

**AGENDA
REGULAR MEETING
CITY OF BANNING
BANNING, CALIFORNIA**

September 14, 2010
5:00 p.m.

Banning Civic Center
Council Chambers
99 E. Ramsey St.

Per City Council Resolution No. 2010-38 matters taken up by the Council before 9:00 p.m. may be concluded, but no new matters shall be taken up after 9:00 p.m. except upon a unanimous vote of the council members present and voting, but such extension shall only be valid for one hour and each hour thereafter shall require a renewed action for the meeting to continue.

I. CALL TO ORDER

- Invocation –
- Pledge of Allegiance
- Roll Call – Councilmembers Franklin, Hanna, Machisic, Robinson, Mayor Botts

II. REPORT ON CLOSED SESSION

III. PUBLIC COMMENTS/CORRESPONDENCE/PRESENTATIONS

PUBLIC COMMENTS – On Items Not on the Agenda

A three-minute limitation shall apply to each member of the public who wishes to address the Mayor and Council on a matter not on the agenda. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to "share" his/her three minutes with any other member of the public. (Usually, any items received under this heading are referred to staff or future study, research, completion and/or future Council Action.) (See last page. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

CORRESPONDENCE: Items received under this category may be received and filed or referred to staff for future research or a future agenda.

The City of Banning promotes and supports a high quality of life that ensures a safe and friendly environment, fosters new opportunities and provides responsive, fair treatment to all and is the pride of its citizens.

IV. CONSENT ITEMS

(The following items have been recommended for approval and will be acted upon simultaneously, unless any member of the City Council wishes to remove an item for separate consideration.)

Motion: That the City Council approve Consent Item 1 through 7

Items to be pulled _____, _____, _____, _____ for discussion.

(Resolutions require a recorded majority vote of the total membership of the City Council)

1.	Approval of Minutes – Joint Meeting – 08/24/10.....	1
2.	Approval of Minutes – Regular Meeting – 08/24/10	2
3.	Ordinance No. 1426 – 2 nd Reading: An Ordinance of the City Council of the City of Banning, California, Adopting Initial Study/Negative Declaration and Amending Section 5.08.080(K) and Table 17.12.020 of Section 17.12.020 and Adding a New Chapter 5.74 to the Municipal Code Regarding State Certified Massage Establishments, Massage Practitioners/Therapists (Zone Text Amending No. 09-97505).	17
4.	Ordinance No. 1427 – 2 nd Reading: An Ordinance of the City Council of the City of Banning, California, Amending the Banning Municipal Code to Change the Regular Meeting Date of the Banning Planning Commission.	26
5.	Notice of Completion for Project No. 2010-01, Phase 3 Improvements to the City of Banning’s Community Center Gym	28
6.	Award Mandatory Water Testing Analytical Services Agreement at Various Locations within the City of Banning to E. S. Babcock & Sons, Inc. in an Amount not-to-exceed \$50,000 per fiscal year	32
7.	Resolution No. 2010-66, Accepting Community Development Block Grant Program Funds (CDBG) for Fiscal Year 2010-2011.....	34

- Open for Public Comments
- Make Motion

CALL TO ORDER A JOINT MEETING OF THE BANNING CITY COUNCIL AND THE BANNING UTILITY AUTHORITY

V. PUBLIC HEARINGS

(The Mayor/Chairman will ask for the staff report from the appropriate staff member. The City Council/Utility Board will comment, if necessary on the item. The Mayor/Chairman will open the public hearing for comments from the public. The Mayor/Chairman will close the public hearing. The matter will then be discussed by members of the City Council/Utility Board prior to taking action on the item.)

1.	Urgency Ordinance No. 1428, Increase of the Water Rates for the Water Utility	
	Staff Report	81
	Recommendation: Adopt Urgency Ordinance No. 1428, approving the increase of Water Rates for the Water Utility as presented in the City of Banning Water and Wastewater Rate Study Report attached at Exhibit A.	

Mayor asks the City Clerk to read the title of Ordinance No. 1428:

"An Urgency Ordinance of the City Council of the City of Banning, Amending Chapter 13.08 of the Banning Municipal Code Relating to the Water Rate Schedule."

Motion: I move to waive further reading of Urgency Ordinance No. 1428

(Requires a majority vote of Council)

Motion: I move that Urgency Ordinance No. 1428 be adopted.

2. Urgency Ordinance No. 1429, Increase of the Wastewater Rates for Wastewater Utility.

Staff Report 123

Recommendation: Adopt Urgency Ordinance No. 1429, approving the increase of Wastewater Rates for the Wastewater Utility as presented in the City of Banning Water and Wastewater Rate Study Report attached at Exhibit A.

Mayor asks the City Clerk to read the title of Ordinance No. 1429:

"An Urgency Ordinance of the City Council of the City of Banning, Amending Chapter 13.08 of the Banning Municipal Code Relating to the Sewer Rate Schedule."

Motion: I move to waive further reading of Urgency Ordinance No. 1429

(Requires a majority vote of Council)

Motion: I move that Urgency Ordinance No. 1429 be adopted.

Adjourn Joint Meeting of the Banning City Council and the Banning Utility Authority.

VI. ANNOUNCEMENTS/REPORTS (Upcoming Events/Other Items if any)

- City Council
- City Committee Reports
- Report by City Attorney
- Report by City Manager

VII. ITEMS FOR FUTURE AGENDAS

New Items –

Pending Items –

1. Schedule Meetings with Our State and County Elected Officials
2. Schedule Meeting with Banning Library Board
3. Update on Economic Development Plan
4. Update on Golf Carts

Future Meetings –

1. September 21, 2010 at 5:00 p.m. – Jt. Meeting with Planning Commission and Parks and Recreation Advisory Committee regarding Parks Master Plan
2. October 28, 2010 at 5:00 p.m. – Jt. Meeting with the Banning School Board

VIII. ADJOURNMENT

Pursuant to amended Government Code Section 54957.5(b) staff reports and other public records related to open session agenda items are available at City Hall, 99 E. Ramsey St., at the office of the City Clerk during regular business hours, Monday through Thursday, 8 a.m. to 5 p.m.

NOTICE: Any member of the public may address this meeting of the Mayor and Council on any item appearing on the agenda by approaching the microphone in the Council Chambers and asking to be recognized, either before the item about which the member desires to speak is called, or at any time during consideration of the item. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor and Council. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public.

Any member of the public may address this meeting of the Mayor and Council on any item which does not appear on the agenda, but is of interest to the general public and is an item upon which the Mayor and Council may act. A three-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor and Council. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her three minutes with any other member of the public. The Mayor and Council will in most instances refer items of discussion which do not appear on the agenda to staff for appropriate action or direct that the item be placed on a future agenda of the Mayor and Council. However, no other action shall be taken, nor discussion held by the Mayor and Council on any item which does not appear on the agenda, unless the action is otherwise authorized in accordance with the provisions of subdivision (b) of Section 54954.2 of the Government Code.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office (909) 922-3102. **Notification 48 hours prior to the meeting** will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II].

MINUTES
CITY COUNCIL
BANNING, CALIFORNIA

08/24/10
JOINT MEETING

A joint meeting of the Banning City Council and the Community Redevelopment Agency was called to order by Mayor Botts on August 24, 2010 at 4:02 p.m. at the Banning Civic Center Council Chambers, 99 E. Ramsey Street, Banning, California.

COUNCIL MEMBERS/

BOARDMEMBERS PRESENT:

Councilmember Franklin
Councilmember Hanna
Councilmember Machisic
Councilmember Robinson
Mayor Botts

COUNCIL MEMBERS ABSENT: None

OTHERS PRESENT: Andrew Takata, City Manager/Executive Director
David J. Aleshire, City Attorney
Duane Burk, Public Works Director
Zai Abu Bakar, Community Development Director
Marie A. Calderon, City Clerk/Secretary

CLOSED SESSION

City Attorney announced that the City Council will meet in closed session in pursuant to the provisions of Government Code Section 54956.8 regarding real property negotiations concerning the Banning Heights Mutual Water Company and the Community Redevelopment Agency will meet in closed session pursuant to the provisions of Government Code Section 54956.8 in regards to real property matters involving 2301 W. Ramsey Street (All Star Dodge property).

Mayor Botts opened the item for public comments. There were none.

Meeting went into closed session at 4:04 p.m. Councilmember/Chairman Robinson excused himself from the discussion regarding 2301 W. Ramsey Street and left the room. He returned for the discussion regarding Banning Heights Mutual Water Company.

The meeting recessed at 4:45 p.m. and reconvened at 5:02 p.m.

ADJOURNMENT

By common consent the meeting adjourned at 5:05 p.m.

Marie A. Calderon, City Clerk/
Agency Secretary

MINUTES
CITY COUNCIL
BANNING, CALIFORNIA

08/24/10

REGULAR MEETING

A regular meeting of the Banning City Council was called to order by Mayor Botts on August 24, 2010 at 5:02 p.m. at the Banning Civic Center Council Chambers, 99 E. Ramsey Street, Banning, California.

COUNCIL MEMBERS PRESENT: Councilmember Franklin
Councilmember Hanna
Councilmember Machisic
Councilmember Robinson
Mayor Botts

COUNCIL MEMBERS ABSENT: None

OTHERS PRESENT: Andrew Takata, City Manager
David J. Aleshire, City Attorney
Duane Burk, Public Works Director
Zai Abu-Bakar, Community Development Director
Leonard Purvis, Police Chief
Fred Mason, Electric Utility Director
Rita Chapparosa, Deputy Human Resources Director
Dr. John McQuown, City Treasurer
Marie A. Calderon, City Clerk

Mayor Botts asked for a silent invocation. Councilmember Robinson invited the audience to join him in the Pledge of Allegiance to the Flag.

REPORT ON CLOSED SESSION

City Attorney reported that the City Council met in closed session to discuss real property negotiations with the Banning Heights Mutual Water Company and a status report was given on the real estate negotiations. The Community Redevelopment Agency Board met concerning the All Star Dodge Property and a status report was given on the real property negotiations and no reportable action was taken for either of those closed session items.

PUBLIC COMMENTS/CORRESPONDENCE/PRESENTATIONS

PUBLIC COMMENTS – *On Items Not on the Agenda*

Edward Miller resident of the City and candidate for City Council stated that he believes the outrageous water increase planned would be an absolute disaster for Banning. He said that our electric rates have recently been increased. Our electric and water rates therefore will be

significantly higher than those of our neighboring cities. What business would choose Banning compared to those of other Pass areas. What business existing here now would not be tempted to move to any other city with lower rates in the area? What individual would not be tempted to move here? These rates cannot be implemented without significant negative low term disastrous affects on Banning. We have lost 500 customers for our water system due to the poor economy. The Council has stated that this loss in income to the water utility is one of the reasons for raising the rates of those who are still here. He hears people state that they would have to move due to this increase in cost. A friend said that she would have to cut down all of her fruit trees and convert her yard from grass to simple stone. That of course would degrade the entire neighborhood tempting others to leave. If some residents left, the rates would then have to increase for the rest of us to make up the difference and more would leave producing a vicious downward spiral which is a death nail for any community. One of the claims for increasing our water rates is the need for a plant or increase with reclamation and for the drilling of new wells. When the Council approved the disastrous water bond in 2005 these were not considered of sufficient importance to be included in that bond issue. While new water supplies are always desirable we have just lost 500 customers. What possible reason could there be now to construct a reclamation plant in this financial crisis. A capital improvement plan for this irrigation system and wastewater treatment plant totals an incredible \$32 million dollars. These are not the times for such expansions. These plans must be scaled back. This rate increase will destroy Banning and the water utility and the Council must find more realistic ways to maintain our resources without these impossible water rate increases.

Liz Christiansen, 1547 Sundance Drive Beaumont current president of the Banning Mural Council and invited each one of the Council to come to their Garden Party and 5th Annual Banner Auction to be held on Sunday, August 29th from 5 to 8 p.m. at the Banning Women's Club, 175 W. Hays Street. There will be lots of raffle prizes, good food and fun entertainment and she hopes that everyone will attend.

Ingle Schuler of Banning stated that she was a sometime member of the Banning Stagecoach Days Committee and they meet down at Dysart Part and every time she goes down there she passes by several neglected properties and would like to comment on the code enforcement neglect. She said that there is a property on the north east corner of Victory and Lovell that has weeds that she could not look over and trash evidently an abandoned yard sale that was left there. She said that this has been going on for weeks and she knows that both she and Heidi Meraz have reported this and the property belongs to Dennis and Angie Brockous. The lights are still on on the back porch so somebody is paying some utility bills and not the water bills and it is a grave hazard to the surrounding properties. It is a five acre parcel so there is a huge issue with weeds. The same is true for the south east corner of 12th and West Westward. The house was remodeled, sod was put out and palm trees were planted and it was watered but now the watering has stopped and the weeds are now high and turning brown. The same is true for west Westward and the north east corner of 8th Street. This is untenable because the surrounding properties are going to be endangered and we want to make sure that there is some code enforcement or that somebody is going to do something with these properties so that we will not have a fire hazard. Ms. Schuler said that as part of the activities for the Stagecoach Committee she helped Helen Barnes distribute poster and flyers on the east side

(Ramsey east from Hargrave). She said that in the 30 years that she has lived here not much has changed on that stretch of the road and that is the first impression that people have when they come from the beautiful Desert Hills outlets and enter Banning on Ramsey Street and we have got to do something about it. That is the job of the Community Redevelopment Agency and that is how the funds should be spent. We should not give funds in the amount of \$43,000 dollars for something that is yes, worthwhile but we are lacking the knowledge of the people that used to be employed and could make the City run so the next time this comes up please think about that.

Lyndon Taylor resident of Banning addressed the Council stating that we have heard for some time now from the Council or the Redevelopment group claims that the court that is now going to be constructed in our city wouldn't have been located in Banning if it weren't for the Banning Cultural Alliance. The government agency that is responsible for the construction of court facilities as you know is the Judicial Council of California Administrative Office of the Courts located in San Francisco. They were contacted with a public records request and asked for any documentation that would support the Banning Cultural Alliance's role in contributing to the decision to locate in Banning. The Agency has responded to the public records request with the following: "There is no record of even a single phone call at any time between anyone from the Cultural Alliance and the State of California Administrative Office of the Courts. Not a single letter, email, fax or other form of written correspondence has ever been exchanged between the Banning Cultural Alliance and the Administrative Office of the Courts. Not a single meeting has even taken place at any time between representatives of the Alliance and the Administrative Office of the Courts. And the State of California has no record whatsoever that would indicate that the Banning Cultural Alliance has influenced the decision to locate the courts in Banning." We therefore request that the Council cease and desist from misinforming the public about the Alliance's role in the decision to locate the courts in our community.

Barb Myers, Habitat for Humanity Board Member and Co-Chairperson of the Family Services Committee addressed the Council introducing her husband Jim Myers Co-Chairperson of the Family Services Committee and Family Services Member Anita Worthin. She said that because of the funding from the Community Redevelopment Agency Habitat for Humanity has been able to move forward and make an offer on a house to be rehabbed here in Banning. The offer was accepted and closing is due to occur by September 10, 2010. The Family Services Committee is now gearing up for the family selection application process which will be held this fall from September 11th through November 14th. They will hold three orientation meetings at the Habitat Office on September 11th, October 5th and November 1st. Interested families may attend one of these meetings to receive an application and additional information about how the application process works. After each of these meetings the committee will schedule an application appointment with every family to go over the required information and supporting documents and to make sure that their application is complete. She said that their committee of eight volunteers is hoping to select up to five families by the end of January 2011. She thanked the Council on behalf of Habitat for Humanity.

Councilmember Franklin asked about where the house is. Mrs. Myers said it is located at 1569 Almond Way in north east Banning. It is a three bedroom, one bath house and due to Habitat for Humanity International Guidelines they will be adding half of a bath to the house. They feel that the house is in pretty good condition and they will be rehabilitating the kitchen area and a bathroom and working on the front yard area.

CORRESPONDENCE: There was none at this time.

CONSENT ITEMS

Mayor Botts pulled Consent Item No. 5 because there are representatives present to make a presentation on that subject. Councilmember Robinson pulled Consent Items 6 and 10 for discussion.

1. Approval of Minutes – Joint Meeting – 07/27/10

Recommendation: That the minutes of the joint meeting of July 27, 2010 be approved.

2. Approval of Minutes – Regular Meeting – 07/27/10

Recommendation: That the minutes of the regular meeting of July 27, 2010 be approved.

3. Resolution No. 2010-48, Amending Resolution No. 2008-94, The Classification and Compensation Policy for Part-Time Employees of the City of Banning (reflects new job classifications and salary ranges due to the reorganization of the Department in the FY 2010-11 adopted budget).

Recommendation: That the City Council adopt Resolution No. 2010-48.

4. Resolution No. 2010-63, Approving the Local and System Resource Adequacy Capacity Purchase Agreement with RRI Energy Services, Inc. for Calendar Year 2011.

Recommendation: That the City Council adopt Resolution No. 2010-63.

7. Receive and Place on File Report of Investments for April 2010.

Recommendation: That the City Council receive and place these required monthly Reports of Investment on file.

8. Receive and Place on File Report of Investments for May 2010.

Recommendation: That the City Council receive and place these required monthly Reports of Investment on file.

9. Approval of Accounts Payable and Payroll Warrants for the Month of April 2010.

Recommendation: That the City Council review and ratify the following reports per the California Government Code.

11. Approval of Accounts Payable and Payroll Warrants for the Month of June 2010.

Recommendation: That the City Council review and ratify the following reports per the California Government Code.

Motion Hanna/Robinson to approve Consent Items 1, 2, 3, 4, 7, 8, 9 and 11. Mayor Botts opened the item for public comments. There were none. **Motion carried, all in favor.**

5. Resolution No. 2010-65, Endorsing Measure U to Bring Jobs and Educational Opportunities to the Pass Area.

Mayor Botts asked the representative from Mt. San Jacinto College to come up and talk about this issue.

Mike Rose addressed the Council stating that he was here obviously urging support for Measure U but as a counselor at the local campus he wanted to apprise the Council of some data that they been suffering through for the last three to four weeks. The first is that they have almost 800 students in the Pass Area attending Mt. San Jacinto College (MSJC) so there is an indigenous population of college goers here. Second the Pass campus as a portion of the district has the highest spill rate of any portion of the district and we are running at 97% and have been forced to turn students away for the last three to four weeks. They are hopeful that they will be able to add to the first phase construction at some point soon and that will be Measure U.

Don Smith resident of Banning addressed the Council stating that he was a member of the Yes on U Committee. He said that this is a bond measure to build a full campus with the necessary science rooms and learning centers and classrooms and parking spaces and everything it takes to have a college campus in the Pass Area specifically right here in Banning on the corner of Sunset Avenue and Westward. He said that in 1967 Banning was very active in helping to create what was then a smaller district that included just the Pass Area, Hemet and San Jacinto and the original campus was in fact on Ramsey Street. It was a temporary campus and then there was some fight between the two areas as to who got the campus and unfortunately we lost and now for 40 years we haven't had that campus here in the Pass Area. Obviously, as Mike Rose said, there are 800 students from Banning and Beaumont currently attending Mt. San Jacinto. What he didn't tell you is that we also have Banning students attending community colleges in Moreno Valley and Crafton Hills because they think that is closer than Mt. San Jacinto and those students would probably also come to the Banning campus once it is built. Education is important so lets start with why it is important to educate our youth or our adults or whomever wants to be retrained based on today's economy. If you look at the unemployment figures for July the Pass Area has a 17.8% unemployment rate which is one of the highest in the state. It correlates with the fact that we also have one of the lowest rates of college attendance in the state from Pass Area residents. Education and unemployment go hand in hand. Even though the national rate right now for

unemployment is 5% people with college education unemployment is 4%. People with just high school education unemployment are at 15%. Giving the people of this area an opportunity to get the education would result in helping them leave poverty, leave unemployment and get jobs. Also, from an economic development standpoint he does believe that economic development is something this Council is responsible for and with this bond all of the construction, all of the building, all of the salary for building this is going to be earned right there at Sunset and Lincoln building that campus. Once built that college will be one of the five largest employers in the Pass Area also adding to the economic viability of our community. It is in the interest of our kids, it is in the interest of our unemployed and it is the interest of the economic development and tax base of this town that we educate and provide educational opportunities to our citizens. That is why this committee was formed to support this and this why we are going to get it passed on November 2nd.

Mayor Botts opened the item for public comments.

The following people spoke in favor or against or had some questions or concerns or general comments in regards to this item (*any written comments handed to the City Clerk will be attached as an exhibit to the minutes*):

Edward Miller resident of Banning
John McQuown, City Treasurer
Beverly Rashidd, Banning
Ronna Kadow, Summerset Circle
Lyndon Taylor

There was some Council discussion and questions in regards to funding, endorsement from other agencies and the need for a community college in the area.

Motion Hanna/Robinson to approve Consent Item No. 5, adopting Resolution No. 2010-65, Endorsing Measure U to Bring Jobs and Educational Opportunities to the Pass Area.

Councilmember Franklin said that she is sure that her comments will not make some people happy and she knows that there will be people who will be disagreeing. She thinks that everybody is entitled to their opinion and her opinion is based on information that she has gotten from the community and what she has a concern about is not education. She supports education and supports the college. She doesn't think this is the right time and therefore will not be able to support it at this time.

Motion carried with Councilmember Franklin voting no.

6. Authorization to Enter into an Enterprise Licensing Agreement with Microsoft and Authorize City Manager to Execute the Related Enrollment Agreement.

