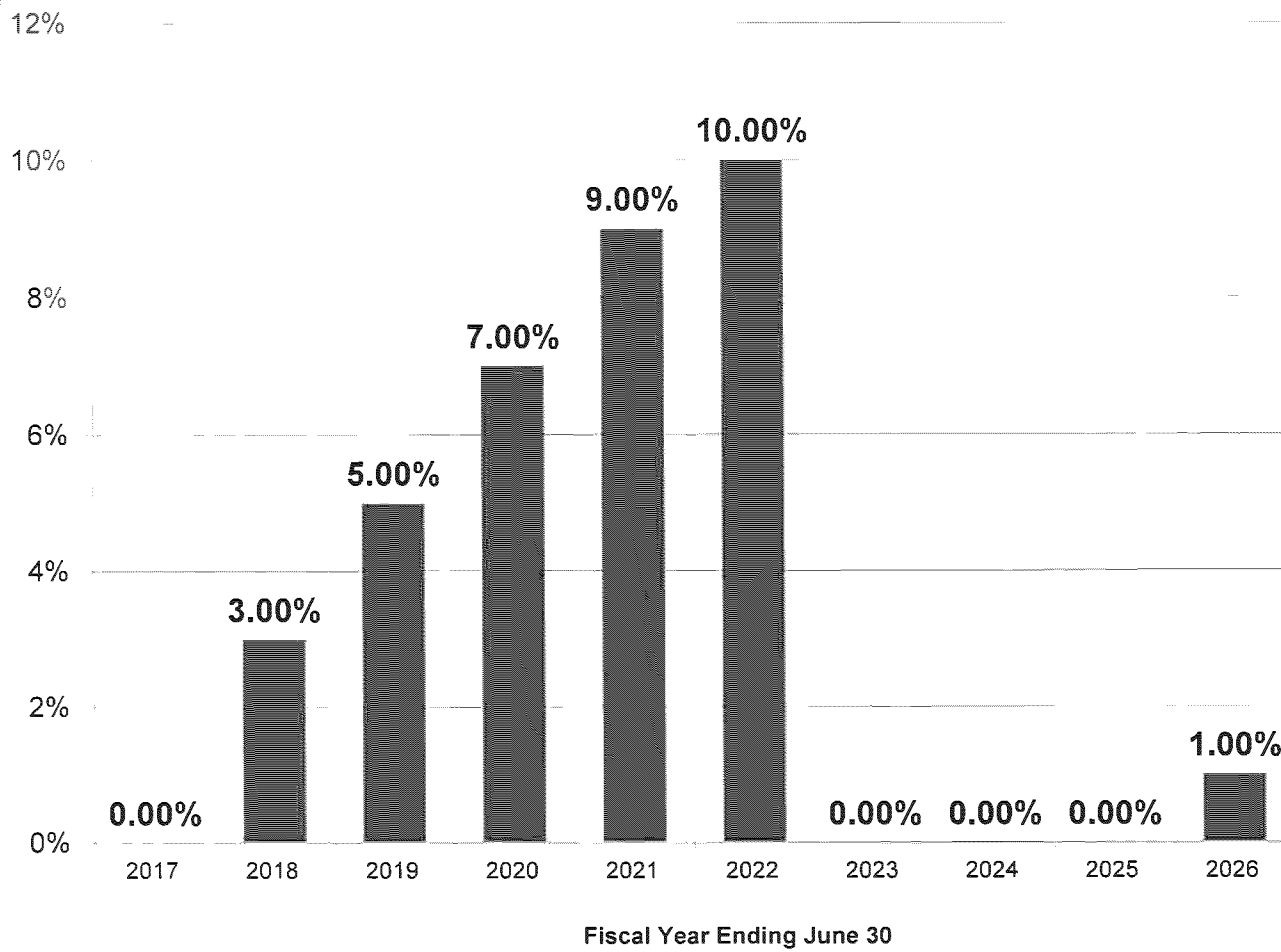


CHART 3

Projected Increases to Rate Revenue



CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 3 - REVENUE FORECAST (1)

TABLE 3 - REVENUE FORECAST (1)			5 Year Rate Period									
SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4370 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												
4420 Interest (3)	See FP	\$	21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430 Cost Recovery	1	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4595 Sewer Capacity Fee	9	\$	17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 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	\$ 6,134,963	\$ 6,164,042
4605 Sewer Service - LGSD La Mesa SD	1	\$	50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
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	\$ 6,207,516	\$ 6,257,040

TABLE 4

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	\$ 6,207,516	\$ 6,257,040

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
Subtotal: E05 Salaries		\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
590 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 246,895	\$ 255,651	\$ 264,723	\$ 274,124	\$ 283,865	\$ 293,959	\$ 304,419	\$ 315,259	\$ 326,492	\$ 338,133
E15 Benefits - Retirement											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,041,895	\$ 1,074,501	\$ 1,108,139	\$ 1,142,842	\$ 1,178,645	\$ 1,215,582	\$ 1,253,691	\$ 1,293,009	\$ 1,333,574	\$ 1,375,428

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 6 - OPERATING EXPENSE FORECAST (4):

5 Year Rate Period

Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E40 Other Operating Expenses											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5520 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 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	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5555 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 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
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 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	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 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	\$ 7,046
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
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 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		\$ 3,325,195	\$ 3,532,918	\$ 3,907,770	\$ 5,590,762	\$ 5,087,721	\$ 3,849,432	\$ 3,964,106	\$ 4,082,213	\$ 4,203,854	\$ 4,329,136
E65 Transfers											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: E65 Transfers		\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,195	\$ 4,423,868	\$ 4,825,448	\$ 6,535,971	\$ 6,061,286	\$ 4,852,204	\$ 4,996,962	\$ 5,146,053	\$ 5,299,610	\$ 5,457,765
Total: Sewer Fund 15 - Sewer Operations		\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 3

TABLE 7 - FORECASTING ASSUMPTIONS:

5 Year Rate Period:											
ECONOMIC VARIABLES	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (7)	1	--	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
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 (8)	3	--	3.00%	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%	4.00%
Retirement Benefits Inflation (8)	5	--	3.00%	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%	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	--	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
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%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *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 files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*

Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond

5 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.

6 Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4 13 16.pdf*

7 Client provided source file: *Lemon Grove Sewage 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 2016.pdf*, pg. 2

CITY OF LEMON GROVE
SEWER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 3

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	5 Year Rate Period									
	Budget	Projected								
Funding Sources:	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
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	1,545,000	1,591,350	1,639,091	1,688,263	1,096,995	-	9,784	410,185	571,257	570,580
Rate Revenue	-	-	-	-	641,916	1,791,078	1,701,937	1,352,887	1,244,708	1,299,884
Total Sources of Capital Funds	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Uses of Capital Funds:										
Total Project Costs	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786
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	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786

Average used for future year projects \$ 1,391,786

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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 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	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 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 2015	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>).

