

SCHEDULE W-SRA

WATER SYSTEM RELIABILITY ADJUSTMENT

APPLICABILITY

Applicable to all areas served by the Utility and to all water rate schedule commodity charges.

PURPOSE

To provide for the automatic adjustment of the Utility's water rate schedule commodity charges per hundred cubic feet through the Water System Reliability Adjustment ("Water System Reliability Adjustment" or "WSRA") for the purpose of recovering projected capital costs, including rehabilitation and construction of water and reclaimed water system infrastructure, and related debt service payments for the Utility. The WSRA will also fund a Capital Reserve Account ("Capital Reserve Account").

CALCULATION OF WATER SYSTEM RELIABILITY ADJUSTMENT

For rate adjustments occurring on or after July 1, 2019, the amount of the Water System Reliability Adjustment shall be calculated in accordance with the following formula.

The Formula is: $\frac{(a + b - c - d - e)}{g} + \frac{f}{g}$

(expressed to the nearest \$0.001 per hundred cubic feet)

- (a) Expenditures for the Water Utility's capital improvement program less those funded by developer contributions or other contributions, as reflected in the annual budget adopted by the City Council
- (b) Capital Reserve Account limit, not to exceed the average of the three most recent fiscal year Water Utility capital improvement program budgets adopted by the City Council
- (c) Capital Reserve Account balance as of the end of the previous fiscal year
- (d) Bond funds allocated for Capital Expenditures
- (e) Funds available in the Water System Reliability Adjustment Balancing Account
- (f) Projected Water Utility debt service payments for the fiscal year
- (g) Projected water sales for the fiscal year

APPLICATION OF WATER SYSTEM RELIABILITY ADJUSTMENT

The Water System Reliability Adjustment shall be adjusted by the General Manager to reflect non-reimbursable capital infrastructure and debt service costs, including costs associated with reclaimed water infrastructure, as adopted by the City Council in the annual budget and to fund a Capital Reserve Account to be used for those purposes. The Water System Reliability Adjustment shall be limited to a maximum increase of 7.5¢ per hundred cubic feet of water consumed per 12-month period ("period"); there shall be no limit on decreases to the Water System Reliability Adjustment.

The Utility shall establish a designated Water System Reliability Adjustment Balancing Account ("Water System Reliability Adjustment Balancing Account") to account for these collections and uses of funds. The funds accounted for in the Balancing Account shall only be used to pay for the capital improvement program as set forth in the formula above.

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Any funds remaining in the Water System Reliability Adjustment Balancing Account at the end of the given period shall be transferred to the Capital Reserve Account subject to the Capital Reserve Account limit set forth below. If the funding limitations are met during a period and the Water System Reliability Adjustment Balancing Account has a balance, the excess funds shall reduce the WSRA revenue collections in a subsequent period as set forth in the formula above.

The Utility shall establish a restricted water Capital Reserve Account to be used solely to pay for non-reimbursable capital infrastructure and related debt service obligations. The Capital Reserve Account limit shall not exceed the average of the three most recent fiscal year Water Utility capital improvement program budgets approved by the City Council.

WATER SYSTEM RELIABILITY ADJUSTMENT SUMMARY

The amount of the Water System Reliability Adjustment and the data elements required to calculate the amount for the two most recent changes shall be shown in this section.

Fiscal Year Effective Date	FY 2018/2019 4/3/2019	FY 2019/2020 4/3/2020	FY 2020/2021 4/3/2021
Budgeted Capital Expenditures Less Developer Contributions (a)	\$ 32,382,000	\$ 26,644,000	\$ 17,093,000
Capital Reserve Account limit (b)	\$	\$ 27,053,333	\$ 25,373,000
(Less Capital Reserve Account balance) (c)	\$	\$ -	\$ -
(Less bond funds allocated for capital expenditures) (d)	\$ (25,905,600)	\$ (11,897,314)	\$ (13,674,400)
(Less funds available in Balancing Account) (e)	\$ (513,364)	\$ -	\$ (11,298,202)
Total Cash Required for Capital Expenditures (a+b+c+d+e)	\$ 5,963,036	\$ 41,800,019	\$ 17,493,398
Projected Debt Service Payments (f)	\$ 11,088,141	\$ 11,095,403	\$ 9,572,428
Projected Water Sales (hcf) (g)	25,124,711	24,615,259	22,613,941
Total Capital Costs ((a+b+c+d+e)/g)	\$ 0.237	\$ 1.698	\$ 0.774
Debt Service Costs (f/g)	\$ 0.441	\$ 0.451	\$ 0.423
Gross Water System Reliability Adjustment	\$ 0.678	\$ 2.149	\$ 1.197
(Less amount over maximum 7.5¢ increase)	\$ (0.003)	\$ (1.399)	\$ (0.372)
Water System Reliability Adjustment (\$/hcf)	\$ 0.675	\$ 0.750	\$ 0.825