Councilmember Robinson said what he had asked for in programming equipment and programs was that we could do a word search so that we could find items that were brought

up a year ago on an agenda item or minutes or whatever. Right now as he understands it we are restricted only to resolutions and he wanted to know if we could do it. He wondered if this new thing would have that capability.

City Manager said this is basically continuing what we have to continue with the new upgrades and everything but he will talk to Information Services about that.

Motion Hanna/Machisic to approve Consent Item No. 6 authorizing entering into an Enterprise Licensing Agreement with Microsoft and authorizing the City Manger to execute the related enrollment agreement. Mayor Botts opened the item for public comments. There were one. **Motion carried, all in favor.**

10. Approval of Accounts Payable and Payroll Warrants for the Month of May 2010.

Councilmember Robinson said there were a couple of things that stood out and they were police file cabinets and photo equipment which was about \$4,000 dollars. He wondered what account that was coming out of because it shows General Fund. He thought we bought everything for the police station.

City Manager said he doesn't know specifically but most things unless it is grant oriented and this doesn't appear to be grant oriented but he would have to double check comes through the General Fund.

Motion Robinson/Hanna to approve Consent Item No. 10 to receive and place these required monthly Reports of Investment on file. Mayor Botts opened the item for public comments. There were none. **Motion carried, all in favor.**

PUBLIC HEARINGS

1. Initial Study/Negative Declaration, Ordinance No. 1426 regulating massage related uses, and Resolution No. 2010-59, amending Resolution No. 1993-158 regarding massage related fees to comply with SB 731.
(Staff Report – Zai Abu Bakar, Community Development Director)
Recommendations: Adopt Ordinance No. 1426 and Resolution No. 2010-59.

Zai gave the staff report as contained in the agenda packet. She said in a nutshell Senate Bill 731 said that we need to treat State certified massage therapist and practitioners similar to other personal services in our community from a zoning stand point. She also went over the massage related fees.

Mayor Pro Tem Hanna said in regards to businesses that have massage as part of their business do they have to pay an additional business fee of \$225 dollars if massage is one of the services provided.

Zai explained that the way the ordinance is written right now if the owner of that facility for example a hair salon, they would have to come in and apply for a massage establishment

license from the City. The therapist that will work at the hair salon would also have to come in and get their own license from the City.

Mayor Pro Tem Hanna said that this would also include the annual investigative fee so she would imagine that it is likely that in most of those cases they would pass on that \$220 dollar annual fee to the therapist so that the therapist is actually paying \$125 plus \$220 and now \$150. She said as she read the ordinance regarding the annual investigative fee it is purely to see whether the linens are clean, and the massage therapist is hygienic. Why is it a \$150. dollar fee and why isn't it included as part of the \$220 or the \$125. Why are we charging \$150.00 dollars extra?

Zai said that basically it is the staff time to go out in the field and to do that inspection. The \$220 is already an annual license fee which is collected if somebody were to do the business today but because of the concern we had in discussing this with the police department to insure that it doesn't become something other than that.

Mayor Pro Tem Hanna said so we are charging them \$150.00 to check and see if everything is hygienic and to make sure that prostitution is not going on. She said that is not the way that other cities are handling it and she really finds it offensive and she knows that we have had problems in this city with so called massage therapists who have actually been a front for prostitution and nobody supports that but looking at other cities there is just not anything like that. She thinks that what we are trying to do is to drive out massage therapy when it is a very big business. She thinks of Desert Hot Springs with the spas and internationally spas are very big business and in Southern California and spas could be a big business in Banning and yet we seem to want to keep them out with the fees we are adding.

Mayor Botts asked Zai to go over the exemptions and what they pay. She said that they are listed on page 141 which she went over and gave an explanation of the fees.

Mayor Botts opened the item for public comments,

The following people spoke in favor or against or had some questions or concerns or general comments in regards to this item (*any written comments handed to the City Clerk will be attached as an exhibit to the minutes*):

Edward Miller resident of Banning
Heather Perry, esthetician and massage therapist at Hair Pros
Don Smith, resident of Banning

Mayor Botts closed the public hearing on this item.

Mayor Pro Tem Hanna said that she wanted to recommend that the Council consider a \$125.00 dollar annual business tax per massage therapist in Banning and drop the rest. She sees no reason for it what so ever.

There was some Council discussion in regards to the fees and encouraging business.

Mayor Botts asked the City Clerk to read the title of Ordinance No. 1426. City Clerk read: An Ordinance of the City Council of the City of Banning, California, Adopting Initial Study/Negative Declaration and Amending Section 5.08.080(K) and Table 17.12.020 of Section 17.12.020 and Adding a New Chapter 5.74 to the Municipal Code Regarding State Certified Massage Establishments, Massage Practitioners/Therapists (Zone Text Amending No. 09-97505).

Motion Hanna/Machisic to waive further reading of Ordinance No. 1426. Motion carried, all in favor.

Motion Hanna/Machisic that Ordinance No. 1426 pass its first reading. Motion carried, all in favor.

Motion Hanna/Robinson that the City Council adopt Resolution No. 2010-59, Repealing Resolution No. 1993-158 and Amending Fees for State Certified Massage Therapists/Practitioners with the further amendment of one sole fee of \$125.00 business license per year, per practitioner. Motion carried, all in favor.

City Attorney wanted to clarify that there is no fee for the establishment under the Business License ordinance. Mayor Botts said there are no fees except for a practitioner of \$125.00.

2. Recommendation to adopt Resolution No. 2010-64, Approving the Increase of User Fees and Service Charges of the Community Services Department.
(Staff Report – Andrew Takata, City Manager)

City Manager said basically staff is asking the Council to adopt Resolution No. 2010-64. There is an increase roughly of 25% for youth programs and 50% for adult programs and 10% for senior citizens. We have always basically subsidized all community service programs and he believes that we still continue with these price increases. There is one correction on page 157 the admissions to the swimming pool have been reversed and so the new fees would be \$2.50 for adults and \$1.50 for youth and seniors.

Mayor Botts opened the public hearing on this item and seeing no one come forward he closed the public hearing.

Motion Hanna/Robinson that the City Council approves Resolution No. 2010-64, recommending the increase of user fees and service charges of the Community Services Department. Motion carried, all in favor.

3. Changing the Planning Commission Meeting Date
(Staff Report - Andrew Takata, City Manager)

City Manager said that this is basically changing the Municipal Code Section 2.28 of the Planning Commission regular meeting and the Planning Commission has approved this with a 4/0 vote with one individual being on an excused absence. He said that because of the

attorney changes that we have had we have an attorney who is now out and the attorney that we would like to use for Planning Commission is only available on the those Wednesdays as opposed to Tuesdays because she is currently a city attorney for another city during that point in time.

Councilmember Machisic said after we try this for a few months he would like to know if there is any feedback or reaction from the community changing the date from Tuesday to Wednesday.

Mayor Botts opened the public hearing on this item and seeing no one come forward he closed the public hearing.

Mayor Botts asked the City Clerk to read the title of Ordinance No. 1427. City Clerk read: An Ordinance of the City Council of the City of Banning, California, Amending the Banning Municipal Code to Change the Regular Meeting Date of the Banning Planning Commission.

Motion Machisic/Robinson to waive further reading of Ordinance No. 1427. Motion carried, all in favor.

Motion Machisic/Robinson that Ordinance No. 1427 pass its first reading. Motion carried, all in favor.

REPORTS OF OFFICERS

1. Resolution No. 2010-62, Approving the Airport Improvement Program Grant Agreement Offer from the Federal Aviation Administration for Project No. 2010-03, Navigational Improvements at the Banning Municipal Airport.
(Staff Report – Duane Burk, Public Works Director)

Mr. Burk gave the staff report as contained in the agenda packet and this would be accepting the grant from the Federal Aviation Administration (FAA).

City Manager said the amount of the grant of approximately \$536,750.00 should cover all of the items mention by Mr. Burk in the staff report so there are no monies that would come out of our pocket, we believe and if there is, staff would come back to the Council.

Mr. Burk said actually the intent is to actually get our reimbursement back for the engineering that the Council put forward back in April.

Mayor Botts said that AWOS (Automated Weather Observing System) was mentioned and is this an upgrade and an improvement, automated 24 hour because we only man it 8 hours.

Mr. Burk said currently we only man the administration office for 8 hours and the goal of the Council is to try to improve the ability of pilots to come to Banning and really technology for the AWOS would be a 24 hour all weather station and pilots would be able to land during inclement weather.

Mayor Botts opened the item for public comments. There were none.

Mayor Pro Tem Hanna said we are talking about over a half a million dollars and she wanted to make sure that people realize that we are being criticized that we are not doing enough for grants and she asked staff that we put together a list of all the grants that the City departments have gotten over the last four years.

Motion Hanna/Robinson that the City Council adopt Resolution No. 2010-62, Approving The Airport Improvement Program Grant Agreement Offer from the Federal Aviation administration for Project No. 2010-03, Navigational Improvements at the Banning Municipal Airport; and Authorize the City Manager to execute the Grant Agreement Offer and subsequent Grant Agreement with the Federal Aviation Administration for this project. Motion carried, all in favor.

ANNOUNCEMENTS/REPORTS *(Upcoming Events/Other Items if any)*

City Council

Councilmember Franklin –

- She attended a Small Business Loan Workshop last week and they are looking to help businesses get started in cities and she will pass that information over to staff.
- There was an article in Sunday's paper regarding people who are going through foreclosures and they talked about a federal program that is going to start in November and she checked with the Fair Housing Council and they offer a lot of the services free and they do meet with people one-on-one and she will be giving the information to staff also.
- She thanked the community for participation in the first Faith in Action Basketball game and we raised money to buy backpacks and fill them with school supplies. 530 backpacks were purchased and passed out and that was all from donations from the community.

Councilmember Machisic –

- He knows that the Councilmembers have received a copy of the League of California Cities booklet dealing with information about cities and one of the articles talked about the cooperation between the Morongo Tribe and some of the things that they have done for our police department. It is an excellent article and if we could do something like this on our website and he assumes that the Tribe has received a copy of this article.
- He said that Dave Wellmon, League of California Cities Representative spoke at Western Riverside Council of Governments (WRCOG) and the first question people asked was about the budget and he reported that the State budget was in a mess and nothing is being done. That meeting was about a month ago and there has been no progress over the past month. Also one of the issues that Dave brought up was about the Bell issue and one of the things that the League is concerned about is Proposition 22 and the effects on it because one of the problems that you have when you have 900 cities in the state and one city does something that is outrageous it always reflects on all of us and so it would probably have some affect on the proposition that the cities have put forward in Prop 22.

- All of the Council have received this Quarterly Economic Report from WRCOG and on the back page based on what we talked about tonight in regards to Habitat for Humanity there is an article that says, "Southern California continues to be one of the least affordable housing markets in the state and nation. Fewer than 50% of the region's households can afford to purchase a median-priced home." That talks to Habitat and they are out there helping people with home ownership. It also talks about the low personal capital income that people have in purchasing homes. Then there was another issue we talked about, the community college, and in states in this report: "Among the nine largest metropolitan regions in the United States, the SCAG Region which is Southern California ranks last in percent of adults who have obtained at least a high school diploma. Math and reading test scores among 8th graders are poor, and high school dropout rates have increased in the four of the six counties. Of those finishing high school, fewer are completing courses required for entrance to the University of California and California State University system." He said it speaks well to the issues of Habitat for Humanity, as well as, the community college.

Mayor Pro Tem Hanna –

- One of the programs that was just completed in our community was the G.R.E.A.T. Program for the summer and they had over 85 kids involved and she and Councilmember Franklin played a small role in this program and it was really wonderful. She read a poem by Doug Monte who led that program and it is called Kids are Forever: "Programs come and go, but kids are forever. Kids understand the difference so continue your endeavor. The truths we speak to them are not just spoken, it is not a task nor a token, it is a passion, a belief we much continue to share. That's when they listen because they know you care. Today will come and tomorrow will go, kids are forever and fast they grow. So let's make a difference showing them what's right because when they are gone, they will carry our light." She said if we can't get G.R.E.A.T. program funding for next summer, we need to develop something of our own.
- She sent an email to the rest of the Council that Stagecoach Days is in the California Auto Club's magazine "Westways" September edition on page 67 and it is a wonderful description of the events. The Spaghetti Dinner is Wednesday, Sept. 8th at the Community Center starting at 4 to 7 p.m. with the grandmother and grandfather of the year awards coming right after that. The parade is September 11th at 10 a.m. at San Gorgonio and Ramsey heading west. She said she was very proud of the efforts of Sue Palmer and her group to get it into the Auto Club magazine.
- In regards to Proposition 22 we want to recommend that you vote yes. This is keeping money local to protect local services. It will stop the State from taking or borrowing local tax dollars dedicated to cities and counties to fund vital local services like 911 response, police and fire. It will stop the State from taking or diverting gas tax that we pay at the pump that the voters have dedicated to local road repairs, transportation improvements and public transportation.

Mayor Botts –

- Said that in regards to Stagecoach Days the Wiskerino Shave Off is on September 8th.

- There was a special meeting of the Riverside County Transportation Commission (RCTC) yesterday where he represents the Council and SCAG (Southern California Association of Governments) was there and it was stated that there is a new funding round for the Compass Program and you can apply again.

Zai said that the Compass Program from SCAG is basically livable communities strategies especially funding for downtown similar to what we are doing with the Paseo San Gorgonio Master Plan.

City Committee Reports – There were none.

Report by City Attorney – There was none.

Report by City Manager

- Stagecoach Days is September 8 -12, 2010.
- There has been movement of lines for Verizon and that is one reason Apex has not gone forward. They should be doing the curbing for the Beaver Turn Pocket but they won't do any asphalt which includes the parking lot at Paddy O'Reilly's until all those things are done and then they will asphalt all three things.
- In regards to the dog shelter staff has met with the Ramona Humane Society and they have given us a price of \$124,000 if we continue to go with the current humane society route. So staff is looking at different things and also trying to do something with both Beaumont and Calimesa to see if they can join in to make it a little less expensive so that way the amount is roughly the same. We are trying to look at every dollar currently in the General Fund and we will have some savings fortunately in that either route we go but \$124,000 dollars is quite a bit of money for us right now. Also, Dr. John McQuown has been very helpful in this whole process and he thanks him for that.
- Also some of things that staff has noticed is that we have resolutions for some fees and ordinances for some fees so staff will probably be bringing that back to Council at some point in time to either make them all resolutions or make them all ordinances.
- He thanked the Council for explaining what Proposition 22 was and he wanted to remind the audience that the State is taking a considerable amount of money from us through our Redevelopment Agency and they are also going to take about \$350,000 more from our Redevelopment Agency this year.
- Also the Council had requested information in regards to grants and he passed out information in regards to the grants that we have received in the last five years from Public Works and he will also have this information on the City's website.

Mayor Botts said he hopes that we are moving forward on the issue of our animal shelter, the physical piece of that while we are doing the operational side.

City Manager said that they are going to be working on it and there is some costs that we are going to have to do and the Council will need to make that decision if they want to spend additional monies towards that shelter obviously and also he thinks that some of the fixes can be done by volunteers and some people have volunteered already. We will have to do some

concrete work on the old shelter which is going to be a little bit more entailed but we can get away with what we currently have as far as the newer part of the shelter.

ITEMS FOR FUTURE AGENDAS

New Items –

Councilmember Machisic said the item this evening the Council discussed an item regarding massage and its fees and some other recent developments dealing with rates and he has brought this up on numerous occasions over the past number of years that he would like to have the Council discuss a review of all rates, fees and assessments on an annual or a bi-annual basis. He has no preference for it but we have run into some situations where rates and fees have not been reconsidered for a number of years and then when they are considered the results are dramatic and he would like to see us kind of flatten this thing out so that there are no surprises. He would like this on the agenda at some point in time.

City Manager said that current staff does not have any issues at all with that because our plan is to bring it to you more often so that you are aware of what the ramifications are if we do or do not do anything.

Councilmember Franklin said that she would like to add that she strongly supports what Councilman Machisic said but also that we are doing it on a regular basis and not just at one time but that we know that it is going to be at a certain time.

Councilmember Robinson said at the last meeting he thinks that they talked about an update on golf carts and he thought that was going to be a pending item but he may be wrong.

City Manager said that they will put it on the list. He said as we go along especially the most recent agendas except for September 14th there are a lot of smaller items as opposed to big items and so some of those he was considering having departments give reports which will include things that Council has been asking about in the past so at least you get a status report on those things.

Pending Items –

1. Schedule Meetings with Our State and County Elected Officials
2. Set New Date for Joint Meeting with Banning School Board
3. Schedule Meeting with Banning Library Board
4. Update on Economic Development Plan

Future Meetings –

1. September 21, 2010 at 5:00 p.m. – Jt. Meeting with Planning Commission and Parks and Recreation Advisory Committee regarding Parks Master Plan
2. October 28, 2010 at 5:00 p.m. – Jt. Meeting with the Banning School Board

ADJOURNMENT

By common consent the meeting adjourned at 6:47 p.m.

Marie A. Calderon, City Clerk

THE ACTION MINUTES REFLECT ACTIONS TAKEN BY THE CITY COUNCIL. A COPY OF THE MEETING IS AVAILABLE IN DVD FORMAT AND CAN BE REQUESTED IN WRITING TO THE CITY CLERK'S OFFICE.

In Read.

ORDINANCE NO. 1426

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BANNING, CALIFORNIA ADOPTING INITIAL STUDY/NEGATIVE DECLARATION AND AMENDING SECTIONS 5.08.080(K) AND TABLE 17.12.020 OF SECTION 17.12.020 AND ADDING A NEW CHAPTER 5.74 TO THE MUNICIPAL CODE REGARDING STATE CERTIFIED MASSAGE ESTABLISHMENTS, MASSAGE PRACTITIONERS / THERAPISTS (ZONE TEXT AMENDMENT NO. 09-97505).

WHEREAS, the Municipal Code allows for Zone Text Amendments consistent with the goals and policies of the General Plan; and

WHEREAS, SB 731 was adopted by the State in September 2008 which commenced the certification of massage practitioners and massage therapists through the State's Massage Therapy Organization or MTO.

WHEREAS, the City of Banning desires to comply with SB 731 (which is codified in Sections 4600-4620 of the Business and Professions Code), and this ordinance provides a process to allow massage practitioners and massage therapists to operate in the City and establishes a standard for the operations of the massage establishment to protect health, safety and welfare of the residents of Banning.

WHEREAS, on July 9, 2010, the City gave public notice as required under Zoning Code Section 17.68 by advertising in the Record Gazette newspaper of the holding of a public hearing by the Planning Commission at which the amendment to the Municipal Code would be considered; and

WHEREAS, on August 3, 2010, the Planning Commission held the noticed public hearing at which interested persons had an opportunity to testify in support of, or opposition to, the Zone Text Amendment and at which time the Planning Commission considered the Zone Text Amendment; and

WHEREAS, on August 13, 2010, the City gave public notice as required under Zoning Code Section 17.68 by advertising in the Record Gazette newspaper of the holding of a public hearing by the City Council at which the amendment to the Municipal Code would be considered; and

WHEREAS, on August 24, 2010, the City Council held the noticed public hearing at which interested persons had an opportunity to testify in support of, or opposition to, the Zone Text Amendment and at which time the Planning Commission considered the Zone Text Amendment; and

WHEREAS, at this public hearing, the City Council has analyzed this proposed project and has determined that it is not exempt from the California Environmental Quality Act

(“CEQA”) Sections 15070(a) regarding negative declarations, 15268 regarding ministerial projects, and 15376 regarding the definition of “person” of the CEQA Guidelines and a Negative Declaration is recommended for adoption by the City Council.

NOW THEREFORE BE IT HEREBY ORDAINED, that the City Council of the City of Banning does hereby find, determine, and resolve as follows:

SECTION 1. ENVIRONMENTAL FINDINGS.

The City Council, in light of the whole record before it, including but not limited to, the City’s Local CEQA Guidelines, the recommendation of the Community Development Department as provided in the Staff Report dated August 24, 2010, and documents incorporated therein by reference, and any other evidence (within the meaning of Public Resources Code § 21080(e) and §21082.2) within the record or provided at the public hearing of this matter, hereby finds and determines as follows:

CEQA: The City Council has analyzed this proposed project and has determined that it is not exempt from the California Environmental Quality Act (“CEQA”) under Sections 15070(a) regarding negative declarations, 15268 regarding ministerial projects, and 15376 regarding the definition of “person.” Accordingly, the Negative Declaration is hereby adopted.

SECTION 2. FINDINGS.

1. The proposed Zone Text Amendment is consistent with the goals and policies of the General Plan.

Findings of Fact:

The Zone Text Amendment is consistent with the goals and policies of the General Plan, insofar as the General Plan designations and Zoning designations will not change, and the text amendments will result in clarifying the goals, policies and programs of the General Plan. The primary General Plan Land Use Goal states “*A balanced, well planned community including businesses which provides a functional pattern of land uses and enhances the quality of life for all Banning residents*”. The amendment to the Municipal Code to provide a process and standards for operations of massage establishments, massage practitioners and massage therapists to ensure a functional pattern of land uses and ensure that the quality of life, health, safety, and welfare of the community is not compromised.

2. The proposed Zone Text Amendment is internally consistent with the Zoning Ordinance.

Findings of Fact:

The Zone Text Amendment is internally consistent with the existing provisions of the Zoning Ordinance. City staff has checked all sections of the Zoning Ordinance to ensure that there are no references to massage establishments or massage parlors and confirmed

that with the amendment the Zoning Ordinance is internally consistent. The only reference to Massage is in Section 17.12.020, Table 17.12.020, which is hereby amended to indicate Massage Establishment.

3. That the City Council has independently reviewed and considered the requirements of the California Environmental Quality Act.