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
		3.00%	5.00%	7.00%	9.00%	10.00%
Rate Per EDU (240 gpd)	\$553.17	\$569.77	\$598.25	\$640.13	\$697.74	\$767.52

1. Ordinance No.26.pdf

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 REQUIREMENTS SUMMARY	5 Year Rate Period									
	Budget 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)	\$ 5,903,000	\$ 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 (in Operating Reserve) (3)	21,800	32,890	22,680	32,630	52,788	59,730	58,398	68,760	70,820	72,960
Total Sources of Funds	\$ 5,927,800	\$ 5,954,951	\$ 5,960,803	\$ 6,158,900	\$ 6,179,058	\$ 6,186,000	\$ 6,184,668	\$ 6,195,030	\$ 6,261,336	\$ 6,313,000
Uses of Sewer Funds										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	255,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,762	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
Subtotal: Operating Expenses	\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	368,854	-	-	1,366,524	1,791,078	1,706,629	1,124,539	779,483	597,652
Subtotal: Other Expenditures	\$ -	\$ 368,854	\$ -	\$ -	\$ 1,366,524	\$ 1,791,078	\$ 1,706,629	\$ 1,124,539	\$ 779,483	\$ 597,652
Total Uses of Sewer Funds	\$ 5,232,090	\$ 5,867,222	\$ 5,933,587	\$ 7,678,813	\$ 8,606,454	\$ 7,858,865	\$ 7,957,282	\$ 7,563,601	\$ 7,412,667	\$ 7,430,844
plus: Revenue from Rate Increases	-	226,762	607,755	1,167,025	1,823,142	2,617,772	2,617,772	2,617,772	2,545,224	2,665,386
Annual Surplus/(Deficit)	\$ 695,710	\$ 324,481	\$ 634,971	\$ (352,888)	\$ (604,255)	\$ 944,907	\$ 845,157	\$ 1,249,201	\$ 1,493,893	\$ 1,548,541
Net Revenue Req. (Total Uses less Non-Rate Revenue)	\$ 5,207,290	\$ 5,831,324	\$ 5,907,691	\$ 7,643,071	\$ 8,550,555	\$ 7,796,023	\$ 7,895,773	\$ 7,491,729	\$ 7,338,702	\$ 7,354,715
Total Rate Revenue After Rate Increases	\$ 5,903,000	\$ 6,155,815	\$ 6,542,661	\$ 7,290,184	\$ 7,946,300	\$ 8,740,930	\$ 8,740,930	\$ 8,740,930	\$ 8,832,595	\$ 8,903,256
Projected Annual Rate Revenue Increase	0.00%	4.00%	6.00%	8.00%	9.00%	10.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Increase from Annual Revenue Increases	0.00%	4.00%	10.24%	19.06%	29.77%	42.75%	42.75%	42.75%	42.75%	42.75%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx, budgetEmail 4 13 16.pdf

2 Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1.

3 Interest earnings are per the City's Summary Budget in 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 (O&M). Source files: Sanitation Budgets.xlsx, budgetEmail 4 13 16.pdf
Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond

TABLE 2
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget	Projected								
	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	\$ 16,507,541									
Operating Reserve Fund										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000
Plus: Net Cash Flow (After Rate Increases)	695,710	324,491	634,971	(352,888)	(604,255)	944,907	845,157	1,249,201	1,493,893	1,548,541
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,694)	1,312,888	363,255	(1,566,416)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,077,477)	(3,686,464)	(37,277)	-	-	(23,491)	(647,634)	(1,046,782)	(1,284,491)	(1,333,068)
Ending Operating Reserve Balance	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000
Target Ending Balance (55% of O&M) (2)	\$ 2,878,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000
Capital Reserve Fund										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 2,586,796	\$ 5,050,764	\$ 3,448,951	\$ 1,786,687	\$ 1,388,300	\$ 1,411,791	\$ 2,054,334	\$ 2,462,582	\$ 2,710,591
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,686,464	37,277	-	-	23,491	647,634	1,046,782	1,284,491	1,333,068
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,222,496)	(1,639,991)	(1,586,263)	(372,387)	-	(5,091)	(638,534)	(1,036,482)	(1,272,791)
Ending Capital Reserve Balance	\$ 2,586,796	\$ 5,050,764	\$ 3,448,951	\$ 1,760,687	\$ 1,388,300	\$ 1,411,791	\$ 2,054,334	\$ 2,462,582	\$ 2,710,591	\$ 2,770,868
Target Ending Balance (3% net assets) (4)	\$ 1,358,800	\$ 1,364,300	\$ 1,371,100	\$ 1,379,100	\$ 1,386,300	\$ 1,398,800	\$ 1,406,700	\$ 1,415,800	\$ 1,426,100	\$ 1,437,800
Rate Stabilization Reserve										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,014,288	\$ 1,651,033	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,694	(1,312,888)	(363,255)	1,566,416	96,523	99,419	102,402	105,474
Ending Rate Stabilization Reserve Balance	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,014,288	\$ 1,651,033	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Target Ending Balance (1 year Metro Costs) (5)	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,995,634	\$ 4,473,968	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
Pure Water Reserve										
Beginning Reserve Balance (3)	\$ -	\$ 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 Pure 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 (\$3.7 m) (6)	\$ 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
Ending Balance - Excl. Restricted Reserves	\$ 15,641,261	\$ 14,743,246	\$ 13,739,127	\$ 11,697,976	\$ 10,721,333	\$ 11,666,240	\$ 12,506,306	\$ 13,116,974	\$ 13,574,385	\$ 13,850,136
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 10,713,255	\$ 11,056,782	\$ 11,661,276	\$ 14,295,634	\$ 13,543,668	\$ 11,653,249	\$ 11,858,672	\$ 12,070,192	\$ 12,289,893	\$ 12,517,067
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 4,927,996	\$ 3,686,464	\$ 2,077,851	\$ (2,597,658)	\$ (2,822,335)	\$ 12,991	\$ 647,634	\$ 1,046,782	\$ 1,284,491	\$ 1,333,068
Restricted Reserves:										
Connection Fee Reserve										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,565	2,151	2,842	3,238	3,643
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 Balance	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	\$ 202,801
Annual Interest Earnings Rate (7)	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17.
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: Detailed Trial Balance Fund 16 2016 pdf & Summary Trial Balance Fund 16
Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve
- The 3% 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 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.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another 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. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- 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.