Findings of Fact:

CEQA: The City Council has analyzed this proposed project and has determined that it is not exempt from the California Environmental Quality Act ("CEQA") under Sections 15070(a) regarding negative declarations, 15268 regarding ministerial projects, and 15376 regarding the definition of "person" and a Negative Declaration is hereby adopted.

SECTION 3. Section 5.08.080(K) of the Banning Municipal Code is hereby deleted.

SECTION 4: Chapter 5.74 of the Banning Municipal Code is hereby added and titled "Massage Establishments and Massage Therapists/Practitioners," to read as follows:

"Chapter 5.74 Massage Establishments and Massage Therapists/Practitioners

5.74.010 Purpose and intent.

The purpose of this chapter is:

To regulate Massage Establishments, Massage Therapists, and Massage Practitioners, to protect the public health, safety, and welfare of the citizens of the City and to comply with Sections 4600 – 4620 of the California Business and Professions Code.

To discourage the use of Massage therapy as an unlawful activity or an activity that violates subdivision (a) and (b) of Section 647 of the California Penal Code.

To ensure that compliance with the provisions of this chapter is not to be exclusive and compliance therewith shall not excuse noncompliance with any state and local laws or regulations that are uniformly applied to other professional or personal services businesses, including but not limited to, all zoning regulations, business license provisions, building codes, fire codes, electrical codes, plumbing codes, and regulations applicable to professional and personal services.

5.74.020 Definitions.

Massage. The term "Massage" shall mean any method of applying pressure on, or friction against or stroking, kneading, rubbing, tapping, pounding, vibrating, or stimulating the external parts of the human body with the hands or with the aid of any mechanical or electrical apparatus or appliance, or with or without supplementary aids such as rubbing alcohol, liniment,

antiseptic, oil, powder, cream, ointment, or other similar preparations commonly used in this practice.

Massage Establishment. The term "Massage Establishment" shall mean any establishment having a fixed place of business where any individual, firm, association, partnership, corporation, or combination of individuals, engages in, conducts, carries on or permits to be engaged in, conducted or carried on, Massages, baths or health treatments involving Massage or baths.

Massage Practitioner. The term "Massage Practitioner" means a person who is certified by the Massage Therapy Organization under subdivision (b) of Business and Professions Code Section 4601 and who administers Massage for compensation.

Massage Therapist. The term "Massage Therapist" means a person who is certified by the Massage Therapy Organization under subdivision (c) of Business and Professions Code Section 4601 and who administers Massage for compensation.

Massage Therapy Organization (MTO). The term "Massage Therapy Organization" or "MTO" shall mean the organization created pursuant to Chapter 10.5 of Division 2 of the Business and Professions Code.

Operator. The term "Operator" shall mean the individual who manages the Massage Establishment. Evidence of management includes but is not limited to evidence that the individual has power to direct or hire and dismiss employees, control hours of operation, create policy or rules or purchase supplies. An Operator may also be an Owner.

Owner. The term "Owner" shall mean the individual(s) whose name(s) appears on the City of Banning business license.

5.74.030 Licensing requirements for a massage establishment, massage therapist, and massage practitioner.

It is unlawful for any person, association, partnership, corporation or other entity to engage in, conduct or carry on, permit to engage in, in or upon any premises within the City of Banning, the business of providing Massage in exchange for compensation without being currently certified as a Massage Practitioner or Massage Therapist by the MTO in accordance with Sections 4600 through 4620 of the California Business and Professions Code. For all persons currently performing Massage in the City, certification by the MTO must be obtained within 120 days from passage of the ordinance. It is unlawful for any Owner or Operator to employ or permit a person to act as a Massage Practitioner or Massage Therapist, as defined in this chapter, within the city, who is not in possession of a valid, unrevoked massage therapist or massage practitioner license issued by the MTO.

5.74.040 License exemptions.

This chapter shall not apply to the following classes of individuals while engaged in the performance of the duties of their respective professions:

- A. Physicians, surgeons, chiropractors, osteopaths, or physical therapists who are duly licensed to practice their respective professions in the state of California;
- B. Nurses who are registered as such under the laws of the state of California;
- C. Barbers, beauticians and cosmetologists, with respect to above-the-shoulder massage, including scalp, neck and shoulder massage, who are duly licensed under the laws of the state of California, in accordance with the limitations of their licenses;
- D. Acupuncturists who are duly certified to practice their profession in the state of California.

5.74.050 Display of certification.

Any person to whom an MTO certification is granted shall display such certification prominently in a conspicuous place, capable of being viewed by customers, at every location where the licensed activities are performed or conducted.

5.74.060 Notice of massage therapist/practitioner employed by Massage Establishment.

A. No Unlicensed Massage Practitioner or Massage Therapists. Massage Establishments, Owners, and Operators shall only permit persons certified by the MTO to perform Massage in a Massage Establishment.

B. Notices to the City. The Owner or Operator of each Massage Establishment shall provide the Community Development Director, or his or her designee, in writing, of the following for each Massage Practitioner or Massage Therapist whose services are utilized by the Massage Establishment (1) within five days of the hiring and/or commencement of services, whichever is first, and (2) within five days of the termination of employment or discontinuation of services:

1. The name
2. MTO certification number
3. Date of hiring or termination date
4. Location of each Massage Establishment where employed
5. True and correct copy of the MTO certification
6. Color photograph of the certificate holder

5.74.070 Business License Required

A. Any person, association, corporation, partnership or other entity desiring to operate a Massage Establishment or provide Massage services shall apply for and obtain a business license from the City and provide the following relevant information:

1. Full name of license holder

2. Date of Birth
3. State issued identification number
4. Social Security Number
5. Home address and phone number
6. Work address and phone number
7. Color photograph of the certificate holder
8. True and correct copy of MTO certification for those who will provide massage services.

B. Any person, association, corporation, partnership or other entity applying for or renewing a business license for the operation of a Massage Establishment, must schedule and complete an inspection of the Massage Establishment premises with the Community Development Director or his/her designee. No business license shall be granted or renewed until such inspection has been completed and the Massage Establishment is found to be in compliance with the City's code.

5.74.080 Minimum standards for facilities and operations.

A. Operating Requirements. No license to operate a Massage Establishment shall be issued nor may any Massage Establishment operate unless the Massage Establishment premises and operation comply with each of the following minimum requirements:

1. Signage. A legible sign shall be posted at the main entrance identifying the establishment as a Massage Establishment and all such signs shall otherwise comply with the sign requirements of the City's Zoning Ordinance.
2. Disinfection of Instruments. Instruments used for Massage shall be disinfected prior to each use. Where such instruments for Massage are employed, adequate quantities of supplies for disinfection shall be available during all hours of operation.
3. Linen Storage. Cabinets shall be utilized for the storage of clean towels and linen. After use, towels and linen shall be removed from the room or booth and stored in a clean container until laundered.
4. Dressing and Toilet Facilities. Dressing and toilet facilities shall be provided for patrons.
5. Sanitary Conditions. All walls, ceilings, floors, steam and vapor rooms, and all other physical facilities for the Massage Establishment shall be kept in good repair, and maintained in a clean and sanitary condition.
6. Clean Linen. Clean and sanitary towels and linens shall be provided for patrons receiving Massage services. Towels and linens shall not be used on more than one (1) patron unless they have first been laundered and disinfected. Disposable towels and coverings shall not be used on more than one (1) patron.

7. **Massage Practitioner and Massage Therapist Dress Code.** All persons employed to work on the Massage Establishment premises, and including all Massage Practitioners and Massage Therapists conducting licensed activities on the Massage Establishment premises, shall be dressed in clothing made of an opaque material, and at a minimum, shall not expose any Specified anatomical areas, as defined in Section 5.84.020, and shall comply with the following requirements, as applicable:
 - a. **Upper Garments.** All garments covering the upper torso (e.g., shirts or dresses) shall have sleeves not less than two inches in length, measuring from the top of the shoulder, and necklines not lower than two inches below the clavicle.
 - b. **Skirts.** Hems of dresses, skirts, smocks, or other similar garments shall not be more than two inches above the top of the knee.
 - c. **Shorts.** Cuffs or hems of shorts, culottes, pants or other similar garments shall not be more than six inches above the top of the knee.
8. **Compliance with Laws.** The premises to be used shall at all times comply with City, state, and federal laws.

5.74.090 Prohibited conduct.

A. **Prohibited Conduct.** No Massage Practitioners or Massage Therapists and/or any other employee working in a Massage Establishment, or the Massage Establishment's customers, patrons, or guests shall engage in any Specified sexual activities, as defined in Section 5.84.020, upon the premises of the Massage Establishment. No Massage Practitioner or Massage Therapist and/or other employee of a Massage Establishment may expose Specified anatomical areas, as defined in Section 5.84.020, in the presence of any patron, customer, or guests. In the course of administering Massage, no Massage Practitioner or Massage Therapist and/or other Massage Establishment employee may make intentional physical contact with the Specified anatomical areas of any customer, patron, or guests.

B. **Draping.** No Massage Establishment shall allow Massage Practitioners or Massage Therapists and/or any other employees working in a Massage Establishment to administer any form of Massage or come into any form of physical contact with a customer who is either fully or partially undressed, without first draping the customer's Specified anatomical areas, as defined in Section 5.84.020, if such areas would otherwise be exposed, in accordance with the accepted standards of the American Massage Therapy Association and/or Associated Professional Massage Therapists and Allied Health Practitioners.

5.74.100 Inspection and Enforcement.

Officers of the Police Department, or employees of the Planning Division, Building and Safety Division, Code Enforcement Division and the Fire Department shall have the right to enter any Massage Establishment during regular business hours to make reasonable inspection to ascertain whether the provisions of this chapter are being met, provided reasonable and normal business operations shall not be interfered with.

5.74.110 Abatement.

Any Massage Establishment operated, conducted or maintained contrary to the provisions of this chapter shall be, and is declared to be unlawful and a public nuisance. Any violation of this chapter is subject to any and all remedies available to the City, including but not limited to, a civil action brought by the city attorney for injunctive relief, administrative or judicial nuisance abatement proceedings, criminal code enforcement proceedings, and/or civil and criminal penalties as provided by law."

SECTION 5. Table 17.12.020 of Section 17.12.020 of the Banning Municipal Code is hereby amended to read, in its entirety, as follows:

Zone	DC	GC	HSC	PO	I	AI	BP	IMR
Massage Parlor	G	G	G	G	X	X	X	X
Massage Establishment	P	P	P	P	X	P	P	X

SECTION 6. SEVERABILITY.

If any section, subsection, sentence, clause, or phrase of this ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 7. EFFECTIVE DATE.

The City Clerk shall certify to the passage and adoption of this ordinance, and shall make a minute order of the passage and adoption thereof in the records of and the proceedings of the City Council at which the same is passed and adopted. This Ordinance shall take effect thirty (30) days after its 2nd reading in accordance with California law, and within fifteen (15) days after its final passage, the City Clerk shall cause it to be published in a newspaper of general circulation.

PASSED, APPROVED, AND ADOPTED this 14th day of September, 2010.

Robert E. Botts, Mayor
City of Banning

**APPROVED AS TO FORM AND
LEGAL CONTENT:**

David J. Aleshire, City Attorney
Aleshire & Wynder, LLP

ATTEST:

Marie A. Calderon, City Clerk

CERTIFICATION:

I, Marie A. Calderon, City Clerk of the City of Banning, California, do hereby certify that Ordinance No. 1426 was duly introduced at a regular meeting of the City Council of the City of Banning, held on the 24th day of August, 2010, and was duly adopted at a regular meeting of said City Council on the 14th day of September, 2010, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marie A. Calderon, City Clerk
City of Banning, California

2nd Read

ORDINANCE NO. 1427

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BANNING, CALIFORNIA, AMENDING THE BANNING MUNICIPAL CODE TO CHANGE THE REGULAR MEETING DATE OF THE BANNING PLANNING COMMISSION

WHEREAS, Banning Municipal Code Section 2.28 directs that the bylaws and ordinances governing the Planning Commission are adopted and amended by the City Council of the City of Banning; and

WHEREAS, the Planning Commission and City staff have determined that the Commission and public would be better served by the Commission conducting its regular meetings on a night other than the first Tuesday of each month; and

WHEREAS, the Planning Commission and City staff have further determined that moving the regular Commission meeting to the first Wednesday of each month (while maintaining the current meeting start time of 6:30 p.m.) will not result in any public inconvenience; and

WHEREAS, at its regular meeting on August 3, 2010, the Planning Commission voted to recommend that the City Council change the regular Planning Commission meeting date to the first Wednesday each month.

WHEREAS, the City Council now desires to codify into the Banning Municipal Code a change to the regular meeting day for the Planning Commission, moving the Planning Commission's regular meeting to the first Wednesday of each month.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BANNING, CALIFORNIA, DOES ORDAIN AS FOLLOWS:

SECTION 1. Section 2.28.080 of the Banning Municipal Code is hereby amended to read in its entirety as follows:

“Meeting times and places.

- A. The planning commission shall meet on the first Wednesday of each month at 6:30 P.M. at the City Council chambers located at 99 E. Ramsey Street.
- B. Commissioners will attend special meetings as they arise.”

SECTION 2. The Mayor shall sign this ordinance and the City Clerk shall attest thereto and shall within fifteen days of its adoption cause it or a summary of it, to be published in the Record Gazette, a newspaper published and circulated in the City. Thereupon this ordinance shall take effect 30 days after adoption and be in force and effect according to law.

26

SECTION 3. The City Clerk shall certify to the adoption of this ordinance and shall cause a copy of the same to be published in a manner prescribed by law.

PASSED, APPROVED, AND ADOPTED this 14th day of September, 2010.

Robert E. Botts, Mayor
City of Banning

**APPROVED AS TO FORM
AND LEGAL CONTENT:**

David J. Aleshire, City Attorney
Aleshire & Wynder, LLP

ATTEST:

Marie A. Calderon, City Clerk
City of Banning

CERTIFICATION:

I, Marie A. Calderon, City Clerk of the City of Banning, California, do hereby certify that Ordinance No. 1427 was duly introduced at a regular meeting of the City Council of the City of Banning, held on the 24th day of August, 2010, and was duly adopted at a regular meeting of said City Council on the 14th day of September, 2010, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marie A. Calderon, City Clerk
City of Banning, California

CITY COUNCIL AGENDA

DATE: September 14, 2010

TO: City Council

FROM: Duane Burk, Director of Public Works

SUBJECT: Notice of Completion for Project No. 2010-01, "Phase 3 Improvements to the City of Banning's Community Center Gym"

RECOMMENDATION: That the City Council accept Project No. 2010-01, "Phase 3 Improvements to the City of Banning's Community Center Gym" as complete and direct the City Clerk to record the Notice of Completion.

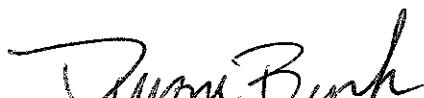
JUSTIFICATION: The contractor has completed the work as per the approved plans and specifications.

BACKGROUND: On March 9, 2010 the City Council adopted Resolution No. 2010-15 awarding the Construction Contract for Project No. 2010-01, "Phase 3 Improvements to the City of Banning's Community Center Gym" to Whitmore Construction, Inc. of Banning, California.

The scope of work for Project No. 2010-01 includes the installation of an HVAC system consisting of 4, 5 ton units along with required structural work, installation of ducts and vents, electrical runs to the new HVAC units, installation of water, gas and condensate lines, installation of electrical outlets, installation of thermostats; wiring of 175 Amp3 phase generator to new 600 Amp3 phase service; roof improvements (re-roofing), installation of acoustic paneling, weather proofing around HVAC units; installation of a steel ladder with security measures and removal of existing heater units.

FISCAL DATA: The original contract amount for this project was \$147,809.00. Due to unforeseen conditions, change orders were necessary and approved by the Public Works Department in the amount of \$14,755.33, approximately 10% of an increase over the original contract amount. This project was funded by the Capital Improvement Fund, Account No. 470-4000-413.90-15.

RECOMMENDED BY:



Duane Burk

Director of Public Works

REVIEWED BY:



Kirby Warner
Interim Administrative Services Director

APPROVED BY:



Andy Takata

City Manager

1 WHEN RECORDED MAIL TO:

2
3 The Office of the City Clerk
4 of the City of Banning
5 P.O. Box 998
6 Banning, California 92220

7
8 FREE RECORDING:

9 Exempt Pursuant to
10 Government Code §6103

12
13 NOTICE OF COMPLETION

14 PROJECT NO. 2010-01, "PHASE 3 IMPROVMENTS TO THE CITY OF BANNING'S
15 COMMUNITY CENTER GYM"

16
17 THIS NOTICE OF COMPLETION IS HEREBY GIVEN by the OWNER, the
18 City of Banning, a municipal corporation, pursuant to the provisions of Section 3093 of
19 the Civil Code of the State of California, and is hereby accepted by the City of Banning,
20 pursuant to authority conferred by the City Council this September 14, 2010, and the
21 grantees consent to recordation thereof by its duly authorized agent.

22
23 That the OWNER, the City of Banning, and Whitmore Construction, Inc. of Banning,
24 Calif., the vendee, entered into an agreement dated March 10, 2010, for Project No. 2010-
25 01, "Phase 3 Improvements to the City of Banning's Community Center Gym". The
26 scope of work for Project No. 2010-01 includes the installation of an HVAC system
27 consisting of 4, 5 ton units along with required structural work, installation of ducts and
28 vents, electrical runs to the new HVAC units, installation of water, gas and condensate
29 lines, installation of electrical outlets, installation of thermostats; wiring of 175 Amp3
30 phase generator to new 600 Amp3 phase service; roof improvements (re-roofing),
31 installation of acoustic paneling, weather proofing around HVAC units; installation of a
32 steel ladder with security measures and removal of existing heater units.

(1) That the work of improvement was completed on September 1, 2010, for Project No. 2010-01, "Phase 3 Improvements to the City of Banning's Community Center Gym".

(2) That the City of Banning, a municipal corporation, whose address is Banning City Hall, 99 E. Ramsey Street, Banning, California 92220, is completing work of improvement.

(3) That the said work of improvement was performed at the City of Banning Community Center Gym, 789 North San Gorgonio Avenue, Banning, California, 92220.

(4) That the original contractor for said improvement was Whitmore Construction, Inc., State Contractor's License No. 445152.

(5) That Performance and Payment bonds were required for this project.

Dated: September 14, 2010

CITY OF BANNING
A Municipal Corporation

By Andrew J. Takata
City Manager

APPROVED AS TO FORM:

**David J. Aleshire, Aleshire & Wynder, LLP
City Attorney**

JURAT

State of California
County of Riverside

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 2010 by _____ proved to me on this basis of satisfactory evidence to be the person(s) who appeared before me.

(Seal)

Notary Public in and for said County
and State

STATE OF CALIFORNIA)

) ss

COUNTY OF RIVERSIDE)

MARIE A. CALDERON, being duly sworn, deposes and says:

That I am the City Clerk of the City of Banning, which City caused the work to be performed on the real property hereinabove described, and is authorized to execute this Notice of Completion on behalf of said City; that I have read the foregoing Notice and know the contents thereof, and that the facts stated therein are true based upon information available to the City of Banning, and that I make this verification on behalf of said City of Banning. I declare under perjury that the forgoing is true and correct.

Executed on _____, 2010 at Banning, California.

City Clerk of the City of Banning

31

CITY COUNCIL AGENDA

Date: September 14, 2010

TO: City Council

FROM: Duane Burk, Director of Public Works

SUBJECT: Mandatory Water Testing Analytical Services at Various Locations within the City of Banning

RECOMMENDATION:

- I. Authorize the City Manager on an annual basis to enter into an agreement, within the approved funding levels set forth in the Water Department's annual adopted budget, for Water Testing Analytical Services on an as needed basis. Such Agreements in excess of \$25,000, for mandatory analytical services only, will not require any further action by the City Council.
- II. Award an Agreement for Water Testing Laboratory Services to E.S. Babcock & Sons, Inc. in an amount not-to-exceed \$50,000 per fiscal year.

JUSTIFICATION: The State of California Department of Public Health Services Division of Drinking Water and Environmental Management has mandated water sampling and laboratory testing of all public water systems in the State of California.

BACKGROUND: The State of California Department of Public Health Services is responsible for the enforcement of the Federal and California Safe Drinking Water Acts (SDWA's) and the regulatory compliance. The California State Drinking Water Act prescribes regulations that limit the amount of certain contaminants in water. Consequently, the City of Banning Water Division staff obtains over 1,500 water samples annually and submits them for laboratory testing from more than 33 sample points throughout the City.

For approximately ten years, laboratory testing has been performed by E.S. Babcock & Sons, Inc., (E.S. Babcock) of Riverside, California. Since 1928, E.S. Babcock has been certified by the California Department of Public Health (CDPH) for the analyses of drinking water for public health protection. E.S. Babcock offers a full range of inorganic, organic and microbiological testing for drinking water supply, per State of California Department of Health Services requirements, at competitive prices. Their knowledge of the City of Banning's water infrastructure and established relationship with the City makes E.S. Babcock & Sons, Inc. a valuable partner.

32

In order to continue the City of Banning's water sampling and testing program without interruptions, which can be caused by the introduction of a new laboratory, staff is recommending that City Council approve an agreement with E.S. Babcock in an amount not-to-exceed \$50,000.

FISCAL DATA: Funds in the amount of \$50,000 for the Fiscal Year 2011 Water Testing Analytical Services are available in Account No. 660-6300-471.23-32, (Contractual Services/Laboratory Services).

RECOMMENDED BY:



Duane Burk
Director of Public Works

REVIEWED BY:



Kirby Warner
Interim Administrative Services Director

APPROVED BY:



Andrew J. Takata
City Manager

CITY COUNCIL AGENDA

DATE: September 14, 2010

TO: City Council

FROM: Kahono Oei, City Engineer 

SUBJECT: Resolution No. 2010-66, "Accepting Community Development Block Grant Program Funds for Fiscal Year 2010-2011"

RECOMMENDATION: Adopt Resolution No. 2010-66, "Accepting Community Development Block Grant Program Funds for Fiscal Year 2010-2011".

JUSTIFICATION: This Supplemental Agreement is essential in order for the City to obtain and utilize funds for Community Development Block Grant projects.

BACKGROUND: On an annual basis, the City of Banning has participated in the federally funded Community Development Block Grant (CDBG) program. On December 8, 2009 the City Council adopted Resolution No. 2009-105, approving the projects as shown in Exhibit "A" for funding by the CDBG program, Fiscal Year 2010-2011. The City submitted these projects and requested funding in the amount of \$165,000.00 to the Riverside County Economic Development Agency (EDA) and was approved in an amount of \$164,616.00.

In order to utilize these funds for Fiscal Year 2010-2011, the City is required to execute a Supplemental Agreement. The approval letter and proposed Supplemental Agreement are attached herein as Exhibit "B". A copy of the Supplemental Agreement will also be available at the City Clerk's Office for review by the public.

FISCAL DATA: These projects are funded through Community Development Block Grant (CDBG) program funds, Fiscal Year 2010-2011, and the City anticipates receiving \$164,616.00.

RECOMMENDED BY:


Duane Burk
Director of Public Works

REVIEWED BY:


Kirby Warner
Interim Administrative Services Director

APPROVED BY:


Andy Takata
City Manager

RESOLUTION NO. 2010-66

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BANNING,
CALIFORNIA, ACCEPTING THE COMMUNITY DEVELOPMENT BLOCK GRANT
PROGRAM FUNDS FOR FISCAL YEAR 2010-2011”**

WHEREAS, on an annual basis, the City of Banning has participated in the federally funded Community Development Block Grant (CDBG) program; and

WHEREAS, the proposed projects for Fiscal Year 2010-2011 were approved by the City Council under Resolution No. 2009-105 on December 8, 2009; and

WHEREAS, the City submitted these projects and requested funding in the amount of \$165,000.00 to the Riverside County Economic Development Agency (EDA) and was approved in an amount of \$164,616.00; and

WHEREAS, in order to utilize Community Development Grant Funds, the City Council is required to execute the Supplemental Agreement, as attached herein, for FY 2010-2011.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Banning as follows:

- Section I.** The City Council of the City of Banning hereby approves the acceptance of Fiscal Year 2010-2011 Community Development Block Grant program funds.
- Section II.** The City Council of the City of Banning authorizes the Mayor to execute any Supplemental Agreement for Fiscal Year 2010-2011 covering the use of Community Development Block Grant funds allocated by the Riverside County Economic Development Agency.
- Section III.** The City Council of the City of Banning authorizes the Administrative Services Director to make necessary budget adjustments and appropriations related to Fiscal Year 2010-2011 Community Development Block Grant program funds in an amount “Not to Exceed” \$164,616.00.

PASSED, APPROVED AND ADOPTED this 14th day of September, 2010.

Robert E. Botts, Mayor
City of Banning

ATTEST:

Marie A. Calderon, City Clerk

**APPROVED AS TO FORM AND
LEGAL CONTENT:**

David J. Aleshire, City Attorney
Aleshire & Wynder, LLP

CERTIFICATION:

I, Marie A. Calderon, City Clerk of the City of Banning, California, do hereby certify that the foregoing Resolution No. 2010-66, was adopted by the City Council of the City of Banning at a Regular Meeting thereof held on the 14th day of September, 2010, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marie A. Calderon
City Clerk of the City of Banning

EXHIBIT "A"

**Approved Project for FY 2010-2011
Community Development Block Grant Program**

CITY PROJECTS

NO.	PROJECT NAME	DESCRIPTION	EDA APPROVED
1.	Replier Park Bowl Rehabilitation	Project will include design, facade, stage repair, provide additional bathrooms, improvements to the superstructure, landscaping, walkways, etc.	\$141,570.00
	Total		\$141,570.00

Approved Projects for FY 2010-2011
Community Development Block Grant Program

SERVICE RELATED PROJECTS

NO.	AGENCY	DESCRIPTION	EDA APPROVED
1.	Boys and Girls Club	Youth Development Services	\$9,000.00
2.	San Gorgonio Child Care Consortium	Special Needs	\$9,046.00
3.	Soroptimist House of Hope	Substance Abuse Program	\$5,000.00**
	Total		\$23,046.00

** Allocation to be combined with program funds allocated directly by Riverside County Economic Development Agency. Program to be administered by Riverside County Economic Development Agency.

EXHIBIT “B”

**APPROVAL LETTER
AND PROPOSED SUPPLMENTAL AGREEMENT**

AUG 30 2011

PUBLIC WORKS DEPT.

August 25, 2010

Kahono Oei, City Engineer
City of Banning
99 E. Ramsey Street
Banning, CA 92220

RE: SUPPLEMENTAL AGREEMENT FOR THE 2010-2011
 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
PROGRAM YEAR

Dear Mr. Oei:

Enclosed please find two (2) copies of the above referenced Supplemental Agreement for your city's 2010-2011 CDBG program year. This agreement covers the following activities:

5.BN.15-10	Repllier Park Bowl Improvements	\$141,570
5.BN.16-10	Youth Development Services	\$9,000
5.BN.17-10	San Gorgonio Special Needs Program	\$9,046
0.73-10	Soroptimist House of Hope, Substance Abuse Program	\$5,000

Please make note of the insurance requirements found in Section 8 of the Agreement.

Upon review of the agreement, please have all copies executed and returned to this office, together with the following documentation:

1. Your City Council's approval of the Agreement and authorization to execute;
2. Evidence of Workmen's Compensation Insurance pursuant to Section 8 A of the Supplemental Agreement; and
3. Original Certificates of Insurance and certified copies of endorsements pursuant to Section 8 D (3) of the Supplemental Agreement.

The executed agreements must be returned to this office no later than forty-five (45) days from the date of this letter.

A fully-executed Supplemental Agreement will be forwarded to you as well as the authorization to incur costs. Please be advised that this is not a notice to proceed. The County will not reimburse the City of for any expenditure prior to the issuance of the *Authorization to Incur Costs*.

Should you have any questions, please contact Melissa Valdivia at (951) 955-9803.

Sincerely,



John Thurman
EDA Development Manager – CDBG/ESG Programs |

www.rivcoeda.org

Administration
Aviation
Business Intelligence
Cultural Services
Community Services
Custodial

Housing
Housing Authority
Information Technology
Maintenance
Marketing

Economic Development
Edward-Dean Museum
Environmental Planning
Fair & National Date Festival
Foreign Trade
Graffiti Abatement

Parking
Project Management
Purchasing Group
Real Property
Redevelopment Agency
Workforce Development

40

3
4 **SUPPLEMENTAL AGREEMENT FOR THE USE OF**
5 **2010-2011 COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS**6 The COUNTY OF RIVERSIDE of the State of California, herein called, "COUNTY,"
7 and the CITY OF BANNING, herein called "CITY," mutually agree as follows:8 1. **GENERAL.** COUNTY and CITY have executed a Cooperation Agreement, dated
9 July 2008, whereby CITY elected to participate with COUNTY, which has qualified as an
10 "Urban County" for purposes of receiving Community Development Block Grant (CDBG)
11 funds, and to assist and undertake essential community development and housing assistance
12 activities pursuant to the Housing and Community Development Act of 1974, Title 1, as
13 amended, Public Law 93-383 hereinafter referred to as "Act". Said Cooperation Agreement,
14 dated July 2008, is incorporated herein by reference and made a part of this Agreement as if each
15 and every provision was set forth herein.16 2. **PURPOSE.** CITY promises and agrees to undertake and assist with the
17 community development activities, within its jurisdiction, by utilizing the sum of **\$164,616**,
18 CDBG Entitlement Funds, as specifically identified in Exhibits A, B, C, and D are attached
19 hereto and by this reference are incorporated herein, for the projects:

A.	<u>5.BN.15-10 Repplier Park Bowl Improvements,</u>	\$141,570
B.	<u>5.BN.16-10 Youth Development Services,</u>	\$9,000
C.	<u>5.BN.17-10 San Gorgonio Special Needs Program,</u>	\$9,046
D.	<u>0.73-10 Soroptimist House of Hope, Substance Abuse Program,</u>	\$5,000

24 3. **TERM OF AGREEMENT.** The term of this Agreement for the projects shall
25 be for a period of one (1) year from July 1, 2010 to June 30, 2011, and proceed consistent with
26 the completion schedule set forth in Exhibits A, B, C, and D. In the event that the projects are
27 not substantially completed by the time set forth in the completion schedule due to unforeseen or
28

1 uncontrollable causes, the COUNTY may consider extending the schedule for the completion of
2 the project. Times of performance for other activities may also be extended in writing by
3 COUNTY. If substantial progress toward completion in conformance with the completion
4 schedule, as determined by COUNTY, of the projects are not made during the term of the
5 Supplemental Agreement, COUNTY may suspend or terminate this agreement by the procedures
6 set forth in the Section titled "Termination", of this agreement and the entitlement funds
7 associated with the projects may be reprogrammed by COUNTY after appropriate notice is
8 given.

9 4. DISPOSITION OF FUNDS.

10 A. COUNTY's Board of Supervisors shall determine the final disposition and
11 distribution of all funds received by COUNTY under the Act consistent with the provisions of
12 Paragraphs 2 and 3 of this Agreement. COUNTY, through its Economic Development Agency,
13 shall: (1) Make payment of the grant funds to CITY as designated in Exhibits A, B, C, and D;
14 and (2) It is the CITY's responsibility to monitor all project activities of Exhibits A, B, C, and D
15 to ensure compliance with applicable federal regulations and the terms of this Agreement.

16 B. CITY shall comply with timely drawdown of CDBG funds by
17 expeditiously implementing and completing County-approved, CDBG-funded projects. CITY
18 acknowledges that CITY's drawdown performance directly impacts the COUNTY's overall
19 program drawdown rate. If the CITY's unobligated CDBG fund balance, as of January 15, 2011,
20 exceeds two-times (200%) the CITY's 2010-2011 CDBG allocation, the COUNTY may take the
21 necessary administrative actions to reduce the CITY's CDBG fund balance. Necessary actions
22 include reprogramming the excess CDBG fund balance to other eligible activities as selected by
23 COUNTY. COUNTY may authorize CITY in writing, prior to January 15, 2011, to exceed the
24 CDBG fund balance requirement.

25 C. CITY shall comply with timely drawdown of funds by submitting monthly
26 requests for reimbursement or other County-approved reimbursement schedule. All
27 disbursements of grant funds will be on a reimbursement basis and made within thirty (30) days
28

1 after the CITY has submitted its letter identifying payments and documentation supporting
2 expenditures.

3 D. All authorized obligations incurred in the performance of the Agreement
4 for projects eligible under the following regulations must be reported to COUNTY no later than
5 by June 15, 2011:

- 6 1. Public Services [24 CFR 570.201 (e)]
- 7 2. Acquisition [24 CFR 570.201 (a)]
- 8 3. Clearance Activities [24 CFR 570.201 (d)]
- 9 4. Interim Assistance [24 CFR 570.201 (f)]
- 10 5. Code Enforcement [24 CFR 570.202 (c)]

11 All other eligible activities under this Agreement must be implemented, completed, and
12 obligations reported by the CITY no later than the completion schedules set forth in the Exhibits
13 to this Agreement.

14 The COUNTY will directly manage and monitor projects identified in Exhibit D. This
15 project have been determined to be of Countywide benefit, receiving grant funding from multiple
16 sources; therefore, these projects will be managed and monitored by the COUNTY.

17 5. COOPERATION WITH HOUSING ACTIVITIES. CITY shall cooperate with
18 COUNTY in undertaking essential community development and housing assistance activities,
19 specifically urban renewal and public assistance housing, and shall assist COUNTY in carrying
20 out its Strategic Plan of the Consolidated Plan and other requirements of the Community
21 Development Block Grant Program.

22 6. LEAD AGENCY FOR COMPLIANCE WITH THE CALIFORNIA
23 ENVIRONMENTAL QUALITY ACT (CEQA). Pursuant to Section 15051(d) of Title 14 of the
24 California Administrative Code, CITY is designated as the lead agency for the projects that are
25 the subject matter of this Agreement.

26 7. HOLD HARMLESS AND INDEMNIFICATION. In contemplation of the
27 provisions of Section 895.2 of the California Government Code imposing certain tort liability
28

1 jointly upon public entities solely by reason of such entities being parties to an agreement as
2 defined by Section 895 of the Code, the Parties hereto, pursuant to the authorization contained in
3 Section 895.4 and 895.6 of the Code, agree that each Party shall be liable for any damages
4 including, but not limited to, claims, demands, losses, liabilities, costs and expenses including
5 reasonable attorneys fees, resulting from the negligent or wrongful acts or omissions of their
6 employees or agents in the performance of this Agreement, and each Party shall indemnify,
7 defend and hold harmless the other Parties from such claims, demands, damages, losses or
8 liabilities for their negligence

9 8. INSURANCE. Without limiting or diminishing the CITY'S obligation to
10 indemnify or hold the COUNTY harmless, CITY shall procure and maintain or cause to be
11 maintained, at its sole cost and expense, the following insurance coverage's during the term of
12 this Agreement.

13 A. Workers' Compensation:

14 If the CITY has employees as defined by the State of California, the CITY shall maintain
15 statutory Workers' Compensation Insurance (Coverage A) as prescribed by the laws of the State
16 of California. Policy shall include Employers' Liability (Coverage B) including Occupational
17 Disease with limits not less than \$1,000,000 per person per accident. The policy shall be
18 endorsed to waive subrogation in favor of The County of Riverside, and, if applicable, to provide
19 a Borrowed Servant/Alternate Employer Endorsement.

20 B. Commercial General Liability:

21 Commercial General Liability insurance coverage, including but not limited to, premises
22 liability, contractual liability, products and completed operations liability, personal and
23 advertising injury, and cross liability coverage, covering claims which may arise from or out of
24 CITY 'S performance of its obligations hereunder. Policy shall name the County of Riverside, its
25 Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board
26 of Supervisors, employees, elected or appointed officials, agents or representatives as Additional
27
28

1 Insureds. Policy's limit of liability shall not be less than \$1,000,000 per occurrence combined
2 single limit. If such insurance contains a general aggregate limit, it shall apply separately to this
3 agreement or be no less than two (2) times the occurrence limit.

4 C. Vehicle Liability:

5 If vehicles or mobile equipment are used in the performance of the obligations under this
6 Agreement, then CITY shall maintain liability insurance for all owned, non-owned or hired
7 vehicles so used in an amount not less than \$1,000,000 per occurrence combined single limit. If
8 such insurance contains a general aggregate limit, it shall apply separately to this agreement or
9 be no less than two (2) times the occurrence limit. Policy shall name the County of Riverside, its
10 Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board
11 of Supervisors, employees, elected or appointed officials, agents or representatives as Additional
12 Insureds.

13 D. General Insurance Provisions - All lines:

14 1) Any insurance carrier providing insurance coverage hereunder
15 shall be admitted to the State of California and have an A M BEST rating of not less than A: VIII
16 (A:8) unless such requirements are waived, in writing, by the County Risk Manager. If the
17 County's Risk Manager waives a requirement for a particular insurer such waiver is only valid
18 for that specific insurer and only for one policy term.

19 2) The CITY'S insurance carrier(s) must declare its insurance self-
20 insured retentions. If such self-insured retentions exceed \$500,000 per occurrence such
21 retentions shall have the prior written consent of the County Risk Manager before the
22 commencement of operations under this Agreement. Upon notification of self insured retention
23 unacceptable to the COUNTY, and at the election of the Country's Risk Manager, CITY 'S
24 carriers shall either; 1) reduce or eliminate such self-insured retention as respects this Agreement
25 with the COUNTY, or 2) procure a bond which guarantees payment of losses and related
26 investigations, claims administration, and defense costs and expenses.

27 3) CITY shall cause CITY'S insurance carrier(s) to furnish the
28

1 County of Riverside with either 1) a properly executed original Certificate(s) of Insurance and
2 certified original copies of Endorsements effecting coverage as required herein, and 2) if
3 requested to do so orally or in writing by the County Risk Manager, provide original Certified
4 copies of policies including all Endorsements and all attachments thereto, showing such
5 insurance is in full force and effect. Further, said Certificate(s) and policies of insurance shall
6 contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given
7 to the County of Riverside prior to any material modification, cancellation, expiration or
8 reduction in coverage of such insurance. In the event of a material modification, cancellation,
9 expiration, or reduction in coverage, this Agreement shall terminate forthwith, unless the County
10 of Riverside receives, prior to such effective date, another properly executed original Certificate
11 of Insurance and original copies of endorsements or certified original policies, including all
12 endorsements and attachments thereto evidencing coverage's set forth herein and the insurance
13 required herein is in full force and effect. *CITY shall not commence operations until the
COUNTY has been furnished original Certificate (s) of Insurance and certified original copies of
endorsements and if requested, certified original policies of insurance including all
endorsements and any and all other attachments as required in this Section.* An individual
14 authorized by the insurance carrier to do so on its behalf shall sign the original endorsements for
15 each policy and the Certificate of Insurance.

16 4) It is understood and agreed to by the parties hereto that the CITY'S
17 insurance shall be construed as primary insurance, and the COUNTY'S insurance and/or
18 deductibles and/or self-insured retention's or self-insured programs shall not be construed as
19 contributory.

20 5) If, during the term of this Agreement or any extension thereof,
21 there is a material change in the scope of services; or, there is a material change in the equipment
22 to be used in the performance of the scope of work which will add additional exposures (such as
23 the use of aircraft, watercraft, cranes, etc.); or, the term of this Agreement, including any
24 extensions thereof, exceeds five (5) years the COUNTY reserves the right to adjust the types of
25
26
27
28

1 insurance required under this Agreement and the monetary limits of liability for the insurance
2 coverage's currently required herein, if, in the County Risk Manager's reasonable judgment, the
3 amount or type of insurance carried by the CITY has become inadequate.

4 6) CITY shall pass down the insurance obligations contained herein
5 to all tiers of subcontractors working under this Agreement.

6 7) The insurance requirements contained in this Agreement may be
7 met with a program(s) of self-insurance acceptable to the COUNTY.

8 8) CITY agrees to notify COUNTY of any claim by a third party or
9 any incident or event that may give rise to a claim arising from the performance of this
10 Agreement.

11 9. RECORDS AND INSPECTIONS.

12 A. CITY shall establish and maintain records in accordance with 24 CFR Part
13 570, Part 85, OMB Circular A-87, and 24 CFR 91.105, as applicable, and as they relate to the
14 acceptance and use of federal funds under this Agreement.

15 B. CITY shall maintain a separate account for CDBG Entitlement funds
16 received as set forth in Exhibits (A, B, C, and D).

17 C. CITY shall, during the normal business hours, make available to
18 COUNTY, the U.S. Department of Housing and Urban Development (HUD), or other authorized
19 representative, for the examination and copying, all of its records and other materials with
20 respect to matters covered by this Agreement.

21 D. CITY shall not retain any program income as defined in Section 570.500
22 of Title 24 of the Federal Code of Regulations. Said program income shall be used only for the
23 activities that are the subject of this Agreement. Further, all provisions of this Agreement shall
24 apply to such activities.

25 E. The CITY shall ensure that at least fifty-one percent (51%) of the persons
26 benefiting from all CDBG-funded activities or projects designated as serving limited clientele
27 [570.208(a)(2)(i)] are of low and moderate-income and meet the program income guidelines
28

1 attached as Exhibits (A, B, C, and D). The CITY and City's Sub-recipients must provide the
2 required income certification and direct benefit documentation.

3 10. COMPLIANCE WITH LAWS. CITY shall comply with all applicable federal,
4 state, and local laws, regulations, and ordinances and any amendments thereto and the federal
5 regulations and guidelines now or hereafter enacted pursuant to the Act. More particularly, CITY
6 is to comply with those regulations found in Part 85 and Part 570 of Title 24 of the Code of
7 Federal Regulations. CITY is to comply with OMB Circular A-87, or any subsequent
8 replacement. CITY is to abide by the provisions of the Community Development Block Grant
9 Manual, prepared by COUNTY and cited in the above-mentioned Cooperation Agreement.
10 CITY will comply with Section 3 of the Housing & Urban Development Act of 1968, as
11 amended, attached hereto as Exhibit "S". CITY will comply with the provisions of 24 CFR Part
12 570.200 (j), attached as Exhibit "R," pertaining to inherently religious activities.

13 11. INDEPENDENT CONTRACTOR. CITY and its agents, servants, and employees
14 shall act at all times in an independent capacity during the term of this Agreement, and shall not
15 act as, shall not be, nor shall they in any manner be construed to be agents, officers, or
16 employees of the COUNTY.

17 12. TERMINATION.

18 A. CITY. CITY may not terminate this Agreement except upon express
19 written consent of COUNTY.

20 B. COUNTY. Notwithstanding the provisions of Paragraph 12a, COUNTY
21 may suspend or terminate this Agreement upon a thirty (30) day written notice to CITY of action
22 being taken and the reason for such action:

23 (1) In the event CITY fails to perform the covenants herein contained
24 at such times and in such manner as provided in this Agreement; and

25 (2) In the event there is a conflict with any federal, state or local law,
26 ordinance, regulation or rule rendering any of the provisions of this Agreement invalid or
27 untenable; or

(3) In the event the funding from the Department of Housing and Urban Development referred to in Paragraphs 1 and 2 above is terminated or otherwise becomes unavailable.