CHART 1

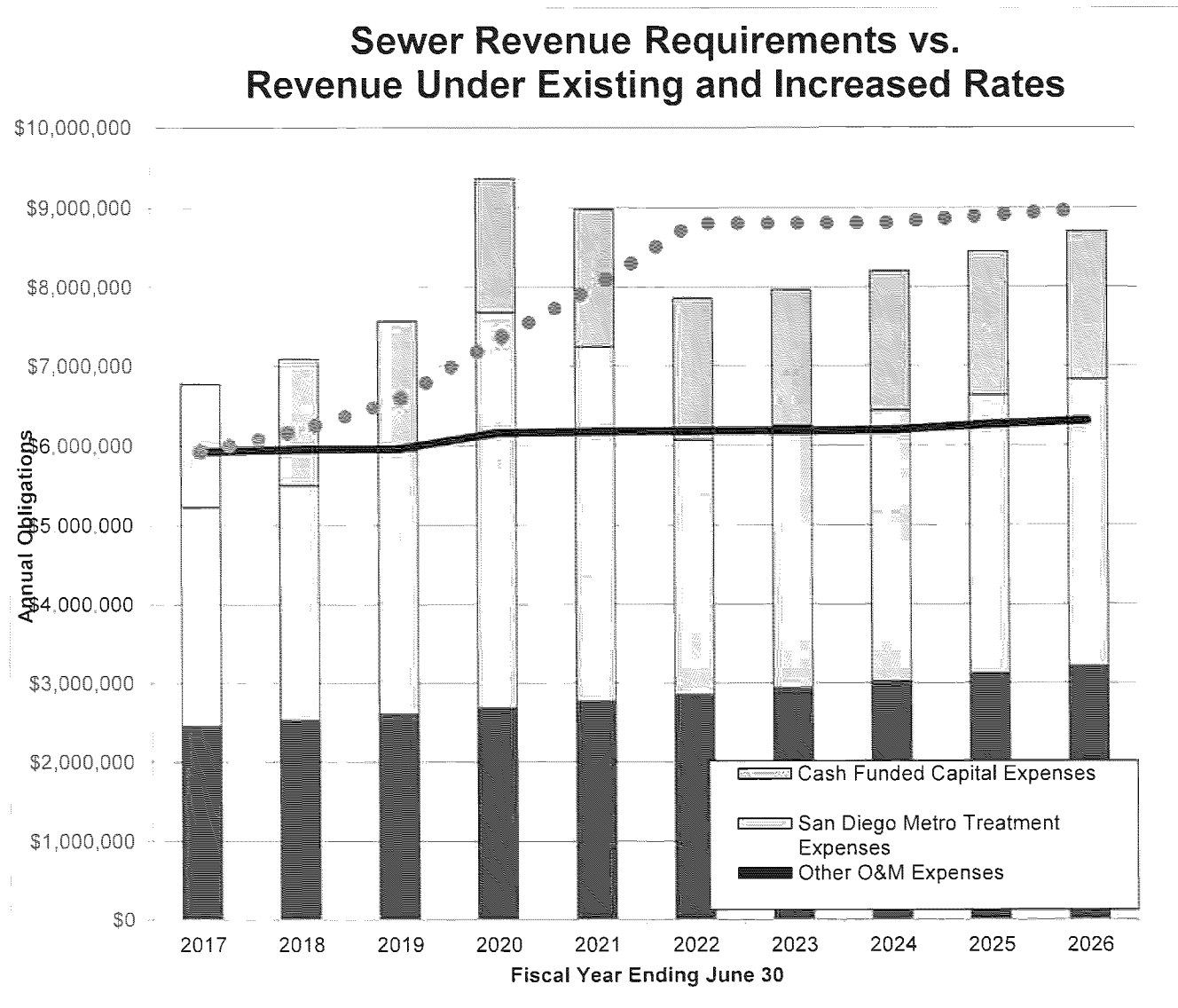


CHART 2

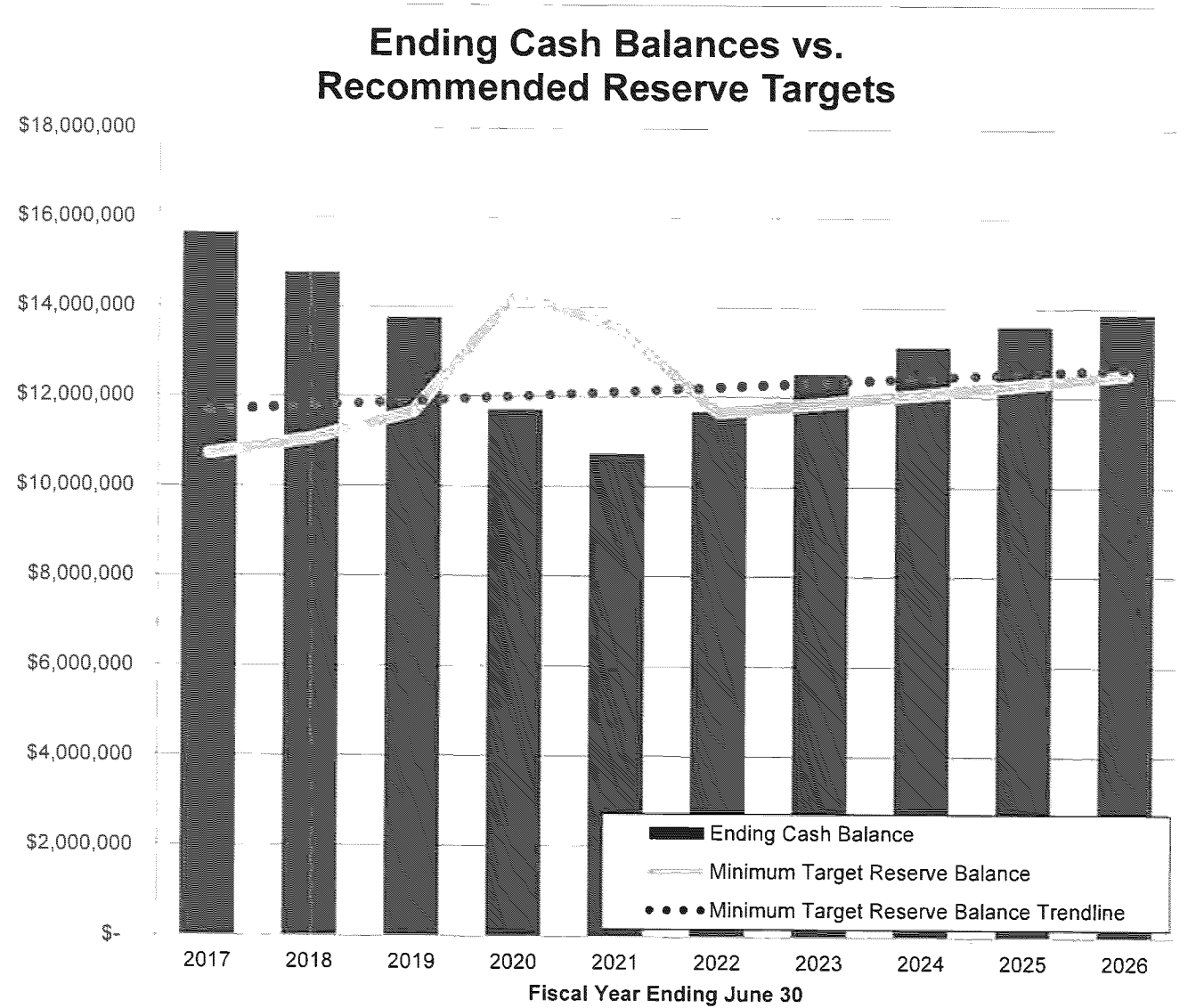
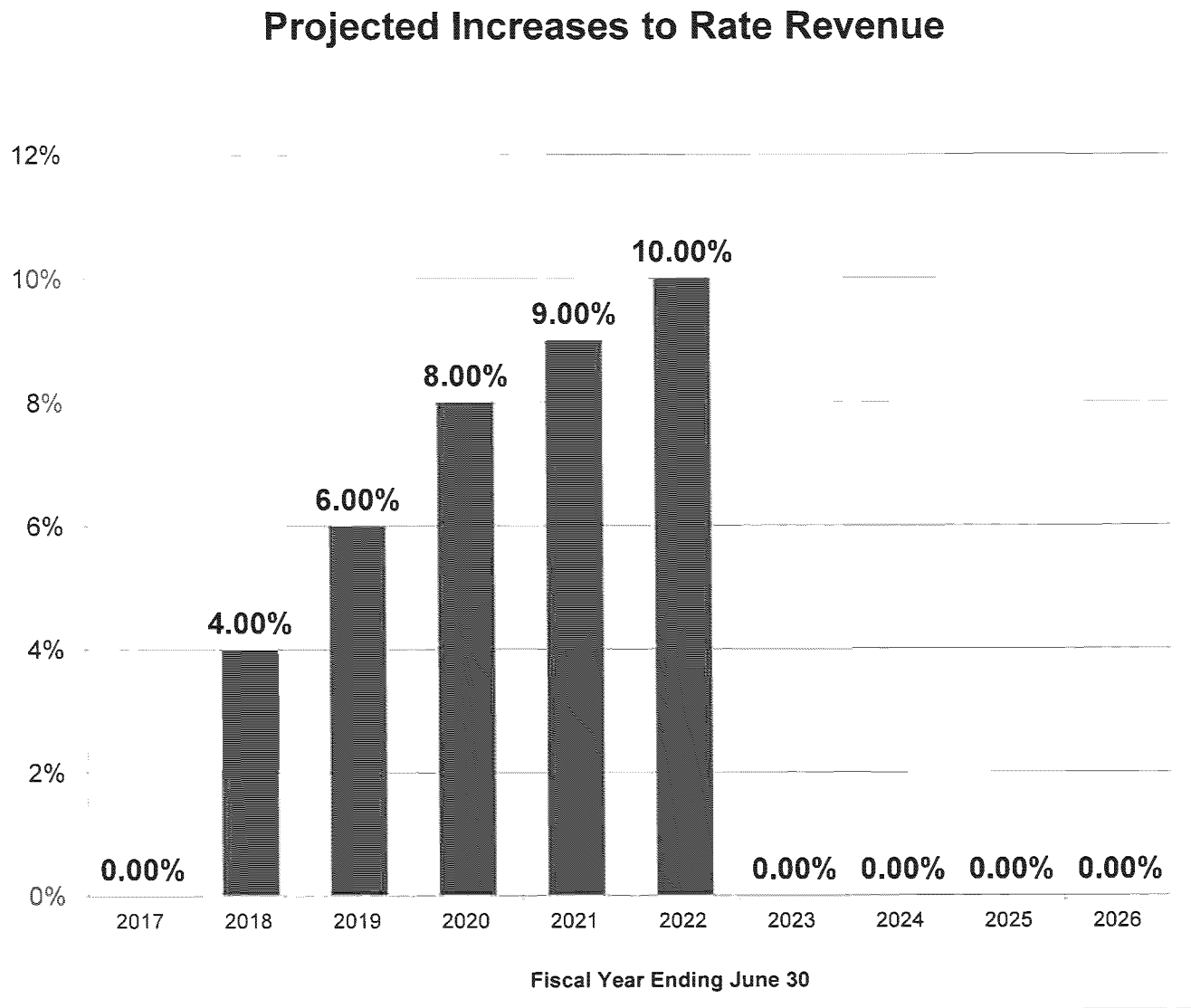