C. Upon suspension of this Agreement, CITY agrees to return any unencumbered funds which it has been provided by COUNTY. In accepting said funds, COUNTY does not waive any claim or cause of action it may have against CITY for breach of this Agreement.

D. Reversion of Assets

1. Upon expiration of this Agreement, the CITY shall transfer to the COUNTY any CDBG funds on hand at the time of expiration of the Agreement as well as any accounts receivable held by CITY which are attributable to the use of CDBG funds awarded pursuant to this Agreement.

2. Any real property under the CITY'S control that was acquired or improved in whole or in part with CDBG funds (including CDBG funds provided to the SPONSOR in the form of a loan) in excess of \$25,000 is either:

(i) Used to meet one of the National Objectives in Sec. 570.208 until five years after expiration of this agreement, or for such longer period of time as determined to be appropriate by the COUNTY; or

(ii) Not used in accordance with Section (i) above, in which event the SPONSOR shall pay to the COUNTY an amount equal to the current market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for the acquisition of, or improvement to, the property.

13. NONDISCRIMINATION. CITY shall abide by Sections 570.601 and 570.602 of Title 24 of the Federal Code of Regulations which requires that no person in the United States shall on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with Community Development funds.

1 14. PROHIBITION AGAINST CONFLICTS OF INTEREST

2 A. CITY and its assigns, employees, agents, consultants, officers and elected
3 and appointed officials shall become familiar with and shall comply with the CDBG regulations
4 prohibiting conflicts of interest contained in 24 CFR 570.611, attached hereto as Exhibit "CI"
5 and by this reference incorporated herein.

6 B. CITY and its assigns, employees, agents, consultants, officers, and elected
7 and appointed officials shall become familiar with and shall comply with Section A-11 of the
8 County's CDBG Policy manual, attached hereto as Exhibit "CI" and by this reference
9 incorporated herein.

10 C. CITY understands and agrees that no waiver of exception can be granted
11 to the prohibition against conflict of interest except upon written approval of HUD pursuant to
12 24 CFR 570.611 (d). Any request by CITY for an exception shall first be reviewed by COUNTY
13 to determine whether such request is appropriate for submission to HUD. In determining whether
14 such request is appropriate for submission to HUD, COUNTY will consider the factors listed in
15 24 CFR 570.611 (e).

16 D. Prior to any funding under this Agreement, CITY shall provide COUNTY
17 with a list of all employees, agents, consultants, officers and elected and appointed officials who
18 are in a position to participate in a decision making process, exercise any functions or
19 responsibilities, or gain inside information with respect to the CDBG activities funded under this
20 Agreement. CITY shall also promptly disclose to COUNTY any potential conflict, including
21 even the appearance of conflict that may arise with respect to the CDBG activities funded under
22 this Agreement.

23 E. Any violation of this section shall be deemed a material breach of this
24 Agreement, and the Agreement shall be immediately terminated by the COUNTY.

25 15. PROJECT ELIGIBILITY. As to CITY or its claimants, COUNTY shall bear no
26 liability for any later determination by the United States Government, the Department of
27 Housing and Urban Development or any other person or entity that CITY is or is not eligible

1 under 24 CFR Part 570 to receive CDBG funds.

2 16. USE OF PROPERTY. Whenever federal CDBG funds or program income are
3 used, in whole or in part, for the purchase of equipment or personal property, the property shall
4 not be transferred from its originally funded use, by CITY or sub-recipient, for a period of five
5 (5) years from the close-out date of the grant from which CDBG assistance was provided. The
6 CITY shall maintain a current inventory for COUNTY monitoring and review.

7 17. EMPLOYMENT OPPORTUNITIES TO BE CAUSED BY PROJECT. CITY
8 agrees to notify and to require any lessee or assignee to notify Riverside County Workforce
9 Development Center of any and all job openings that are caused by this project.

10 18. PUBLICITY. Any publicity generated by CITY for the project funded pursuant to
11 this Agreement, during the term of this Agreement, will make reference to the Contribution of
12 the County of Riverside, the Economic Development Agency, and the Community Development
13 Block Grant Program in making the project possible.

14 19. PROGRAM MONITORING AND EVALUATION. CITY and its sub-recipients
15 shall be monitored and evaluated in terms of its effectiveness and timely compliance with the
16 provisions of this Agreement and the effective and efficient achievement of the Program
17 Objectives. Quarterly reports shall be due on the last day of the month immediately following the
18 end of the quarter being reported. The quarterly written reports shall include, but shall not be
19 limited to, the following data elements:

20 A. Title of program, listing of components, description of
21 activities/operations.

22 B. The projected goals, indicated numerically, and also the goals achieved
23 (for each report period). In addition, identify by percentage and description, the progress
24 achieved towards meeting the specified goals and identify any problems encountered in meeting
25 goals.

26 C. If the CDBG-funded Activity meets a National Objective under 24 CFR
27 570.208 (a)(2)(i), CITY will report the following:

1) Total number of direct beneficiaries (clientele served) with household incomes at:

- Above 80% MHI
- Between 50% and 80% MHI (Low-Income)
- Between 30% and 50% MHI (Very Low-Income)
- Less than 30% MHI (Extremely Low-Income)

2) Total number and percent (%) of the clientele served that have household incomes at or below 80% MHI

- 3) Racial ethnicity of clientele
- 4) Number of Female-Headed Households

D. CITY and its sub-recipients shall report beneficiary statistics monthly to EDA on the pre-approved *Direct Benefit Form* and *Self-Certification Form* (certifying income, family size, and racial ethnicity) as required by HUD. Updated forms are to be provided to CITY by EDA should HUD implement changes during the term of this agreement. CITY and sub-recipients will collect and provide all necessary data required by HUD pertaining to the Specific Outcome Indicators as identified in the CPD Outcome Performance Measurement System.

20. SOURCE OF FUNDING. CITY acknowledges that the source of funding pursuant to this Agreement is Community Development Block Grant (CFDA 14.218).

21. ENTIRE AGREEMENT. It is expressly agreed that this Agreement together with the cooperation Agreement between the parties, embodies the entire agreement of the parties in relation to the subject matter thereof, and that no other Agreement or understanding, verbal or otherwise, relative to this subject matter, exists between the parties at the time of execution.

22. MINISTERIAL ACTS. The Assistant County Executive Officer/EDA or designee(s) are authorized to take such ministerial actions as may be necessary or appropriate to implement the terms, provisions, and conditions of this Agreement as it may be amended from time to time by COUNTY.

1 23. PRIOR AUTHORIZATION. CITY shall obtain COUNTY's written approval
2 from the Economic Development Agency prior to implementing the following "high risk"
3 activities funded with CDBG assistance:

4 A. Construction of public facilities (project plans and specifications);
5 B. Acquisition of real property;
6 C. Historic Preservation;
7 D. Relocation; and
8 F. Economic Development

9 23. MODIFICATION OF AGREEMENT. This Agreement may be modified or
10 amended only by a writing signed by the duly authorized and empowered representative of
11 COUNTY and CITY respectively.

12 IN WITNESS WHEREOF, the COUNTY and the CITY have executed this Agreement as
13 of the date listed below.

14
15 DATED: _____

16
17 COUNTY OF RIVERSIDE

18 CITY OF BANNING

19 By: _____
20 Robert Field
21 Assistant County Executive Officer/EDA

22 By: _____
23 Mayor

24
25
26
27
28 SH:JT:mmv

53

**SUPPLEMENTAL AGREEMENT
SCOPE OF WORK
(NON-PUBLIC SERVICE)**

I. GENERAL INFORMATION

CITY NAME: City of Banning

ADDRESS: 99 E. Ramsey Street
Banning, CA 92220

PROGRAM CONTACTS: Kahono Oei, City Engineer

PHONE: (951) 922-3105 FAX: (951) 949-0639

E-MAIL: _____

PROJECT NAME: Repplier Park Bowl Improvements

PROJECT LOCATION: 201 W. George St., Banning, CA 92220

LEVEL OF ENVIRONMENTAL CLEARANCE: Categorical Exclusion

CDBG ELIGIBILITY CODE: 570.201 (c)

PROJECT FUNDING SUMMARY: **\$141,570**

Project to be administered by County (EDA) on behalf of City: YES NO

II. SCOPE OF SERVICE

A. Activities

City will be responsible for administering a **2010-2011** Community Development Block Grant for the **Repplier Park Bowl Improvements** in a manner satisfactory to the County of Riverside and consistent with any standards required as a condition of providing these funds. Such program will include the following activities eligible under the Community Development Block Grant program:

Activity #1 *The City of Banning will use CDBG funds leveraged with existing funds for the design and construction of improvements to the Repplier Park Bowl. Renovations include the stage area, restrooms, and landscaping.*

B. National Objective

All activities funded with CDBG funds must comply with one of more of the CDBG program's National Objective Criteria as required under 24 CFR 570.200(a)(2). City certifies that the activity(ies) carried out under this Agreement will meet the following National Objective:

National Objective Criteria: 570.208 (a)(1)(i)

CFR Reference: Low Mod Area

C. Levels of Accomplishment – Goals and Performance Measures

The City agrees to implement and complete the following activity(ies):

Activity #1 Complete finalization of designs

Activity #2 Construction and renovations of Repplier Park Bowl

CPD OUTCOME PERFORMANCE MEASUREMENT

Objectives (select one): Creating Suitable Living Environments
 Providing Decent Affordable Housing
 Creating Economic Opportunities

Outcome (select one): Availability/Accessibility
 Affordability
 Sustainability (promoting livable or viable communities)

D. City Capacity

By executing this Supplemental Agreement, the City certifies that it has the appropriate number of trained and knowledgeable staff, adequate facilities, proper equipment, required licensing and permitting, and sufficient amount of financial resources necessary to implement and carry out the activities funded with CDBG funds.

City will immediately notify County of any significant changes in organizational management, assigned staff, change in facilities, loss or change in matching funds, or any other event that could potentially impact the City or subrecipient's performance under this Agreement.

Any changes in the above items are subject to the prior approval of the County.

E. Performance Monitoring

The County of Riverside will monitor the performance of the City and its subrecipients against goals and performance standards as stated above. Substandard performance as determined by the

County will constitute noncompliance with this Agreement. If action to correct such substandard performance is not taken by the City within a reasonable period of time after being notified by the County, contract suspension or termination procedures will be initiated.

F. Program Budget

It is expressly agreed and understood that the total amount to be paid by the County under this Agreement shall not exceed **\$141,570** Drawdowns for the payment of eligible expenses shall be made against the line item budgets specified in this Section and in accordance with performance. Payments may be contingent upon certification of the Subrecipient's financial management system in accordance with the standards specified in 24 CFR 84.21.

The County may require a more detailed budget breakdown than the one contained herein, and the City shall provide such supplementary budget information in a timely fashion in the form and content prescribed by the County. Any amendments to the budget must be approved in writing by both the County and City.

<u>Line Item</u>	
Design/Engineering Costs	<input checked="" type="checkbox"/>
Project Administration Costs	<input type="checkbox"/>
Construction Costs	<input checked="" type="checkbox"/>
Acquisition Costs	<input type="checkbox"/>
Relocation Costs	<input type="checkbox"/>
Capital Equipment Costs	<input type="checkbox"/>
Code Enforcement	<input type="checkbox"/>
Clearance	<input type="checkbox"/>
Interim Assistance	<input type="checkbox"/>
Other:	<input type="checkbox"/>
Total:	\$141,570

G. Total Amount of Non- CDBG Leveraging

TYPE	SOURCE	AMOUNT	SOURCE	AMOUNT	SOURCE	AMOUNT	TOTAL
FEDERAL	CDBG	140,612					140,612
STATE/LOCAL							
PRIVATE							
OTHER							
TOTAL:							<u>140,612</u>

III. ADMINISTRATIVE REQUIREMENTS

A. Accounting Standards

The City agrees to comply with 24 CFR 84 or 85 as applicable and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

B. Cost Principles

The City shall administer its program in conformance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations," A-21, "Cost Principles for Educational Institutions," or OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

C. Documentation and Record Keeping

1. Records to be Maintained

The Subrecipient shall maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to:

- i. Records providing a full description of each activity undertaken;
- ii. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program;
- iii. Records required to determine the eligibility of activities;
- iv. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance;
- v. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
- vi. Financial records as required by 24 CFR 570.502, and 24 CFR 84.21-28; and

vii. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.

2. Records Retention

The City shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of five (5) years. The retention period begins on the date of the submission of the County's annual performance and evaluation report to HUD in which the activities assisted under the Agreement are reported on for the final time. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the five-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the five-year period, whichever occurs later.

3. Client Data

The City shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to County monitors or their designees for review upon request.

4. Disclosure

The City understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the County's or City's responsibilities with respect to services provided under this contract, is prohibited by applicable federal and State law unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Close-outs

The City's obligation to the County shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to the County), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that the City has control over CDBG funds, including program income.

6. Audits & Inspections

All City records with respect to any matters covered by this Agreement shall be made available to the County, HUD, and the Controller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the City within 30 days after receipt by the City. Failure of the City to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments. The City hereby agrees to have an annual agency audit conducted in accordance with current County policy concerning subrecipient audits and OMB Circular A-133.

IV. PROJECT IMPLEMENTATION AND SCHEDULE

Unless pre-approved by County, City will perform and complete the activities described in Section II in conformance with the schedule of tasks and milestones listed below:

<u>Tasks / Milestone</u>	<u>Start Date</u>	<u>Completion Date</u>
Attend Mandatory Cooperating City Training	July 2010	July 2010
Implement Project Activities	Upon Notification from EDA	
Execute Supplemental Agreement & Notice to Incur Cost	August 2010	September 2010
<u>Tasks / Milestone</u>	<u>Start Date</u>	<u>Completion Date</u>
Submit Quarterly Performance Reports to County		October 15, 2010
		January 15, 2011
		April 15, 2011
		July 31, 2011
County Monitoring of City Program/Performance	To be determined by Program Manager	
Specific Project Activities	To be determined by Program Manager	
City Submits Reimbursement Requests		
Monthly Submittal <input type="checkbox"/>		
Other Schedule <input checked="" type="checkbox"/>		
CDBG-funded Project Complete	TBD	June 30, 2012

V. SPECIAL CONDITIONS /PERFORMANCE REQUIREMENTS

City must follow proper procurement and construction policies and procedures of the City and Riverside County, EDA as deemed by HUD. No construction will shall commence using CDBG funding without prior Notice to Proceed. Pre-Construction meeting required.

City is required to contact the County Program Manager for review prior to submission of RFP, construction activity or cost without prior written approval. County must be contacted 10 days in advance for attendance of Pre-Construction meeting. Original Certified payrolls to be submitted on a weekly basis to County.

**SUPPLEMENTAL AGREEMENT
SCOPE OF WORK
(PUBLIC SERVICE)**

I. GENERAL INFORMATION

CITY NAME: City of Banning

ADDRESS: 99 E. Ramsey St.

Banning, CA 92220

CITY PROGRAM CONTACTS: Jeff Bates, Director of Operations

SUBRECIPIENT NAME: City of Banning

ADDRESS: 99 E. Ramsey St., Banning, CA 92220

PROGRAM CONTACT: Jeff Bates, Director of Operations

PHONE: (951) 922-3105 FAX: (951) 949-0639

E-MAIL: _____

PROJECT NAME: Youth Development Services

PROJECT LOCATION: 1101 E. George St., Banning, CA 92220

LEVEL OF ENVIRONMENTAL CLEARANCE: EXEMPT

CDBG ELIGIBILITY CODE: 24 CFR 570.201 (e)

PROJECT FUNDING SUMMARY: \$9,000

Project to be administered by County (EDA) on behalf of CITY: YES NO

II. SCOPE OF SERVICE

A. Activities

City will be responsible for administering a 2010-2011 Community Development Block Grant for the **Youth Development Services** in a manner satisfactory to the County of Riverside and consistent with any standards required as a condition of providing these funds. Such program will include the following activities eligible under the Community Development Block Grant program:

Activity #1 *The Boys and Girls Club of the San Gorgonio Pass offers after-school programs to low-income youth. Activities include alcohol and tobacco prevention, health fitness education, and a nutrition program. CDBG funds will be used for staff salaries (direct cost) and program related consumable supplies.*

B. National Objective

All activities funded with CDBG funds must comply with one of more of the CDBG program's National Objective Criteria as required under 24 CFR 570.200(a)(2). CITY certifies that the activity (ies) carried out under this Agreement will meet the following National Objective:

National Objective Criteria: 570.208 (a) (2) (i) (B)

CFR Reference: Low Mod Limited Clientele Income Certification

C. Levels of Accomplishment – Goals and Performance Measures

The City agrees to provide the following levels of program services:

Activity	Units <u>per Month</u>	Total <u>Units/Year</u>	Total <u>Unduplicated Persons</u>
		25	25

Activity #1 Provide after-school programs to low-income children.

Unit of Service is defined as: children participating

CPD OUTCOME PERFORMANCE MEASUREMENT

Objectives (select one): Creating Suitable Living Environments
 Providing Decent Affordable Housing
 Creating Economic Opportunities

Outcome (select one): Availability/Accessibility
 Affordability
 Sustainability (promoting livable or viable communities)

D. City Capacity

By executing this Supplemental Agreement, the City certifies that it and its subrecipients have the appropriate number of trained and knowledgeable staff, adequate facilities, proper equipment, required licensing and permitting, and sufficient amount of financial resources necessary to implement and carry out the activities funded with CDBG funds.

City will immediately notify County of any significant changes in organizational management, assigned staff, change in facilities, loss or change in matching funds, or any other event that could potentially impact City's performance under this Agreement. Any changes in the above items are subject to the prior approval of the County.

E. Performance Monitoring

The County of Riverside will monitor the performance of the City and its subrecipients against goals and performance standards as stated above. Substandard performance as determined by the County will constitute noncompliance with this Agreement. If action to correct such substandard performance is not taken by the City within a reasonable period of time after being notified by the County, contract suspension or termination procedures will be initiated.

F. Program Budget

It is expressly agreed and understood that the total amount to be paid by the County under this Agreement shall not exceed **\$9,000**. Drawdowns for the payment of eligible expenses shall be made against the line item budgets specified in this Section and in accordance with performance. Payments may be contingent upon certification of the Subrecipient's financial management system in accordance with the standards specified in 24 CFR 84.21.

The County may require a more detailed budget breakdown than the one contained herein, and the City shall provide such supplementary budget information in a timely fashion in the form and content prescribed by the County. Any amendments to the budget must be approved in writing by both the County and City.

Line Item	Amount	Notes
Total Direct Program Expenses	\$ <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
Salaries		
Fringe		
Office Space (Program Only)		
Utilities		
Communications		
Reproduction/Printing		
Supplies and Materials		
Mileage		
Equipment (Program Only)		
Audit		
Transportation		
Other (Specify)Supplies		
Total Indirect Program Expenses	\$ <input type="checkbox"/>	
Indirect Costs (Specify)*		
TOTAL CDBG BUDGET	\$ 9,000	

* All indirect costs must be pre-approved by the County. City must submit an Indirect Cost Allocation Plan to County, in a form specified by County, demonstrating the appropriate share of general and administrative costs.

G. Total Amount of Non- CDBG Leveraging

TYPE	SOURCE	AMOUNT	SOURCE	AMOUNT	SOURCE	AMOUNT	TOTAL
FEDERAL	Federal Stimulus	42,500					42,500
STATE/LOCAL							
PRIVATE							
OTHER							
TOTAL:							42,500

III. ADMINISTRATIVE REQUIREMENTS

A. Accounting Standards

The City agrees to comply with 24 CFR 84 or 85 as applicable and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

B. Cost Principles

The City shall administer its program in conformance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations," A-21, "Cost Principles for Educational Institutions," or OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

C. Documentation and Record Keeping

1. Records to be Maintained

The City and its subrecipients will maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to:

- i. Records providing a full description of each activity undertaken;
- ii. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program;
- iii. Records required to determine the eligibility of activities;
- iv. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance;
- v. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
- vi. Financial records as required by 24 CFR 570.502, and 24 CFR 84.21-28; and
- vii. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.

2. Records Retention

The City shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of five (5) years. The retention period begins on the date of the submission of the County's annual performance and evaluation report to HUD in which the activities assisted under the Agreement are reported on for the final time. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the five-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the five-year period, whichever occurs later.

3. Client Data

The City shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to County monitors or their designees for review upon request.

4. Disclosure

The City understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the County's or City's responsibilities with respect to services provided under this contract, is prohibited by applicable federal and State law unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Close-outs

The City's obligation to the County shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to the County), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that the City has control over CDBG funds, including program income.

6. Audits & Inspections

All City records with respect to any matters covered by this Agreement shall be made available to the County, HUD, and the Controller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the City within 30 days after receipt by the City. Failure of the City to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments. The City hereby agrees to have an annual agency audit conducted in accordance with current County policy concerning subrecipient audits and OMB Circular A-133.

IV. PROJECT IMPLEMENTATION AND SCHEDULE

Unless pre-approved by County, CITY will perform and complete the activities described in Section II in conformance with the schedule of tasks and milestones listed below:

<u>Tasks / Milestone</u>	<u>Start Date</u>	<u>Completion Date</u>
Attend Mandatory Cooperating City Training	July 2010	July 2010
Execute Subrecipient Agreements (EDA must approve)	July 1, 2010	---
Implement Program Activities	July 1, 2010	TBD
Execute Supplemental Agreement & Notice to Incur Cost	August 2010	September 2010
City Submit Quarterly Performance Reports to County	October 15, 2010 January 15, 2011 April 15, 2011 July 31, 2011	
County Monitoring of City Performance	TBD	TBD
City submit Monthly Direct Benefit Reports	September 2010	July 2011
City Submits Reimbursement Requests		
Monthly Submittal <input checked="" type="checkbox"/>	September 2010	<u>May 11, 2011</u>
Other Schedule <input type="checkbox"/>		
CDBG Program Services Complete		May 11, 2011

V. SPECIAL CONDITIONS /PERFORMANCE REQUIREMENTS

Sponsor must collect **income self-certifications** from every individual or family participating in CDBG-funded activities or the parent or legal guardian of every child participating in CDBG-funded activities. This includes family income, family size, and ethnicity. Sponsor is required to collect **income verification** documentation from at least 10% of the participants. All of this documentation must be submitted to EDA on a monthly basis. 25 clients proposed to served. Direct Benefit report must to be included with submission of above documents. Submit monthly reimbursement request.

**SUPPLEMENTAL AGREEMENT
SCOPE OF WORK
(PUBLIC SERVICE)**

I. GENERAL INFORMATION

CITY NAME: City of Banning

ADDRESS: 99 E. Ramsey St.

Banning, CA 92220

CITY PROGRAM CONTACTS: Linda Phillips, Program Director

SUBRECIPIENT NAME: City of Banning

ADDRESS: 99 E. Ramsey St., Banning, CA 92220

PROGRAM CONTACT: Linda Phillips, Program Director

PHONE: (951) 922-3105 FAX: (951) 949-0639

E-MAIL:

PROJECT NAME: San Gorgonio Special Needs Program

PROJECT LOCATION: 671 N. Florida St., Ste. A, Banning, CA 92220

LEVEL OF ENVIRONMENTAL CLEARANCE: EXEMPT [24 CFR 58.34 (a)(4)]

CDBG ELIGIBILITY CODE: 24 CFR 570.201 (e)

PROJECT FUNDING SUMMARY: \$9,046

Project to be administered by County (EDA) on behalf of CITY: YES NO

II. SCOPE OF SERVICE

A. Activities

City will be responsible for administering a 2010-2011 Community Development Block Grant for the **San Gorgonio Special Needs Program** in a manner satisfactory to the County of Riverside and consistent with any standards required as a condition of providing these funds. Such program will include the following activities eligible under the Community Development Block Grant program:

Activity #1 *The San Gorgonio Childcare Consortium program provides services from trained staff to enhance the social/emotional well being of Special Needs Children. CDBG funds will be used for staff salaries/benefits (direct cost) and program related supplies.*

B. National Objective

All activities funded with CDBG funds must comply with one of more of the CDBG program's National Objective Criteria as required under 24 CFR 570.200(a)(2). CITY certifies that the activity (ies) carried out under this Agreement will meet the following National Objective:

National Objective Criteria: 570.208 (a) (2) (i) (B)

CFR Reference: Low Mod Limited Clientele Income Certification

C. Levels of Accomplishment – Goals and Performance Measures

The City agrees to provide the following levels of program services:

Activity	Units per Month	Total Units/Year	Total <u>Unduplicated Persons</u>
		20	20

Activity #1 Provide social/emotional services to special needs children

Unit of Service is defined as: Special Needs children participating

CPD OUTCOME PERFORMANCE MEASUREMENT

Objectives (select one): Creating Suitable Living Environments
 Providing Decent Affordable Housing
 Creating Economic Opportunities

Outcome (select one): Availability/Accessibility
 Affordability
 Sustainability (promoting livable or viable communities)

D. City Capacity

By executing this Supplemental Agreement, the City certifies that it and its subrecipients have the appropriate number of trained and knowledgeable staff, adequate facilities, proper equipment, required licensing and permitting, and sufficient amount of financial resources necessary to implement and carry out the activities funded with CDBG funds.

City will immediately notify County of any significant changes in organizational management, assigned staff, change in facilities, loss or change in matching funds, or any other event that could potentially impact City's performance under this Agreement. Any changes in the above items are subject to the prior approval of the County.

E. Performance Monitoring

The County of Riverside will monitor the performance of the City and its subrecipients against goals and performance standards as stated above. Substandard performance as determined by the County will constitute noncompliance with this Agreement. If action to correct such substandard performance is not taken by the City within a reasonable period of time after being notified by the County, contract suspension or termination procedures will be initiated.

F. Program Budget

It is expressly agreed and understood that the total amount to be paid by the County under this Agreement shall not exceed **\$9,046**. Drawdowns for the payment of eligible expenses shall be made against the line item budgets specified in this Section and in accordance with performance. Payments may be contingent upon certification of the Subrecipient's financial management system in accordance with the standards specified in 24 CFR 84.21.

The County may require a more detailed budget breakdown than the one contained herein, and the City shall provide such supplementary budget information in a timely fashion in the form and content prescribed by the County. Any amendments to the budget must be approved in writing by both the County and City.

Line Item	Amount	Notes
Total Direct Program Expenses	\$ <input checked="" type="checkbox"/>	
Salaries	<input type="checkbox"/>	
Fringe	<input type="checkbox"/>	
Office Space (Program Only)	<input type="checkbox"/>	
Utilities	<input type="checkbox"/>	
Communications	<input type="checkbox"/>	
Reproduction/Printing	<input type="checkbox"/>	
Supplies and Materials	<input type="checkbox"/>	
Mileage	<input type="checkbox"/>	
Equipment (Program Only)	<input type="checkbox"/>	
Audit	<input type="checkbox"/>	
Transportation	<input type="checkbox"/>	
Other (Specify) Supplies	<input checked="" type="checkbox"/>	
Total Indirect Program Expenses	\$ <input type="checkbox"/>	
Indirect Costs (Specify)*	<input type="checkbox"/>	
TOTAL CDBG BUDGET	\$ 9,046	

* All indirect costs must be pre-approved by the County. City must submit an Indirect Cost Allocation Plan to County, in a form specified by County, demonstrating the appropriate share of general and administrative costs.

G. Total Amount of Non- CDBG Leveraging

TYPE	SOURCE	AMOUNT	SOURCE	AMOUNT	SOURCE	AMOUNT	TOTAL
FEDERAL							
STATE/LOCAL							
PRIVATE							
OTHER	Community Foundation	10,000					10,000
TOTAL:							10,000

III. ADMINISTRATIVE REQUIREMENTS

A. Accounting Standards

The City agrees to comply with 24 CFR 84 or 85 as applicable and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

B. Cost Principles

The City shall administer its program in conformance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations," A-21, "Cost Principles for Educational Institutions," or OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

C. Documentation and Record Keeping

1. Records to be Maintained

The City and its subrecipients will maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to:

- i. Records providing a full description of each activity undertaken;
- ii. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program;
- iii. Records required to determine the eligibility of activities;
- iv. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance;
- v. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
- vi. Financial records as required by 24 CFR 570.502, and 24 CFR 84.21-28; and
- vii. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.

2. Records Retention

The City shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of five (5) years. The retention period begins on the date of the submission of the County's annual performance and evaluation report to HUD in which the activities assisted under the Agreement are reported on for the final time. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the five-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the five-year period, whichever occurs later.

3. Client Data

The City shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to County monitors or their designees for review upon request.

4. Disclosure

The City understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the County's or City's responsibilities with respect to services provided under this contract, is prohibited by applicable federal and State law unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Close-outs

The City's obligation to the County shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to the County), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that the City has control over CDBG funds, including program income.

6. Audits & Inspections

All City records with respect to any matter's covered by this Agreement shall be made available to the County, HUD, and the Controller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the City within 30 days after receipt by the City. Failure of the City to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments. The City hereby agrees to have an annual agency audit conducted in accordance with current County policy concerning subrecipient audits and OMB Circular A-133.

IV. PROJECT IMPLEMENTATION AND SCHEDULE

Unless pre-approved by County, CITY will perform and complete the activities described in Section II in conformance with the schedule of tasks and milestones listed below:

<u>Tasks / Milestone</u>	<u>Start Date</u>	<u>Completion Date</u>
Attend Mandatory Cooperating City Training	July 2010	July 2010
Execute Subrecipient Agreements (EDA must approve)	July 1, 2010	---
Implement Program Activities	July 1, 2010	TBD
Execute Supplemental Agreement & Notice to Incur Cost	August 2010	September 2010
City Submit Quarterly Performance Reports to County	October 15, 2010 January 15, 2011 April 15, 2011 July 31, 2011	
County Monitoring of City Performance	TBD	TBD
City submit Monthly Direct Benefit Reports	September 2010	July 2011
City Submits Reimbursement Requests		
Monthly Submittal <input checked="" type="checkbox"/>	September 2010	<u>May 11, 2011</u>
Other Schedule <input type="checkbox"/>		
CDBG Program Services Complete		May 11, 2011

V. SPECIAL CONDITIONS /PERFORMANCE REQUIREMENTS

Sponsor must collect **income self-certifications** from every individual or family participating in CDBG-funded activities or the parent or legal guardian of every child participating in CDBG-funded activities. This includes family income, family size, and ethnicity. Sponsor is required to collect **income verification** documentation from at least 10% of the participants. All of this documentation must be submitted to EDA on a monthly basis.

Total proposed to serve is 20 clients. Direct Benefit report must to be included with submission of above documents. Submit monthly reimbursement request.

EXHIBIT D

SPONSOR'S AGREEMENT
SCOPE OF WORK
(PUBLIC SERVICE)

I. GENERAL INFORMATIONSPONSOR NAME: Soroptimist House of Hope, Inc.ADDRESS: 628 S. 8th St.
Banning, CA 92220PROGRAM CONTACTS: Cindy Oma Gray, Executive DirectorPHONE: (951) 849-9491 FAX: (951) 849-8262

E-MAIL: _____

PROJECT NAME: Soroptimist House of Hope, Substance Abuse ProgramPROJECT LOCATION: 628 S. 8th St., Banning, CA 92220 and 13525 Cielo Azul Way,
Desert Hot Springs, CA 92240LEVEL OF ENVIRONMENTAL CLEARANCE: EXEMPT [24 CFR 58.34 (a)(4)]CDBG ELIGIBILITY CODE: 24 CFR 570.201 (e)Project to be administered by County (EDA) on behalf of City: YES NO PROJECT FUNDING SUMMARY: \$10,000

5 th District	<u>\$5,000</u>
Banning	<u>\$5,000</u>

II. SCOPE OF SERVICE**A. Activities**

Sponsor will be responsible for administering a 2010-2011 Community Development Block Grant for the **Soroptimist House of Hope, Substance Abuse Program** in a manner satisfactory to the County of Riverside and consistent with any standards required as a condition of providing these funds. Such program will include the following activities eligible under the Community Development Block Grant program:

Activity #1 *The Soroptimist House of Hope provides a 90-day, 12-step recovery residential substance abuse treatment program for women in Banning and Desert Hot Springs. CDBG funds will be used for staff salaries (direct cost).*

72

EXHIBIT CI

Prohibition Against Conflicts of Interest

Page 1 of 4

§ 570.611 Conflict of interest.

(a) Applicability.

(1) In the procurement of supplies, equipment, construction, and services by recipients, and by subrecipients (including those specified at § 570.204(c)), the conflict of interest provisions in 24 CFR 85.36 and OMB Circular A 110, respectively, shall apply.

(2) In all cases not governed by 24 CFR 85.36 and OMB Circular A-110, the provisions of this section shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient, by its subrecipients, or to individuals, businesses and other private entities under eligible activities which authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities pursuant to § 570.202, or grants, loans and other assistance to businesses, individuals and other private entities pursuant to § 570-203, § 570.204 or § 570.455).

(b) Conflicts prohibited. Except for the use of CDBG funds to pay salaries and other related administrative or personnel costs, the general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a CDBG assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. For the UDAG program, the above restrictions shall apply to all activities that are a part of the UDAG project, and shall cover any such interest or benefit during, or at any time after, such person's tenure.

(c) Persons covered. The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or subrecipients which are receiving funds under this part.

(d) Exceptions: threshold requirements. Upon the written request of the recipient, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by-case basis when it determines that such an exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project. An exception may be considered only after the recipient has provided the following:

73

EXHIBIT CI

Prohibition Against Conflicts of Interest
Page 2 of 4

(1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and

(2) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law.

(e) Factors to be considered for exceptions. In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements of paragraph (d) of this section, HUD shall consider the cumulative effect of the following factors, where applicable:

(1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;

(2) Whether an opportunity was provided for open competitive bidding or negotiation;

(3) Whether the person affected is a member of a group or class of low or moderate income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;

(4) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;

(5) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (b) of this section;

(6) Whether undue hardship will result either to the recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and

(7) Any other relevant considerations.

EXHIBIT CI

Prohibition Against Conflicts of Interest
Page 3 of 4

Community Development Block Grant
Policy Manual
I.D. # A-11
(pg. 1 of 2)

TOPIC: CONFLICT OF INTEREST CODED
RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

DATE: October 1989

This Conflict of Interest Code is written to comply with Federal Regulations (24 CFR Part 85). These Regulations. "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments" require that grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.

- 1) No employee, officer or agent of the grantee shall participate in the selection, in the award or in the administration of a contract supported by Federal Funds if a conflict of interest, real or apparent, would be involved.
- 2) Such a conflict will arise when:
 - i) The employee, officer or agent;
 - ii) Any member of the immediate family;
 - iii) His/Her partners, or;
 - iv) An organization which employs, or is about to employ any of the above has a financial or other interest in the firm's selection for award.
- 3) The grantee's or sub-grantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements except as noted in Section 4.
- 4) A grantee's or sub-grantee's officers, employees or agents will be presumed to have a financial interest in a business if their financial interest exceeds the following:
 - i) Any business entity in which the official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.
 - ii) Any real property in which the official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.

75

EXHIBIT CI

Prohibition Against Conflicts of Interest

Page 4 of 4

Community Development Block Grant
Policy Manual
I.D. # A-11
(pg. 2 of 2)

TOPIC: CONFLICT OF INTEREST CODE
RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

DATE: October 1989

- iii) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the official within 12 months prior to the time when the decision is made.
- iv) Any business entity in which the official is a director, officer, partner, trustee, employee, or holds any position of management.
- v) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the official within 12 months prior to the time when the decision is made.

5) For purposes of Section 4, indirect investment or interest means any investment or interest owned by the spouse or dependent child of an official, by an agent on behalf of an official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or more.

EXHIBIT "R"

Constitutional Prohibition

In accordance with First Amendment Church/State Principles, as a general rule, CDBG/ESG assistance may not be used for religious activities or provided to primarily religious entities for any activities, including secular activities. The following restrictions and limitations therefore apply to the use of CDBG/ESG funds.

(1) CDBG/ESG funds may not be used for the acquisition of property or the construction or rehabilitation (including historic preservation and removal of architectural barriers) of structures to be used for religious purposes or which will otherwise promote religious interests. This limitation includes the acquisition of property for ownership by primarily religious entities and the construction or rehabilitation (including historic preservation and removal of architectural barriers) of structures owned by such entities (except as permitted under paragraph (j)(2) of this section with respect to rehabilitation and under paragraph (j)(4) of this section with respect to repairs undertaken in connection with public services) regardless of the use to be made of the property or structure. Property owned by primarily religious entities may be acquired with CDBG/ESG funds at no more than fair market value for a non-religious use.

(2) CDBG/ESG funds may be used to rehabilitate buildings owned by primarily religious entities to be used for a wholly secular purpose under the following conditions:

(i) The building (or portion thereof) that is to be improved with the CDBG/ESG assistance has been leased to an existing or newly-established wholly secular entity (which may be an entity established by the religious entity);

(ii) The CDBG/ESG assistance is provided to the lessee (and not the lessor) to make the improvements;

(iii) The leased premises will be used exclusively for secular purposes available to persons regardless of religion;

(iv) The lease payments do not exceed the fair market rent of the premises as they were before the improvements are made;

(v) The portion of the cost of any improvements that also serve a non-leased part of the building will be allocated to and paid for by the lessor;

(vi) The lessor enters into a binding agreement that unless the lessee, or a qualified successor lessee, retains the use of the leased premises for a wholly secular purpose for at least the useful life of the improvements, the lessor will pay to the lessee an amount equal to the residual value of the improvements;

(vii) The lessee must remit the amount received from the lessor under subparagraph (2)(vi) of this section to the recipient or subrecipient from which the CDBG/ESG funds were derived.

EXHIBIT "R"

Constitutional Prohibition
Page 2

The lessee can also enter into a management contract authorizing the lessor religious entity to use the building for its intended secular purpose, e.g., homeless shelter, provision of public services. In such case, the religious entity must agree in the management contract to carry out the secular purpose in a manner free from religious influences in accordance with the principles set forth in paragraph (j)(3) of this section.

(3) As a general rule, CDBG/ESG funds may be used for eligible public services to be provided through a primarily religious entity, where the religious entity enters into an agreement with the recipient or subrecipient from which the CDBG/ESG funds are derived that, in connection with the provision of such services:

(i) It will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion.

(ii) It will not discriminate against any person applying for such public services on the basis of religion and will not limit such services or give preference to persons on the basis of religion;

(iii) It will provide no religious instruction or counseling, conduct no religious worship or services, engage in no religious proselytizing, and exert no other religious influence in the provision of such public services;

(iv) The portion of a facility used to provide the public services shall contain no religious symbols or decorations, other than those permanently affixed to or part of the structure.

(4) Where the public services provided under paragraph (j)(3) of this section are carried out on property owned by the primarily religious entity, CDBG/ESG funds may also be used for minor repairs to such property which are directly related to carrying out the public services where the cost constitutes in dollar terms only an incidental portion of the CDBG/ESG expenditure for the public services.

EXHIBIT "S"

Page 1 of 2

Economic Opportunities for Section 3 Residents and Section 3 Business Concerns

Sec. 135.38 Section 3 clause.

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 Clause):

A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

EXHIBIT "S"

Page 2 of 2

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

G. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

H. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).

**CITY COUNCIL/BANNING UTILITY AUTHORITY AGENDA
PUBLIC HEARING**

Date: September 14, 2010

TO: City Council/Banning Utility Authority

FROM: Duane Burk, Director of Public Works
Kirby Warner, Interim Administrative Services Director

SUBJECT: Urgency Ordinance No. 1428, "Increase of the Water Rates for the Water Utility"

RECOMMENDATION: Adopt Urgency Ordinance No. 1428, approving the increase of Water Rates for the Water Utility as presented in the City of Banning Water and Wastewater Rate Study Report attached as Exhibit "A".

JUSTIFICATION: Increasing the water rates is essential to generate the required revenues to offset loss of revenue; maintain the minimum debt coverage ratio required by bond covenants; cover increasing costs for the water systems operations and maintenance; cover costs of the annual replacement program of water line infrastructure; and cover costs of the construction of new water facilities (wells, transmission pipelines, restoration of the flume, etc.).

BACKGROUND: The City Council last approved an increase in water rates at the July 8, 2003 City Council meeting, which increased the water rates for four years beginning August 7, 2003. Due to the current economic climate, which has resulted in a reduction in the City's customer base, increasing costs in the operating and maintenance expenses, debt coverage requirements due to bond covenants and capital expenditures costs, it is necessary to increase the water rates in order to ensure financial stability of the water enterprise.

On April 14, 2009 the City Council approved an Agreement with Raftelis Financial Consultants, Inc. (RFC) for Professional Services entitled "Financial Planning for the Water System" to develop a financial plan for the water enterprise. As a result of said agreement along with an existing agreement to develop a financial plan for the wastewater enterprise, RFC prepared the City of Banning "Water and Wastewater Rate Study Report" (Rate Study Report), attached as Exhibit "A", which supports the recommended increase of the water rates for the next five years. The increase in rates will provide the required revenue to meet the necessary debt coverage requirements, operations and maintenance costs and capital improvement costs.

The Rate Study Report recommends a five year plan for implementing the rate increases beginning in Fiscal Year 2011:

Monthly Water Charges							
Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
5/8 Inch	\$16.77	5/8 Inch	\$17.73	\$19.15	\$20.68	\$22.33	\$23.89
3/4 Inch	\$16.77	3/4 Inch	\$17.73	\$19.15	\$20.68	\$22.33	\$23.89
1 Inch	\$25.64	1 Inch	\$26.85	\$29.00	\$31.32	\$33.83	\$36.20
1 1/2 Inch	\$46.87	1 1/2 Inch	\$49.64	\$53.61	\$57.90	\$62.53	\$66.91
2 Inch	\$72.51	2 Inch	\$76.98	\$83.14	\$89.79	\$96.97	\$103.76
3 Inch	\$132.64	3 Inch	\$140.80	\$152.06	\$164.22	\$177.36	\$189.78
4 Inch	\$218.41	4 Inch	\$232.00	\$250.56	\$270.60	\$292.25	\$312.71
6 Inch	\$432.40	6 Inch	\$459.81	\$496.59	\$536.32	\$579.23	\$619.78
8 Inch	\$688.84	8 Inch	\$733.29	\$791.95	\$855.31	\$923.73	\$988.39
Commodity Charge							
0-9 HCF	\$1.15	0-12 HCF	\$1.56	\$1.68	\$1.81	\$1.95	\$2.09
10-29 HCF	\$1.34	13-25 HCF	\$1.98	\$2.14	\$2.31	\$2.49	\$2.66
30+ HCF	\$1.51	26+ HCF	\$2.24	\$2.42	\$2.61	\$2.82	\$3.02

The proposed rate increases equate to an average increase of:

September 2010	30 Percent Increase
September 2011	7 Percent Increase
September 2012	7 Percent Increase
September 2013	7 Percent Increase
September 2014	7 Percent Increase

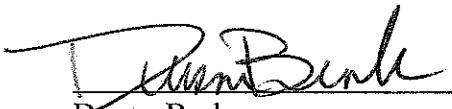
Staff recommends that the plan be reviewed annually prior to the implementation of the suggested rates. During the annual review staff will analyze changes in revenue sources such as water user fees, grants and credit agreements to determine if it is necessary to implement the suggested rate or if it is justified to implement one that is lower than the recommended rate.