CHART 3



CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 3 - REVENUE FORECAST (1)

		5 Year Rate Period									
SOURCES OF REVENUE	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue											
4370 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											
4420 Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue											
4430 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue											
4505 Sewer Capacity Fee	9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 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	\$ 6,134,963	\$ 6,184,042
4625 Sewer Service - LGSD La Mesa SD	1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
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	\$ 6,207,516	\$ 6,257,040

TABLE 4

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	\$ 6,207,516	\$ 6,257,040

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 5 - OPERATING EXPENSE FORECAST (4):

5 Year Rate Period

Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E05 Salaries											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,826	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
Subtotal: E05 Salaries		\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
E10 Benefits											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
590 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E10 Benefits		\$ 246,895	\$ 255,651	\$ 264,723	\$ 274,124	\$ 283,865	\$ 293,959	\$ 304,419	\$ 315,259	\$ 326,492	\$ 338,133
E15 Benefits - Retirement											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: E05 Benefits - Retirement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 1,041,895	\$ 1,074,501	\$ 1,108,139	\$ 1,142,842	\$ 1,178,645	\$ 1,215,582	\$ 1,253,691	\$ 1,293,009	\$ 1,333,574	\$ 1,375,428

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 6 - OPERATING EXPENSE FORECAST (4):

\$ Year Rate Period

Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
E40 Other Operating Expenses											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5520 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 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	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 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
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006	\$ 78,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 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	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 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	\$ 7,046
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
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6290 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		\$ 3,325,195	\$ 3,532,918	\$ 3,907,770	\$ 5,590,762	\$ 5,087,721	\$ 3,849,432	\$ 3,964,106	\$ 4,082,213	\$ 4,203,854	\$ 4,329,136
E65 Transfers											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: E65 Transfers		\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
Subtotal: Sewer Fund 15 - Sewer Operations		\$ 4,190,195	\$ 4,423,868	\$ 4,825,448	\$ 6,535,971	\$ 6,061,286	\$ 4,852,204	\$ 4,996,962	\$ 5,146,053	\$ 5,299,610	\$ 5,457,765
Total: Sewer Fund 15 - Sewer Operations		\$ 5,232,090	\$ 5,498,368	\$ 5,933,587	\$ 7,678,813	\$ 7,239,931	\$ 6,067,787	\$ 6,250,653	\$ 6,439,062	\$ 6,633,184	\$ 6,833,192

CITY OF LEMON GROVE
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1
Alternative Number - 4

TABLE 7 - FORECASTING ASSUMPTIONS:

		5 Year Rate Period									
ECONOMIC VARIABLES	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Customer Growth (7)	1	--	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
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 (8)	3	--	3.00%	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%	4.00%
Retirement Benefits Inflation (8)	5	--	3.00%	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%	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	--	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
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%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

1 Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *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 files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.

Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.

5 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.

6 Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.

7 Client provided source file: *Lemon Grove Sewage 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 2016.pdf*, pg. 2.

CITY OF LEMON GROVE
SEWER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2
Alternative Number - 4

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		5 Year Rate Period									
		Budget				Projected					
Funding Sources:		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
Grants		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding		-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds		-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve		1,545,000	1,222,496	1,639,091	1,688,263	372,387	-	5,091	638,534	1,036,482	1,272,791
Rate Revenue		-	368,854	-	-	1,366,524	1,791,078	1,706,629	1,124,539	779,483	597,652
Total Sources of Capital Funds		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Uses of Capital Funds:											
Total Project Costs		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Capital Funding Surplus (Deficiency)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

		5 Year Rate Period									
Project Description		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 Improvement Program Costs (Current-Year Dollars)	\$	1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786	\$ 1,391,786

Average used for Future year projects \$ 1,391,786

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

		5 Year Rate Period									
Project Description		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)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$	257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$	103,000	\$ 106,090	\$ 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	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$	1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444

TABLE 11 - FORECASTING ASSUMPTIONS:

		5 Year Rate Period									
Economic Variables		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>).

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
		4.00%	6.00%	8.00%	9.00%	10.00%
Rate Per EDU (240 gpd)	\$553.17	\$575.30	\$609.81	\$658.60	\$717.87	\$789.66