On July 26, 2010, the Banning Utility Authority (BUA) approved BUA Resolution No. 2010-07UA, "Receive and File the 2010 Water and Wastewater Rate Study Report and Approve Proposition 218 Notifications". Proposition 218 was approved by California voters in 1996 and requires that local governments 1) give notification to all property owners of the proposed rates and instructions for those who wish to protest the rate increases, 2) hold a public hearing at least forty five (45) days after the mailing of the notifications and 3) reject the proposed fee if written protests are presented by a majority of the affected property owners. The Proposition 218 notifications were mailed out on July 28, 2010. Subsequently, City staff held three town hall meetings on August 5, 10 and 18 of 2010. The goal of the meetings was to discuss the Rate Study Report and to receive and answer questions from the public.

FISCAL DATA: A 30 percent increase in the first year, if approved, would provide additional revenues of approximately \$1,830,882.00; a 7 percent increase in each of the following four years would provide additional revenues, from its previous year, of approximately \$578,059.00, \$611,600.00, \$647,318.00 and \$685,366.00, respectively. The revenues generated will be sufficient to offset costs for maintaining the minimum bond coverage ratio required by bond covenants,

increasing costs of the water systems operations and maintenance and capital improvement projects costs.

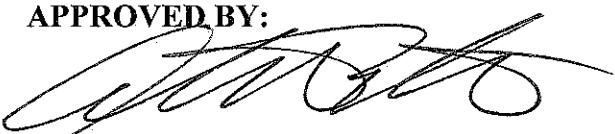
RECOMMENDED BY:


Duane Burk
Director of Public Works

REVIEWED BY:


Kirby Warner
Interim Administrative Services Director

APPROVED BY:


Andy Takata
City Manager

ORDINANCE NO. 1428

**AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BANNING
AMENDING CHAPTER 13.08 OF THE BANNING MUNICIPAL CODE RELATING TO
THE WATER RATE SCHEDULE**

WHEREAS, Chapter 13.08 of the Banning Municipal Code establishes the *Water Rate Schedule* which lists water rates for the City of Banning; and

WHEREAS, the City of Banning Water Rates are subject to periodic reviews and increases in order to maintain the rates at a level which ensures the City recovers all costs associated with providing water services; and

WHEREAS, increasing the water rates is essential to generate the required revenues to offset loss of revenue; maintain the minimum debt coverage ratio required by bond covenants; cover increasing costs for the water systems operations and maintenance; cover costs of the annual replacement program of water line infrastructure; and cover costs of the construction of new water facilities; and

WHEREAS, the City Council last approved an increase in water rates at the July 8, 2003 City Council meeting, which increased the water rates for four years beginning August 7, 2003; and

WHEREAS, on April 14, 2009 the City Council approved an Agreement with Raftelis Financial Consultants, Inc. for Professional Services Entitled "Financial Planning for the Water System" to develop a financial plan for the water enterprise which resulted in the City of Banning "Water and Wastewater Rate Study Report", enclosed herewith as Exhibit "A"; and

WHEREAS, said "Water and Wastewater Rate Study Report" supports the recommended increases of the water rates, as shown in Attachment I, for the next five years; and

WHEREAS, the Water Rate Schedule increases are recommended in accordance with the Banning Municipal Code; and

WHEREAS, Section 5471 of the Health and Safety Code and Section 13.08.030 of the Banning Municipal Code requires that an increase in water rates be adopted by ordinance approved by a two-thirds vote of the members of the City Council; and

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Banning as follows:

Section I. Adopt Ordinance No. 1428, an Urgency Ordinance approving the increases to the Water Rate Schedule as set forth in Attachment I affixed hereto and by reference made apart hereof.

Section II. This ordinance shall be considered as adopted upon the date that the vote is declared by the City Council, and will become effective on September 15, 2010.

Section III. Authorize the City Manager, or his designee, to implement the necessary annual changes to the City's billing system immediately after the Ordinance becomes effective. All previously Water Rate Structures are hereby rescinded.

PASSED, APPROVED, AND ADOPTED this 14th day of September, 2010.

Robert E. Botts, Mayor
City of Banning

APPROVED AS TO FORM AND
LEGAL CONTENT:

David J. Aleshire, City Attorney
Aleshire & Wynder, LLP

ATTEST:

Marie A. Calderon, City Clerk
City of Banning

CERTIFICATION:

I, Marie Calderon, City Clerk of the City of Banning, California, do hereby certify that the foregoing Urgency Ordinance No. 1428 was introduced at a regular meeting of the City Council of the City of Banning, California, held on the 14th day of September, 2010 and was duly adopted at a regular meeting of the City Council held on the 14th day of September, 2010, by the following roll-call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marie A. Calderon, City Clerk
City of Banning, California

ATTACHMENT I

CITY OF BANNING ORDINANCE NO. 1428

MONTHLY WATER CHARGES

Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
5/8 Inch	\$16.77	5/8 Inch	\$17.73	\$19.15	\$20.68	\$22.33	\$23.89
3/4 Inch	\$16.77	3/4 Inch	\$17.73	\$19.15	\$20.68	\$22.33	\$23.89
1 Inch	\$25.64	1 Inch	\$26.85	\$29.00	\$31.32	\$33.83	\$36.20
1 1/2 Inch	\$46.87	1 1/2 Inch	\$49.64	\$53.61	\$57.90	\$62.53	\$66.91
2 Inch	\$72.51	2 Inch	\$76.98	\$83.14	\$89.79	\$96.97	\$103.76
3 Inch	\$132.64	3 Inch	\$140.80	\$152.06	\$164.22	\$177.36	\$189.78
4 Inch	\$218.41	4 Inch	\$232.00	\$250.56	\$270.60	\$292.25	\$312.71
6 Inch	\$432.40	6 Inch	\$459.81	\$496.59	\$536.32	\$579.23	\$619.78
8 Inch	\$688.84	8 Inch	\$733.29	\$791.95	\$855.31	\$923.73	\$988.39
Commodity Charge							
0-9 HCF	\$1.15	0-12 HCF	\$1.56	\$1.68	\$1.81	\$1.95	\$2.09
10-29 HCF	\$1.34	13-25 HCF	\$1.98	\$2.14	\$2.31	\$2.49	\$2.66
30+ HCF	\$1.51	26+ HCF	\$2.24	\$2.42	\$2.61	\$2.82	\$3.02

Note: HCF is Hundred Cubic Feet

EXHIBIT "A"

WATER AND WASTE WATER RATE STUDY REPORT



RAFTELIS FINANCIAL
CONSULTANTS, INC.

■ 201 S. Lake Ave, Suite 301 ■ Phone 626-583-1894 ■ www.raftelis.com
Pasadena • CA • 91101 Fax 626-583-1411

June 9, 2010

Mr. Duane Burk
Public Works Director
City of Banning
176 E. Lincoln Street
Banning, CA 92220

Subject: City of Banning Water and Wastewater Rate Study Report

Dear Mr. Burk,

Raftelis Financial Consultants, Inc. (RFC) is pleased to present the principal findings and recommendations of the water and wastewater rate study in this report. We are confident that the implementation of the recommendations will be beneficial to the City's customers and promote financial stability of the enterprises.

The objective of this report is to provide the City with a financial plan to secure the financial stability of the water and wastewater enterprises through appropriate planning measures. The plan is designed to meet the City's revenue requirements, as well as be easy to administer, adjust, and conform to the governing policies of the City.

Both the water and wastewater enterprises need future revenue adjustments due to the following factors:

- Rates have not been updated since August of 2006.
- The City customer base has reduced because of the economy, necessitating increases to cover the fixed costs.
- The City needs to incur significant capital costs over the next several years.
- The City needs to meet debt coverage requirements due to bond covenants.

All these factors influence the revenue increases recommended in this report.

It was a pleasure working with you and we wish to express our thanks to staff members for the support and cooperation extended throughout the study. If you have any questions, please feel free to call me at (626) 583-1894.

Sincerely,
RAFTELIS FINANCIAL CONSULTANTS, INC.

Sudhir Pardiwala
Vice President

89

Table of Contents

I.	EXECUTIVE SUMMARY.....	3
A.	Water Enterprise.....	3
1.	Existing Rates.....	3
2.	Revenue Requirements	4
3.	Proposed Revenue Adjustments.....	5
4.	Proposed Rates.....	7
B.	Wastewater Enterprise.....	7
1.	Existing Rates.....	7
2.	Revenue Requirements	8
3.	Proposed Revenue Adjustments.....	9
4.	Proposed Rates.....	11
C.	Rate Survey	11
II.	WATER ENTERPRISE.....	13
A.	Existing Water Rates.....	14
B.	Growth	15
C.	Usage Characteristics	16
D.	Revenue Requirements.....	17
E.	Proposed Revenue Adjustments.....	18
F.	Cost of Service Analysis	21
G.	Proposed Rates	23
H.	Customer Impacts.....	24
III.	WASTEWATER ENTERPRISE.....	26
A.	Existing Rates	26
B.	Growth	27
C.	Revenue Requirements.....	28
D.	Proposed Revenue Adjustments	30
E.	Proposed Rates and Customer Impacts	33
IV.	RATE SURVEY	34

I. EXECUTIVE SUMMARY

The City of Banning (City) engaged Raftelis Financial Consultants (RFC) to conduct a water and wastewater rate study in order to ensure financial sufficiency of the enterprise funds as well as determine equitable rates that appropriately recover the operating and capital costs of providing water and wastewater service to the City's customers.

Ensuring the economic viability of the City's water and wastewater enterprises is an important objective. Financial planning is a critical element of this endeavor. Through sound planning practices, the City can continue to provide quality service and further the City's vision for a safe, pleasant, and prosperous community.

The objective of this study is to develop a financial plan that recovers the operating and capital costs of the water and wastewater enterprises through appropriate planning measures. The plan is designed to meet the City's revenue requirements, and calculate rates proportional to the cost of providing service.

A. Water Enterprise

1. Existing Rates

The City last completed a water rate study in 2003. Its current water rate structure includes three-tiered commodity rates that apply to all customer classes and a monthly service charge based on meter sizes. All billings are done on a monthly basis. Table I-1 outlines the current rates as specified in the City's ordinance number 1296.

Table I-1: Current Water Rate Structure

Customer Base Charge (\$ / month)

Meter Size	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
5/8 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
3/4 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
1 inch	\$ 20.18	\$ 22.20	\$ 24.42	\$ 25.64
1 1/2 inch	\$ 36.89	\$ 40.58	\$ 44.64	\$ 46.87
2 inch	\$ 57.07	\$ 62.78	\$ 69.06	\$ 72.51
3 inch	\$ 104.40	\$ 114.84	\$ 126.32	\$ 132.64
4 inch	\$ 171.91	\$ 189.10	\$ 208.01	\$ 218.41
6 inch	\$ 340.34	\$ 374.37	\$ 411.81	\$ 432.40
8 inch	\$ 542.18	\$ 596.40	\$ 656.04	\$ 688.84

Commodity Charge (\$ / hcf)

hcf = 100 cubic ft = 748 gallons

Rate Plans (Tiers)		Effective Date			
From	To	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
0	9	\$ 0.90	\$ 0.99	\$ 1.09	\$ 1.15
10	29	\$ 1.06	\$ 1.16	\$ 1.28	\$ 1.34
30 +		\$ 1.19	\$ 1.31	\$ 1.44	\$ 1.51

2. Revenue Requirements

A review of a utility's revenue requirements is a key first step in the rate design process. The review involves an analysis of annual operating revenues under existing rates, operating and maintenance (O&M) expenses, capital expenditures, including debt service, reserves, and transfers between funds. This section of the report provides a discussion of the projected revenues, operating and capital expenditures, debt coverage requirements, reserve funding policies, and the revenues/rate adjustments required to ensure financial sufficiency of the water enterprise.

RFC projected the revenue requirements for the City's water enterprise for the next five fiscal years (FY) to determine the necessary revenue adjustments required to ensure that the City sufficiently recovers its costs. The City's FY 2010 budget was used as the base year for O&M costs. Various escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). Most O&M expenses are subject to an annual 3 percent inflation increase, based on historical consumer pricing index (CPI); while a few expenses are estimated to have different escalation factors as follow:

- Personnel expenses are escalated at 5 percent to accommodate for annual living cost adjustments and increasing benefit costs.
- Utility costs are escalated at 2 percent per year over the life of the study.

The CIP provided by the City reflects planned capital projects through FY 2015, totaling approximately \$11.14 million. The plan is provided in current dollars, not adjusted for inflation. Based on the construction cost index (CCI) from 2005 to 2008 in 20 cities, an escalation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent each year thereafter was used over the planning period. Figures I-1 and I-2 reflect the O&M and the inflated CIP expenses in the next five years. The City expects to fund all CIP expenses through rate revenues.

Figure I-1: O&M Expenses

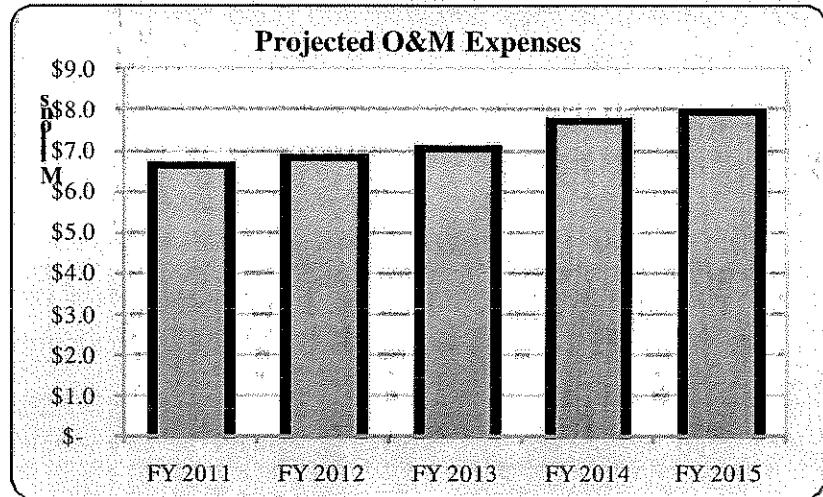
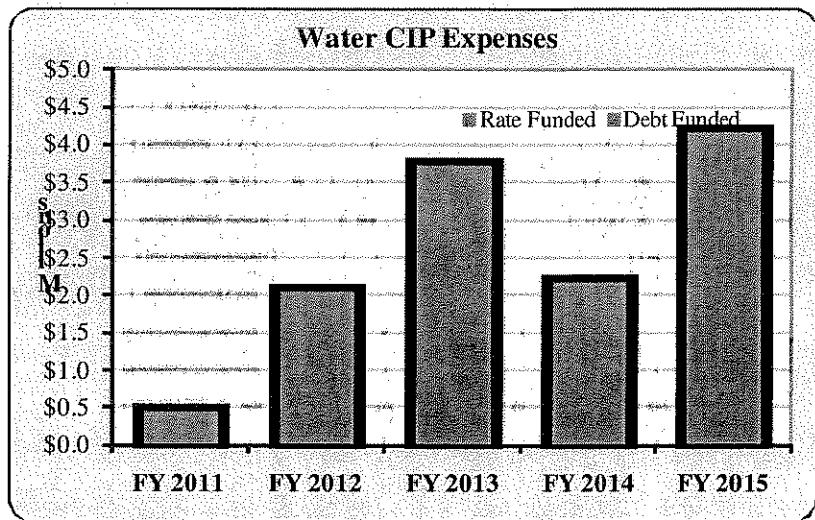


Figure I-2: Inflated CIP Expenses



3. Proposed Revenue Adjustments

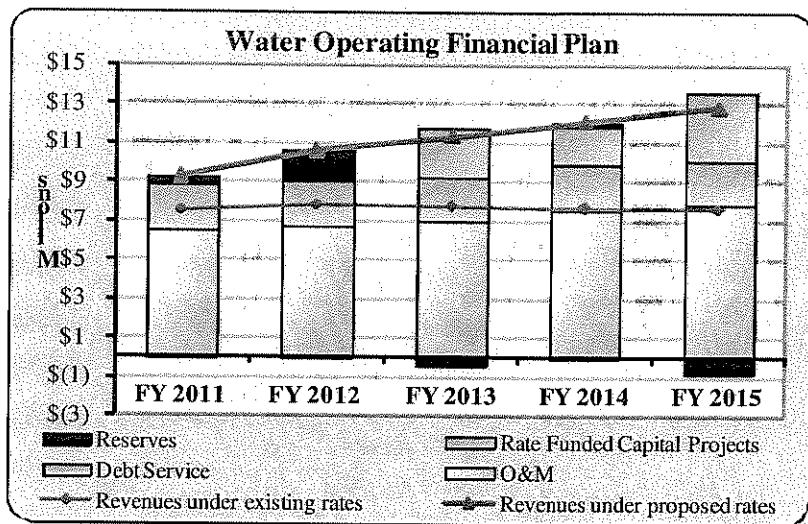
Proposed financing of the water system will be accomplished through rate increases. Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The revenue adjustments required to meet all expenses are as follows. The effective increase for each customer will vary depending on meter size and monthly usage.

September 2010	30 percent
September 2011	7 percent
September 2012	7 percent
September 2013	7 percent
September 2014	7 percent

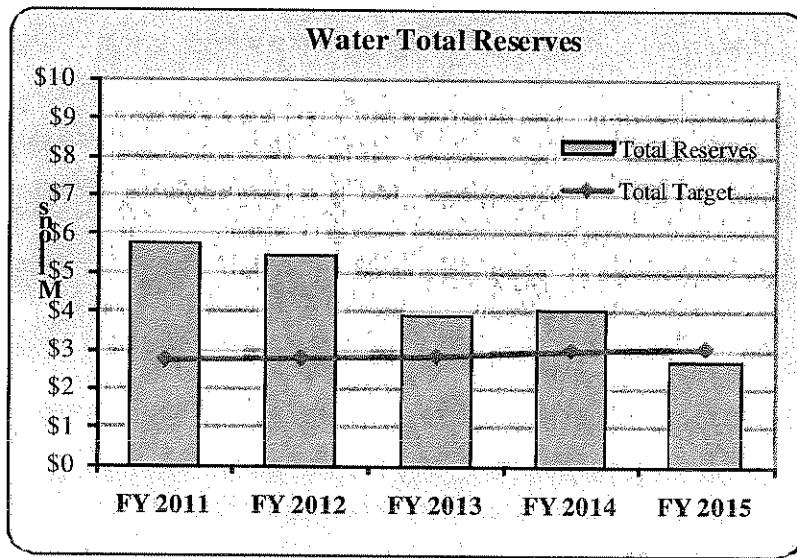
The City must ensure revenues are sufficient to meet all debt coverage requirements on existing and proposed debt. Failure to meet the coverage ratios could potentially damage the City's credit ratings, resulting in higher interest rates if the City returns to the debt market in the future. In 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds. The proceeds of these bonds were utilized to refund and defease the 1986 Water Utility Fund Certificates of Participation and the 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements. Figure I-3 shows the proposed revenue increases and the revenue requirements for the water enterprise.

Figure I-3: Water Operating Financial Plan



Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Figure I-4 shows the projected reserves balance for FY 2011 to FY 2015.

Figure I-4: Water Reserves Balance



4. Proposed Rates

After careful review of the City's revenue requirements and cost of service, RFC recommends that the City retains the use of a rate structure that includes both a fixed monthly service charge and a variable quantity, or commodity, rate. The following table shows the proposed rates for the planning period. The effective rate increase for an average SFR customer is approximately 27 percent, assuming a 3/4-inch meter and monthly usage of 20 hcf.

Table I-2: Proposed Water Rates

Monthly Water Charges							
Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
5/8 inch	\$ 16.77	5/8 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
3/4 inch	\$ 16.77	3/4 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
1 inch	\$ 25.64	1 inch	\$ 26.85	\$ 29.00	\$ 31.32	\$ 33.83	\$ 36.20
1 1/2 inch	\$ 46.87	1 1/2 inch	\$ 49.64	\$ 53.61	\$ 57.90	\$ 62.53	\$ 66.91
2 inch	\$ 72.51	2 inch	\$ 76.98	\$ 83.14	\$ 89.79	\$ 96.97	\$ 103.76
3 inch	\$ 132.64	3 inch	\$ 140.80	\$ 152.06	\$ 164.22	\$ 177.36	\$ 189.78
4 inch	\$ 218.41	4 inch	\$ 232.00	\$ 250.56	\$ 270.60	\$ 292.25	\$ 312.71
6 inch	\$ 432.40	6 inch	\$ 459.81	\$ 496.59	\$ 536.32	\$ 579.23	\$ 619.78
8 inch	\$ 688.84	8 inch	\$ 733.29	\$ 791.95	\$ 855.31	\$ 923.73	\$ 988.39
Commodity Charge							
0-9 HCF	\$ 1.15	0 - 12 HCF	\$ 1.56	\$ 1.68	\$ 1.81	\$ 1.95	\$ 2.09
10-29 HCF	\$ 1.34	13 - 25 HCF	\$ 1.98	\$ 2.14	\$ 2.31	\$ 2.49	\$ 2.66
30+ HCF	\$ 1.51	26 + HCF	\$ 2.24	\$ 2.42	\$ 2.61	\$ 2.82	\$ 3.02

B. Wastewater Enterprise

1. Existing Rates

The City currently employs a monthly sewer usage charge of \$12.86 per equivalent dwelling unit (EDU) which has not been updated since 2003. In addition to the service fee, a monthly surcharge of \$2.00 per EDU is accessed for the treatment plant upgrade. Table 1-3 depicts the schedule of service fees and EDUs by customer class.