1. Ordinance No.26.pdf

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	
Cruda Vista	10.00%	\$ 10,658,193	\$ 11,053,792	\$ 12,381,619	\$ 14,737,352	\$ 15,085,850	\$ 17,229,465	\$ 18,077,319	\$ 21,012,782	\$ 21,005,057	\$ 17,379,048	\$ 22,243,394	\$ 10,813,073
Coronado	3.00%	3,095,819	3,105,379	2,218,141	2,473,735	2,508,135	2,772,647	1,467,732	4,101,279	1,104,908	1,727,807	1,234,339	1,681,207
Del Mar	1.10%	704,800	845,366	820,052	907,010	910,814	1,010,637	1,271,502	1,525,802	1,110,552	1,106,863	819,258	983,109
East Gray Mesa	0.10%	69,627	76,846	76,005	82,458	83,619	92,422	115,591	138,709	103,550	124,260	74,478	89,374
El Cajon	15.00%	15,629,090	11,526,806	11,190,107	11,358,679	12,542,925	13,863,233	17,328,654	20,500,391	15,532,528	18,639,024	11,171,607	13,406,028
Imperial Beach	3.70%	2,572,510	2,843,301	2,760,214	3,050,940	3,093,021	3,419,597	4,276,869	5,132,323	3,831,357	4,397,028	2,755,085	3,106,822
La Mesa	7.00%	5,287,075	5,810,294	5,609,958	6,266,790	6,355,082	7,024,038	8,284,621	10,541,005	7,860,814	9,653,777	5,600,326	6,793,192
Lakeside/Alpine	5.30%	3,684,947	4,072,837	3,954,050	4,370,286	4,431,833	4,898,362	6,120,326	7,321,521	5,628,100	6,585,702	3,947,331	4,736,800
Lemon Grove	3.60%	2,502,983	2,766,655	2,685,770	2,904,482	3,010,303	3,217,170	4,161,278	4,993,534	3,727,807	4,473,368	2,681,307	3,117,469
National City	7.40%	5,165,021	5,686,602	5,526,740	6,101,860	6,187,343	6,839,125	8,553,730	10,266,486	7,662,724	9,195,257	5,511,370	6,513,644
Olney	1.10%	764,800	845,366	820,052	907,010	910,814	1,010,637	1,271,502	1,525,802	1,110,552	1,106,863	819,258	983,109
Palme Blom	6.50%	4,519,275	4,994,988	4,849,306	5,359,760	5,435,267	6,007,401	7,513,439	9,016,103	6,730,762	8,076,915	4,841,060	5,800,183
Poway	5.10%	3,543,893	3,919,145	3,802,840	4,205,350	4,284,594	4,713,494	5,895,124	7,074,123	5,291,080	6,177,272	3,784,377	4,538,052
Spring Valley	8.60%	1,079,149	1,608,254	1,416,000	1,903,275	1,919,377	2,048,251	2,920,831	3,028,998	2,905,316	3,080,380	1,605,106	1,686,128
Wintergarden	1.90%	1,321,019	1,460,073	1,417,490	1,566,699	1,580,770	1,756,080	2,196,230	2,337,476	1,907,654	2,100,944	1,415,082	1,608,008
Total	100.00%	\$ 69,527,309	\$ 76,843,973	\$ 74,604,715	\$ 82,457,843	\$ 83,619,409	\$ 92,421,552	\$ 119,594,061	\$ 138,709,273	\$ 103,550,190	\$ 124,260,228	\$ 74,677,980	\$ 89,373,576
County	15.90%	\$ 11,054,843	\$ 12,218,510	\$ 11,862,150	\$ 13,110,797	\$ 13,295,600	\$ 14,004,027	\$ 18,378,979	\$ 21,054,774	\$ 16,464,488	\$ 19,237,376	\$ 11,841,909	\$ 14,210,594

- 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.
- ¹ 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.
- ¹ 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

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.

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	\$ 6,489,996
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.

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
WASTEWATER FLOW	AMOUNT \$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

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 percents:		
	FLOW (a)	SS (a)	COD (a)	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%	9.90%
CORONADO	1,440,470	850,085	651,789	2,942,344	1.58%	1.69%	1.46%
DEL MAR	31,884	22,276	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%	2.19%
LAKESIDE/ALPINE	1,964,277	1,157,567	939,029	4,060,873	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	1,345,506	1,396,518	5,504,537	3.02%	2.68%	3.12%
OTAY	115,010	381,525	157,720	654,255	0.13%	0.76%	0.35%
PADRE DAM	1,366,453	1,341,203	949,719	3,657,375	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	563,662	345,866	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

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 - mgd (a)	SS mg/l (b)	COD mg/l (b)	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.780	268	746	5,759.826	12,901	35,846	6,102.677	16,934	33,139
CORONADO	2.530	299	684	923.450	2,307	5,269	978.418	3,028	4,871
DEL MAR	0.056	354	545	20.440	60	93	21.657	79	86
EAST OTAY MESA	0.025	255	671	9.125	19	51	9.668	25	47
EL CAJON	7.230	315	789	2,638.950	6,942	17,375	2,796.032	9,112	16,062
IMPERIAL BEACH	2.300	214	548	839.500	1,500	3,838	889.471	1,970	3,548
LA MESA	4.829	195	538	1,762.585	2,873	7,919	1,867.502	3,772	7,321
LAKESIDE/ALPINE	3.450	299	722	1,259.250	3,142	7,591	1,334.206	4,124	7,018
LEMON GROVE	2.273	226	625	829.645	1,561	4,326	879.029	2,049	4,000
NATIONAL CITY	4.852	247	764	1,770.980	3,652	11,289	1,876.397	4,793	10,437
OTAY	0.202	1,683	2,072	73.730	1,035	1,275	78.119	1,359	1,179
PADRE DAM	2.400	498	1,050	876.000	3,640	7,677	928.143	4,778	7,098
POWAY	2.582	274	630	942.430	2,155	4,956	998.528	2,829	4,582
SPRING VALLEY	7.250	240	652	2,646.250	5,307	14,408	2,803.766	6,966	13,320
WINTERGARDENS	0.990	311	766	361.350	939	2,359	382.859	1,232	2,134
SUBTOTAL PARTICIPATING AGENCIES	56.749	277	717	20,713.511	48,034	124,221	21,946.471	63,050	114,840
SAN DIEGO	103.700	279	753	37,850.500	88,221	237,827	40,103.529	115,800	219,865
REGIONAL SLUDGE RETURNS	9.551	1,460	(937)	3,485.989	42,595	(27,343)			
TOTAL	170.000	345	646	62,050.000	178,850	334,705	62,050.000	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.
Otay loads based on FY 2014 Mass Balance.

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

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	ALLOCATION OF COSTS						
		FLOW %	FLOW COSTS	SS %	SS COSTS	COD %	COD COSTS	TOTAL COSTS
<u>OPERATION AND MAINTENANCE :</u>								
TRANSMISSION AND SYSTEM MAINTENANCE	\$9,304,878	100.0%	\$9,304,878	0.0%	\$0	0.0%	\$0	\$9,304,878
OPERATIONS & MAINTENANCE	46,500,000	37.3%	17,324,050	33.9%	15,763,979	28.8%	13,411,971	46,500,000
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%	600,085	40.0%	400,057	1,000,142
METRO ADMIN & GENERAL EXPENSES - 41508	12,600,072	42.1%	5,308,111	31.8%	4,000,678	26.1%	3,291,284	12,600,072
METRO ADMIN & GENERAL EXPENSES - 41509	21,899,855	42.1%	9,225,868	31.8%	6,953,473	26.1%	5,720,494	21,899,855
TOTAL OPERATIONS AND MAINTENANCE	\$102,304,947	43.46%	\$44,462,926	31.00%	\$31,718,216	25.54%	\$26,123,805	\$102,304,947
<u>CAPITAL IMPROVEMENT PROGRAM :</u>								
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%	8,856,664	22.0%	3,491,845	22.2%	3,525,119	15,873,628
DEBT SERVICE	68,166,070	55.8%	38,033,144	22.0%	14,995,019	22.2%	15,137,908	68,166,071
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$84,039,698	55.8%	\$46,889,808	22.0%	\$18,486,864	22.2%	\$18,663,027	\$84,039,699
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$186,344,645	49.0%	\$91,352,734	26.9%	\$50,205,080	24.0%	\$44,786,832	\$186,344,646

Attachment C

ORDINANCE NO. 28

AN ORDINANCE AMENDING ORDINANCE NO. 27 OF THE LEMON GROVE SANITATION DISTRICT DESCRIBING METHODS FOR CALCULATING SEWER USE CHARGES

The Board of Directors of the Lemon Grove Sanitation District does ordain as follows:

SECTION 1. Ordinance No. 27, Article III shall be amended to read as follows:

ARTICLE III

SEWER SERVICE CHARGES

SECTION 30. ESTABLISHMENT OF SEWER SERVICE CHARGE. There is hereby levied and assessed upon each premise within the district that discharges sewage into the sewer lines of the District and upon each person owning, letting or occupying such premises an annual sewer service charge.

The annual sewer service charge is made up of two components. The first component is generally based on the District's annual cost to collect and transport wastewater, and is equally divided among the number of equivalent dwelling units (EDUs) connected to the District's system. The second component is generally the District's cost for wastewater treatment and disposal as fees paid to the City of San Diego for capacity and use of the San Diego Metropolitan Sewer System, and is allocated to users of the District's system based on the users' generation of annual wastewater flow, biochemical oxygen demand, and suspended solids discharged into the District's system.

For the purpose of this ordinance, the discharge characteristics of an average single family user is one EDU and shall be composed of wastewater flow of 240 gallons per day for 365 days per year and constituent levels of sewage strength of 200 milligrams per liter (mg/l) biochemical oxygen demand (BOD) and 200 milligrams per liter (mg/l) suspended solids (SS).

For the purpose of this ordinance, the discharge characteristics of commercial/industrial users is a minimum sewer capacity of 1.2 EDU for each business unit with flow quantity and strength as measured by BOD and SS as set forth in the current edition of the California State Water Resources Control Board (State) publication "*Policy For Implementing The State Revolving Fund For Construction Of Wastewater Treatment Facilities*", or comparable industry standards acceptable to the State and approved by the District's Engineer. Minimum sewage strength capacity per commercial/industrial EDU is 200 mg/l BOD and mg/l SS.

The flow and strength rate EDUs are determined for individual business units as set forth herein in Section 30.3 and are applicable to each of the various District's users under the jurisdiction of this Ordinance. The District's Engineer shall assign flow rates, BOD, and SS based upon the estimated amount of and strength of wastewater that is typically generated for each business unit. The EDUs, flow rates, BOD, and SS so assigned shall be used in computing the sewer service charges.

If potable water delivered through the water meter is used by the District to estimate the volume of wastewater discharged over a period of time, then 90% of water meter flow is estimated to be discharged into the sewer unless the discharger or legal owner presents evidence to the contrary and this evidence is satisfactory to the District's Engineer. The District's Engineer may adjust the charges for wastewater treatment and disposal in proportion to the estimated volume of wastewater discharged to the sewer.

SECTION 30.1 Annual Sewer Service charges shall be determined by the following formula (rounded to the nearest dollar):

$$SSC = (n/N \times D) + (f/F \times M_F) + (s/S \times M_S) + (b/B \times M_b)$$

In the above formula, the following terms have the meanings and definitions as shown:

n = Number of EDUs assigned to a particular user. EDUs are assigned as follows: 1.0 EDU each for single family dwellings, condominiums, each living unit of a multi-family dwelling, and each space for a mobile home park. Commercial/Industrial users are assigned a minimum of 1.2 EDUs, and additional EDUs may be assigned based upon Section 30.3 of this ordinance.

f = Flow of a particular user in million gallons per year, based either upon assigned EDUs or water meter records.

s = Suspended Solids of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.

b = Biochemical Oxygen Demand of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.

N = Total number of EDUs in the District. This is a summation of the EDUs assigned to all users.

D = District budgeted costs for the fiscal year in dollars, to collect and transport wastewater. This is a net cost for District customers after non-operating revenues have been subtracted from the total District budget costs. Such budgeted costs shall include, but not be limited to operation and maintenance costs of pipelines, pump stations, and meter stations; design and construction cost of replacement facilities; and administration costs including fee collection, accounting, record maintenance, planning and code enforcement.

M = Total District budgeted cost for the fiscal year in dollars, for treatment and disposal of wastewater. Such cost shall include, but not necessarily be limited to, fees paid to the City of San Diego for capacity in and use of the Metro System. The Metro treatment and disposal costs are further divided into cost categories as determined by the City of San Diego and allocated as follows: Flow Cost = M_F (43.7% costs); BOD Cost = M_b (30.1% of costs) and SS Cost = M_s (26.2% of costs).

F = Total flow in the District in million gallons per year from a summation of users' flows, based either upon assigned EDUs or potable water meter records.

S = Total Suspended Solids in the District impounds per year, from a summation of users' SS loading, based either upon State standards, or comparable industry standards approved by the State.

B = Total Biochemical Oxygen Demand in the District impounds per year from a summation of users' BOD loading, based either upon State standards, or comparable industry standards approved by the State.

Attachment C

SECTION 30.2 The SSC for the Lemon Grove Sanitation District for residential units are as follows:

FISCAL YEAR 2017-2018:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$584.98
Condominium	1	240 gpd	\$584.98
Multi-Family	1	240 gpd*	\$584.98
Mobile Home	1	240 gpd*	\$584.98

FISCAL YEAR 2018-2019:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$618.61
Condominium	1	240 gpd	\$618.61
Multi-Family	1	240 gpd*	\$618.61
Mobile Home	1	240 gpd*	\$618.61

FISCAL YEAR 2019-2020:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$654.18
Condominium	1	240 gpd	\$654.18
Multi-Family	1	240 gpd*	\$654.18
Mobile Home	1	240 gpd*	\$654.18

FISCAL YEAR 2020-2021:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$691.79
Condominium	1	240 gpd	\$691.79
Multi-Family	1	240 gpd*	\$691.79
Mobile Home	1	240 gpd*	\$691.79

FISCAL YEAR 2021-2022:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$731.57
Condominium	1	240 gpd	\$731.57
Multi-Family	1	240 gpd*	\$731.57
Mobile Home	1	240 gpd*	\$731.57

*Note that rates may be adjusted to reflect flow based upon potable water records.

SECTION 30.3 Assignment of sewer capacity for Commercial/ Industrial business units shall be assigned in terms of EDUs. The minimum charge per commercial unit shall be 1.2 EDUs or \$701.97 per annum during FY 17/18, \$742.33 per annum during FY 18/19, \$785.01 per annum during FY 19/20, \$830.16 per annum during FY 20/21, and \$877.89 per annum during FY 21/22. Higher charges will be assessed for commercial/industrial EDU's with sewage strength higher than combined 400 mg/l BOD and SS. Flow based sewer capacity to business units shall be assigned as described in Section 50.3.

SECTION 50.3 COMMERCIAL/INDUSTRIAL FACILITIES

ewer capacity for Commercial/Industrial business units shall be assigned in terms of Equivalent Dwelling Units as follows:

a. Food Service Establishments		<u>EDUs</u>
1)	Take-out Restaurants with disposable Utensils, no dishwasher, and no public rest rooms.	3.0
2)	Miscellaneous food establishments-ice-cream/yogurt shops, bakeries (sales on premises only).	3.0
3)	(I) Take-out/eat in restaurants with disposable utensils, but with seating and public rest rooms.	3.0 minimum
	(II) Restaurants with re-usable utensils, seating and public rest rooms.	3.0 minimum
One EDU is assigned for each 6-seat unit as follows:		
	0 – 18 seats=	3.0 minimum
	Each additional 6-seat unit will be assigned	1.0
b. Hotels and Motels		
1)	Per living unit without kitchen	0.38
2)	Per living unit with kitchen	0.60
c. Commercial, Professional, Industrial Buildings, Establishments not specifically listed herein.		
1)	Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
	Each additional 1,000 sq. ft. or portion thereof	0.70
2)	Where occupancy type or usage is unknown at the time of application for service, the following EDUs shall apply. This shall include but not be limited to shopping centers, industrial parks, and professional office buildings.	
	First 1,000 square feet of gross building floor area.	1.20

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Each additional 1,000 square feet of gross	0.70
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Building floor area. Portions less than 1,000 square feet will be prorated.

d. Self-service laundry per washer	1.00
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e. Churches, theaters and auditoriums per each 150 person seating capacity, or any fraction thereof. (Does not include office spaces school rooms, day care facilities, food preparation areas, etc. Additional EDUs will be assigned for these supplementary uses.)	1.50
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f. Schools	
Elementary schools for 50 pupils or fewer	1.00
Junior High Schools for 40 pupils or fewer values	1.00
High School for 24 pupils or fewer	1.00

Additional EDUs will be prorated based upon the above values.

The number of pupils shall be based on the average daily attendance of pupils at the school during the preceding fiscal year, computed in accordance with the education code of the State of California. However, where the school has had no attendance during the preceding fiscal year, the Director shall estimate the average daily attendance for the fiscal year for which the fee is to be paid and compute the fee based on such estimate.

SECTION 2. DATE OF LEVY OF NEW CHARGES. The Charges referenced above shall take effect on July 1, 2017 in the manner allowed by law.



BACKGROUND

In 1989, the Lemon Grove Sanitation District (District) assumed maintenance and operations of the sanitary sewer main line system from the County of San Diego. The District is a participating member of the Metropolitan Commission / City of San Diego Metropolitan Joint Powers Authority (METRO) which is a partnership of 11 municipalities and special districts that share in the use of the City of San Diego's regional wastewater system.

The District provides wastewater collection system management for the City of Lemon Grove and its residents. These services include:

- The maintenance, operation and the construction of sewer capital improvement projects for approximately 69 miles of sewer main lines in the City,
- The transportation of all wastewater to the City of San Diego Metropolitan wastewater department for treatment, and
- Shared METRO participating agency costs for maintenance, operation and the construction of capital improvements to the City of San Diego's wastewater collection system.

During the next five-year period, the shared METRO participating agency costs are anticipated to increase the District's sewer fees. The primary reasons for the increase are due to:

1. Unanticipated capital improvement program cost increases related to the Pure Water (recycled water) program that only benefit the residents of the City of San Diego.
2. Increasing costs of sewage treatment and transportation from the City of San Diego.
3. Ongoing shared operation, maintenance and capital improvement cost increases by the City of San Diego.

On February 7, 2017, the District received and reviewed a report that provided a sewer rate analysis, prepared by the District's rate consultant (NBS). This report outlines a recommended sewer service fee for the next five fiscal years based on the expenditures listed above to maintain the District's sewer system.

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

Attachment D



NOTICE OF PUBLIC HEARING

THE LEMON GROVE SANITATION DISTRICT, in compliance with Article XIID 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 fee 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 1st 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 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.

HOW YOUR SEWER SERVICE FEE IS CALCULATED

The sewer service fee is an annual fee on your property tax bill and is determined based upon the classification of your property, as listed and determined by District Ordinance. 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 fee.

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:

Current Rate Per EDU	Maximum Annual Proposed Rate Per EDU				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

EDU ASSIGNMENTS PER PROPERTY CLASSIFICATION

CLASSIFICATION	EDU
Residential	
Single Family (per dwelling unit)	1.00
Condominium (per dwelling unit)	1.00
Multi-Family (per dwelling unit)	1.00
Mobile Home (per dwelling unit)	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, but with seating and public restrooms	3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms ¹	3.00

One EDU is assigned for each 6-seat unit as follows:	
0 -18 seats ¹	3.00
Each additional 6-seat unit	1.00
B. HOTELS AND MOTELS:	
1. Per living unit without kitchen	0.38
2. Per living unit with kitchen	0.60
C. COMMERCIAL, PROFESSIONAL, INDUSTRIAL BUILDINGS, ESTABLISHMENTS NOT SPECIFICALLY LISTED HEREIN:	
1. Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
Each additional 1,000 sq. ft., or portion thereof	0.70
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	1.20
Each additional 1,000 sq. ft. gross building floor area, or portion thereof	0.70
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 – Minimum EDU assignment is shown

COMMENTS AND WRITTEN PROTEST

Any property owner that is a part of the District's sewer service, may submit a written protest to the proposed increases to the sewer service rates. 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 it is 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 conclusion of the Public Hearing, written protests received regarding 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



ANTECEDENTES

En 1989, el Distrito Sanitario de Lemon Grove (Distrito) se hizo cargo del mantenimiento y las operaciones del alcantarillado sanitario principal del Condado de San Diego. El Distrito es miembro participante de la Comisión Metropolitana y el Consejo Interagencial Metropolitano de la Ciudad de San Diego (METRO), que es una asociación de 11 municipios y distritos especiales que comparten el uso del sistema regional de aguas residuales de la Ciudad de San Diego.

El Distrito administra el sistema de recolección de aguas residuales de la Ciudad de Lemon Grove y sus residentes. Entre estos servicios se incluyen los siguientes:

- El mantenimiento, la operación y la construcción de proyectos de mejora de capital en materia de alcantarillado en alrededor de 69 millas de redes principales de alcantarillado en la Ciudad,
- El transporte de toda el agua residual al departamento Metropolitano de aguas residuales de la Ciudad de San Diego para su tratamiento, y
- Los costos compartidos de la agencia participante METRO para el mantenimiento, la operación y la construcción de mejoras de capital para el sistema de recolección de aguas residuales de la Ciudad de San Diego.

Se prevé que, durante el siguiente período de cinco años, los costos compartidos de la agencia participante METRO aumentarán las tarifas del servicio de alcantarillado del Distrito. Los motivos principales del aumento se deben a lo siguiente:

1. Aumentos imprevistos de los costos del programa de mejora de capital relativos al Programa de Agua Pura "Pure Water" (agua reciclada) que solo benefician a los residentes de la Ciudad de San Diego.
2. Costos cada vez mayores del tratamiento y transporte de aguas residuales desde la Ciudad de San Diego.
3. Aumentos constantes de los costos compartidos de operación, mantenimiento y mejora de capital por parte de la Ciudad de San Diego.

El 7 de febrero de 2017, el Distrito recibió y revisó un informe en el que se proporcionaba un análisis de las tarifas del servicio de alcantarillado, elaborado por el asesor en tarifas del Distrito (NBS). Este informe detalla una tarifa recomendada por el servicio de alcantarillado para los próximos cinco ejercicios fiscales basada en los gastos enumerados anteriormente con el fin de mantener el sistema de alcantarillado del Distrito.

Para obtener más información, visite el sitio www.lemongrove.ca.gov.



AVISO SOBRE AUDIENCIA PÚBLICA

EL DISTRITO SANITARIO DE LEMON GROVE, en cumplimiento con el Artículo XIIID de la Constitución del Estado de California y la Ley de Implementación de la Propuesta Ómnibus 218, notifica lo siguiente a todos los propietarios afectados:

- El Distrito Sanitario de Lemon Grove (el "Distrito") propone aumentar las tarifas por el servicio de alcantarillado. Los aumentos propuestos son necesarios para financiar adecuadamente los costos en curso de la prestación del servicio de alcantarillado a las propiedades dentro del Distrito. Con los ingresos obtenidos de la tarifa del servicio de alcantarillado se paga la operación, el mantenimiento y las mejoras de capital en materia de alcantarillado del Distrito.
- Este aviso incluye el programa de tarifas propuesto para el Ejercicio Fiscal 2017/18 hasta el Ejercicio Fiscal 2021/22. Si la Junta del Distrito adopta los aumentos propuestos de las tarifas, la tarifa entrará en vigencia el 1 de julio de cada ejercicio fiscal, a partir del 1 de julio de 2017, y seguirá vigente hasta que la Junta del Distrito la modifique. La tarifa propuesta por el servicio de alcantarillado no puede exceder el importe adoptado por la Junta del Distrito sin mediar primero un aviso por escrito a los propietarios.

Se llevará a cabo una audiencia pública sobre las tarifas propuestas del servicio de alcantarillado el 18 de abril de 2017 a las 6:00 p. m. en el Centro Comunitario de Lemon Grove, que se encuentra en 3146 School Lane en la Ciudad de Lemon Grove. La Junta del Distrito escuchará y tendrá en cuenta todo testimonio verbal y escrito relativo a las tarifas propuestas del servicio de alcantarillado.

CÁLCULO DE SU TARIFA POR EL SERVICIO DE ALCANTARILLADO

La tarifa por el servicio de alcantarillado es una tarifa anual que se cobra a través de su factura de impuesto sobre la propiedad y se determina en función de la clasificación de su propiedad, como se enumera y determina en la Ordenanza del Distrito. A cada propiedad se asignan unidades de vivienda equivalentes (EDU) sobre la base de dicha clasificación de la propiedad, y el número de EDU asignadas se multiplica por la Tarifa Por EDU con el fin de determinar la tarifa anual por el servicio de alcantarillado de una propiedad.

TARIFAS PROPUESTAS POR EL SERVICIO DE ALCANTARILLADO

En la siguiente tabla se comparan las tarifas propuestas por el servicio de alcantarillado para el Ejercicio Fiscal 2017/18 hasta el Ejercicio Fiscal 2021/22 con la tarifa actual por el servicio de alcantarillado para el ejercicio fiscal 2016/17:

Tarifa Actual Por EDU	Tarifa anual máxima propuesta por EDU				
	Ejercicio fiscal de 2017/18	Ejercicio fiscal de 2018/19	Ejercicio fiscal de 2019/20	Ejercicio fiscal de 2020/21	Ejercicio fiscal de 2021/22
\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

ASIGNACIONES DE EDU POR CLASIFICACIÓN DE LA PROPIEDAD

CLASIFICACIÓN	EDU
Residencial	
Unifamiliar (por unidad de vivienda)	1.00
Condominio (por unidad de vivienda)	1.00
Multifamiliar (por unidad de vivienda)	1.00
Casa móvil (por unidad de vivienda)	1.00

Attachment D

Instalaciones Comerciales/Industriales	
A. ESTABLECIMIENTOS DE SERVICIOS GASTRONÓMICOS:	
1. Restaurantes de comidas para llevar con cubiertos descartables, sin lavavajillas ni baños públicos	3.00
2. Establecimientos de comidas varias: tiendas de venta de helado/yogur, panaderías (ventas únicamente en las instalaciones)	3.00
3. (i) Restaurantes de comidas para llevar y en los que se puede comer con cubiertos descartables, pero con asientos y baños públicos :	3.00
(ii) Restaurantes con cubiertos reutilizables, asientos y baños públicos ¹	3.00
Se asigna una EDU por cada unidad de 6 asientos de la siguiente manera:	
0 a 18 asientos ¹	3.00
Cada unidad adicional de 6 asientos	1.00
B. HOTELES Y MOTELES:	
1. Por unidad habitacional sin cocina	0.38
2. Por unidad habitacional con cocina	0.60
C. EDIFICIOS COMERCIALES, PROFESIONALES, INDUSTRIALES; ESTABLECIMIENTOS NO ENUMERADOS ESPECÍFICAMENTE EN EL PRESENTE:	
1. Toda oficina, tienda o condominio o establecimiento industriales. Primeros 1,000 pies cuadrados	1.20
Cada 1,000 pies cuadrados adicionales o su porción correspondiente	0.70
2. Cuando se desconoce el tipo de ocupación o el uso en el momento que se realiza la solicitud del servicio	
Primeros 1,000 pies cuadrados de superficie construida	1.20
Cada 1,000 pies cuadrados adicionales de superficie construida o su porción correspondiente	0.70
D. AUTOSERVICIO DE LAVANDERÍA POR MÁQUINA DE LAVAR	
	1.00
E. IGLESIAS, TEATROS Y AUDITORIOS POR CADA 150 PLAZAS O LA PORCIÓN CORRESPONDIENTE	
	1.50
F. ESCUELAS	
1. Escuelas primarias de 50 alumnos o menos	1.00
2. Escuelas Intermedias de 40 alumnos o menos	1.00
3. Escuela Secundaria de 24 alumnos o menos	1.00
Se prorratearán EDU adicionales en función de los valores anteriores	

1 – Se muestra la asignación mínima de EDU.

COMENTARIOS Y PROTESTO ESCRITO

Todo propietario que forme parte del servicio de alcantarillado del Distrito puede enviar un protesto escrito sobre los aumentos propuestos relativos a las tarifas por el servicio de alcantarillado. Solo se contará un protesto por parcela identificada. Cada protesto debe (1) estar por escrito; (2) indicar que el propietario identificado se opone a las tarifas propuestas por el servicio de alcantarillado; (3) proporcionar la ubicación de las parcelas identificadas (mediante número de catastro o domicilio); y (4) incluir la firma del propietario que envía el protesto.

No se aceptarán protestos enviados por correo electrónico, fax u otro medio electrónico. Los protestos se pueden enviar por correo al Secretario del Distrito o presentarse en la Audiencia Pública, siempre que se reciban antes de que concluya la Audiencia Pública. Identifique en el frente del sobre de todo protesto, independientemente de que se envíe por correo o se presente en persona al Secretario del Distrito, que la carta adjunta está dirigida a la Audiencia Pública sobre las Tarifas Propuestas por el Servicio de Alcantarillado.

Los protestos escritos se clasificarán de acuerdo con los procedimientos adoptados por la Junta del Distrito. Si, cuando concluya la Audiencia Pública, los protestos escritos recibidos relativos a los aumentos propuestos de las tarifas por el servicio de alcantarillado no alcancen una mayoría (50% más 1) de los propietarios de las parcelas identificadas sobre las cuales se propone imponer el aumento, la Junta del Distrito quedará autorizada a adoptar las tarifas propuestas.

Con anterioridad a la Audiencia Pública, envíe por correo o entregue en mano los protestos escritos a:
<p>Lemon Grove Sanitation District Office of the District Clerk RE: PUBLIC HEARING ON PROPOSED SEWER SERVICE RATES 3232 Main Street Lemon Grove, CA 91945</p>

También puede entregar en mano los protestos escritos en la Audiencia Pública, que se llevará a cabo en el:
<p>Centro Comunitario de Lemon Grove 18 de abril de 2017 a las 6:00 p. m. 3146 School Lane Lemon Grove, CA 91945</p>