Table I-3: Current Wastewater Rates

			Existing Rates Per Month	Surcharge Per Month
<u>Residential</u>				
a.1) Each individual single-family, condominium, apartment, or mobilehome	1.00	12.86	2.00	
a.2) Each recreational vehicle space connected to sewer	0.75	9.65	1.50	
a.3) Each recreational vehicle space using private sanitary facilities	0.50	6.43	1.00	
<u>Commercial</u>				
b.1) Hotels and Motels	Living unit w/o kitchen	0.50	6.43	1.00
	Living unit with kitchen	1.00	12.86	2.00
b.2) Churches, theaters and auditoriums (per each 100 seats)		1.00	12.86	2.00
b.3) Restaurants (per each 7 seats)		1.00	12.86	2.00
b.4) Automobile svc stations	4 Gasoline pumps or less	2.00	25.72	4.00
	More than 4 gasoline pumps	3.00	38.58	6.00
b.5) Laundries (self-service)	Per washer	0.75	9.65	1.50
b.6) Retail stores and offices	First unit in building	1.00	12.86	2.00
	Per additional unit in building	0.60	7.72	1.20
<u>Institutional</u>				
c) Schools	Elementary - for each 60 pupils or fraction thereof	1.00	12.86	2.00
	Junior High - for each 50 pupils or fraction thereof	1.00	12.86	2.00
	High - for each 30 pupils or fraction thereof	1.00	12.86	2.00

2. Revenue Requirements

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining wastewater collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. O&M expenditures are the normal cost obligations of the wastewater system and are met from operating revenues as they are incurred. The City's forecasted annual O&M expenditures are based on the budgeted expenditure projections for FY 2010. Expenses for future years are projected using an inflation factor of 3 percent per year.

The City anticipates a moderate growth trend for Wastewater Operation Fund O&M expenses over the projection period of FY 2011 to FY 2015. These expenditures include salary and wages, fringe benefits, contractual wastewater plant services, miscellaneous services, inter-fund services payments and transfers, and capital expenditures or outlay.

Figure I-5 summarizes the data pertaining to O&M expenditures.

Figure I-5: O&M Expenses

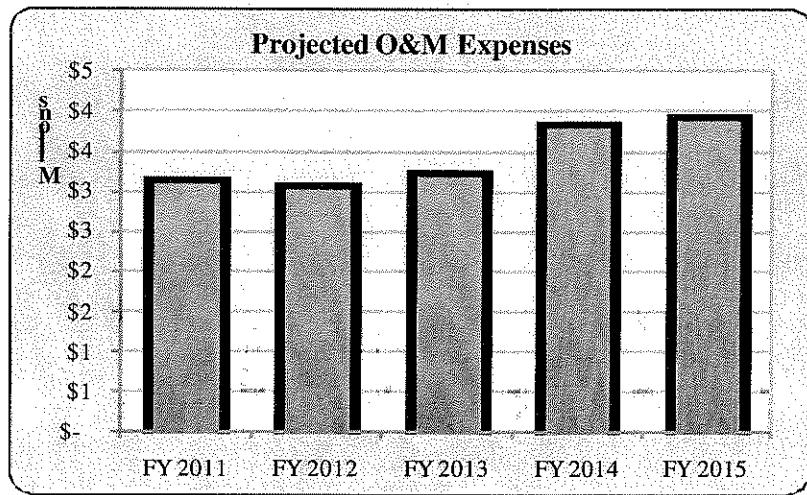
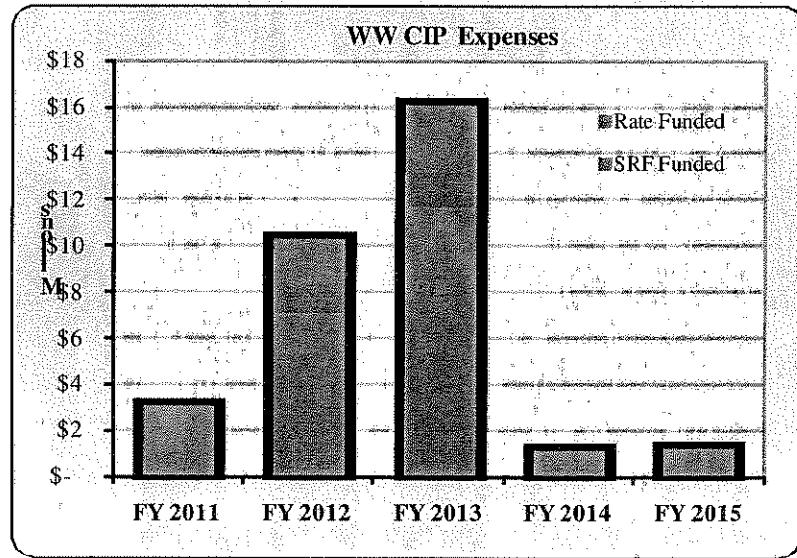


Figure I-6 summarizes the CIP projections over the forecast period. The figures have been escalated by an inflation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent per year thereafter.

Figure I-6: Inflated CIP Expenses



3. Proposed Revenue Adjustments

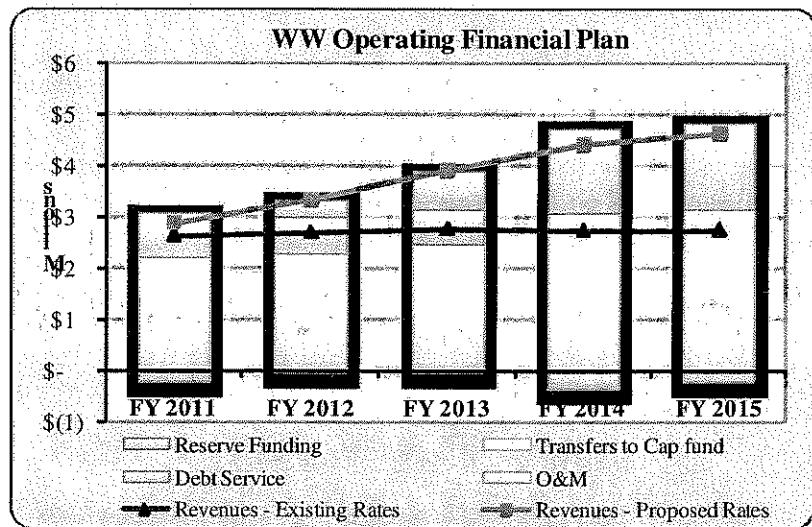
Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The adjustments based on the monthly service charge (excluding surcharge for tertiary system upgrade) to customers are as follows:

September 2010	12 percent
September 2011	15 percent
September 2012	15 percent
September 2013	15 percent
September 2014	3 percent

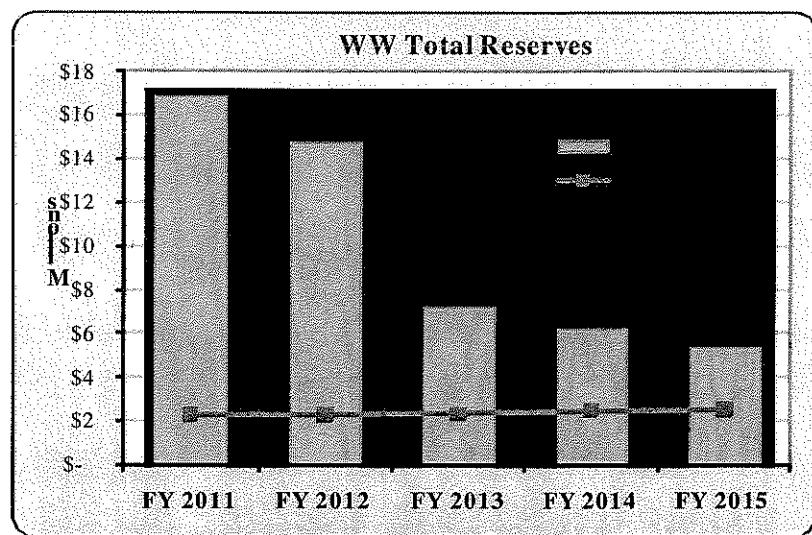
The cash flow summary presented in Figure I-7 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period. The debt service for the State Revolving Fund (SRF) and the 2005 Wastewater Revenue Bond (BUA Wastewater Debt Service) are also included as revenue requirements.

Figure I-7: Wastewater Operating Cash Flow



Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Figure I-8 shows the projected reserves balance for FY 2011 to FY 2015.

Figure I-8: Wastewater Reserves Balance



4. Proposed Rates

Table I-4 summarizes the proposed rates. Rates per EDU increase to \$14.40 from \$12.86 in FY 2011. This excludes the \$2 surcharge for the wastewater treatment plant, which will continue to be collected to recover costs related to the treatment plant upgrade. Thus, the effective rate increase for a residential customer is 10.4 percent.

Table I-4: Proposed Wastewater Rates

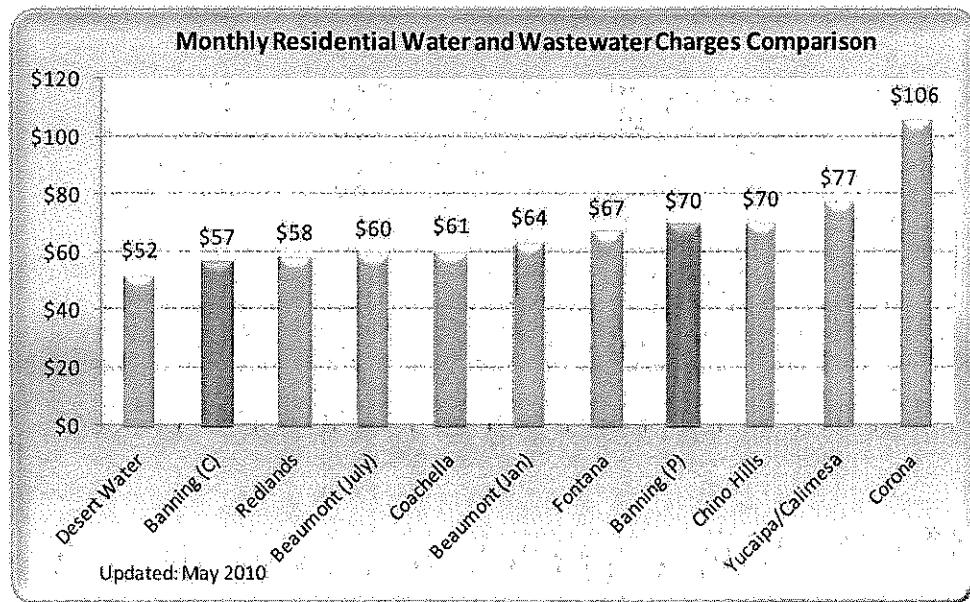
	Existing Rate	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Commercial (\$/EDU)	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Tertiary Surcharge (\$/EDU)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
\$ Change		\$ 1.54	\$ 2.16	\$ 2.48	\$ 2.86	\$ 0.66
Percent change		10.4%	13.2%	13.4%	13.6%	2.8%

* assume 1 EDU per bill; excludes \$2 surcharge.

C. Rate Survey

As shown in Figure I-9, the City's current monthly water and wastewater charges place it in the middle in a comparison with surrounding agencies. With the proposed increases, the City's charges remain comparable with the neighboring utilities. In order to provide a meaningful comparison, all bills are calculated on a monthly basis for a single family residence (SFR) customer using a 3/4" meter and an assumed monthly usage of 20 hundred cubic feet (hcf), which is the approximate average usage for SFR customers in the City. The combined effective bill increase for an average SFR customer is approximately 22.5 percent.

Figure I-9: Rate Survey



II. WATER ENTERPRISE

The City of Banning (City) provides water service to approximately 10,865 customer accounts. The City meets its water demand from three sources of supply: groundwater, imported water from State Water Project (SWP), and recycled water for irrigation demand.

The City is overlies the San Gorgonio Pass and Banning Canyon Groundwater Basins. The groundwater basins are naturally recharged through the percolation of runoff, direct precipitation, surface inflow, and artificial recharge. Within the City, the San Gorgonio Pass Basin is subdivided into a series of storage units: the Banning Bench, Banning, Beaumont and Cabazon storage units. The Banning Canyon Groundwater Basin consists of three storage units: the Upper, Middle and Lower Banning Canyon storage units. The City currently operates and maintains 22 potable groundwater production wells. Half of these wells are located in Banning Canyon and the remaining wells are in Banning storage units and Beaumont storage unit. Table II-1 below summarizes the City's wells and their current capacity by storage units¹.

Table II-1: Well Capacities by Storage Unit

Wells by Storage Unit	Well Design Capacity		Dry Year Capacity	
	gpm	acre-ft/yr	gpm	acre-ft/yr
Upper Banning Canyon	3,800	6,130	1,600	2,580
Middle Banning Canyon	7,000	11,290	1,600	2,580
Banning Bench	3,500	5,650	1,600	2,580
East Banning	1,000	1,610	1,000	1,610
West Banning	4,450	7,180	4,450	7,180
Beaumont	8,700	14,030	8,700	14,030
Total Capacity	28,450	45,890	18,950	30,560

Recycled water supplies are expected to meet projected irrigation demand. The recycled water production actually exceeds demand for the irrigation of golf courses, parks, medians and greenbelts. The City also plans to make recycled water available for irrigating landscape of new homes.

In addition to groundwater and recycled water, the City is eligible to receive imported water from the San Gorgonio Pass Water Agency (SGPWA). The SGPWA's entitlement of SWP water is not guaranteed every year depending on climatic variability, availability of diversion, storage and conveyance facilities, environmental concerns, and demand for SWP water. The City is entitled to 6,574 acre-ft/year of SWP water from SGPWA and an additional 5,780 acre-ft/year from California Department of Water Resources (DWR) or other entities in Central and/or Northern California. The variable reliability of SWP water is accounted for in determining the City's projected water supplies in 2010 and 2015 presented in Table II-2 below.

¹ 2005 Urban Water Management Plan page 2-6, Table 2-2

Table II-2: Projected Water Supplies (acre-ft/year)²

Water Supply Source	Projected 2010	Projected 2015
Banning Bench Storage Unit	5,000	5,000
Beaumont Storage Unit ²	5,900	400
Cabazon Storage Unit	2,050	2,050
East Banning Storage Unit	1,050	1,050
West Banning Storage Unit	350	350
Recycled Water Use	1,504	1,832
Return Flows from Irrigation	1,309	1,564
SWP Table A Entitlement	2,129	4,667
SWP Additional Table A	1,871	4,104
Total	21,163	21,017

A. Existing Water Rates

The City's current water rate structure includes three-tiered commodity rates that apply to all customer classes and a monthly service charge based on meter sizes. All billings are done on a monthly basis. Table II-3 outlines the current rates as specified in the City's ordinance number 1296.

Table II-3: Current Water Rate Structure

Customer Base Charge (\$ / month)

Meter Size	Effective Date			
	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
5/8 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
3/4 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
1 inch	\$ 20.18	\$ 22.20	\$ 24.42	\$ 25.64
1 1/2 inch	\$ 36.89	\$ 40.58	\$ 44.64	\$ 46.87
2 inch	\$ 57.07	\$ 62.78	\$ 69.06	\$ 72.51
3 inch	\$ 104.40	\$ 114.84	\$ 126.32	\$ 132.64
4 inch	\$ 171.91	\$ 189.10	\$ 208.01	\$ 218.41
6 inch	\$ 340.34	\$ 374.37	\$ 411.81	\$ 432.40
8 inch	\$ 542.18	\$ 596.40	\$ 656.04	\$ 688.84

Commodity Charge (\$ / hcf)

hcf = 100 cubic ft = 748 gallons

Rate Plans (Tiers)		Effective Date			
From	To	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
0	9	\$ 0.90	\$ 0.99	\$ 1.09	\$ 1.15
10	29	\$ 1.06	\$ 1.16	\$ 1.28	\$ 1.34
30 +		\$ 1.19	\$ 1.31	\$ 1.44	\$ 1.51

² Extracted from 2005 Urban Water Management Plan page 2-3, Table 2-1 with correction for Beaumont Storage Unit supply in 2010 equal to 5,900 acre-ft/yr provided by George Thatcher in October 2008

B. Growth

Due to the current economic condition, the City has lost approximately 500 customer accounts in the past fiscal year. The City is projecting that the number of accounts will return to pre-2009 level over the next two years as the economy recovers. From FY 2012 to 2015, the City estimated that the growth rate would be approximately 0.1 to 0.2 percent, or about 14 to 17 accounts annually. It should be noted that if the economic recovery is slower than projected and therefore usage is lower than projected, the City would need higher revenue adjustments than projected in this report.

The following table, Table II-4, shows the number of customer accounts by meter size from FY 2010 to 2015.

Table II-4: Customer Accounts by Meter Size

Line no	Meter Size	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	<i>Rounded up to nearest integer</i>						
2	5/8 inch	32	35	37	37	37	37
3	3/4 inch	8,670	9,417	9,934	9,947	9,963	9,982
4	1 inch	445	483	510	511	512	513
5	1 1/2 inch	89	97	102	102	102	102
6	2 inch	155	168	177	177	177	177
7	3 inch	28	30	32	32	32	32
8	4 inch	41	45	47	47	47	47
9	6 inch	22	24	25	25	25	25
10	8 inch	25	27	28	28	28	28
11	TOTAL	9,507	10,326	10,892	10,906	10,923	10,943

Table II-5 shows the projected water usage in hcf in each tier. The usage increases with the economic recovery but is projected to reduce because of conservation in the later years.

Table II-5: Usage by Tier (hcf)

Line no	Tiers			<i>Rounded up to nearest integer</i>				
	2010	2011	2012	2013	2014	2015	2016	
1	<i>Rounded up to nearest integer</i>							
2	0	9	25.0%	803,512	829,136	857,138	841,088	825,586
3	10	29	26.1%	838,631	865,375	894,601	877,849	861,669
4	30	+	48.9%	1,569,515	1,619,567	1,674,264	1,642,912	1,612,630
5	TOTAL USAGI			3,211,658	3,314,078	3,426,003	3,361,849	3,299,885
								3,240,034

Table II-6 shows the projected revenues under the existing water rates, given the above growth rates, projected customer accounts, and projected water usage over the next 5 years.

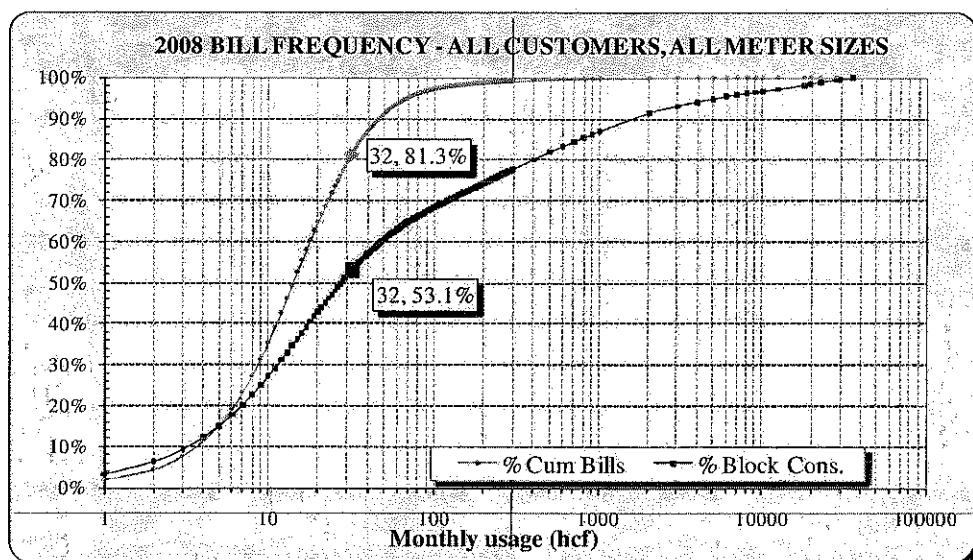
Table II-6: Revenues under Existing Rates

Line no	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1 Service Revenues	\$ 2,545,864	\$ 2,764,874	\$ 2,910,148	\$ 2,913,072	\$ 2,916,600	\$ 2,920,731
2 Commodity Revenues						
3 Tier 1 - 0 to 9	\$ 924,039	\$ 953,506	\$ 985,709	\$ 967,251	\$ 949,424	\$ 932,204
4 Tier 2 - 10 to 29	\$ 1,123,766	\$ 1,159,603	\$ 1,198,765	\$ 1,176,318	\$ 1,154,636	\$ 1,133,695
5 Tier 3 - 30 and over	\$ 2,369,968	\$ 2,445,546	\$ 2,528,139	\$ 2,480,797	\$ 2,435,071	\$ 2,390,905
6 Total Water Revenue from Rates	\$ 6,963,636	\$ 7,323,529	\$ 7,622,761	\$ 7,537,438	\$ 7,455,731	\$ 7,377,535

C. Usage Characteristics

The City provided RFC with various billing data that allowed RFC to perform several analyses in order to determine customer usage characteristics. Figure II-1 shows the pattern for the water consumption for City's customers in all meter sizes.

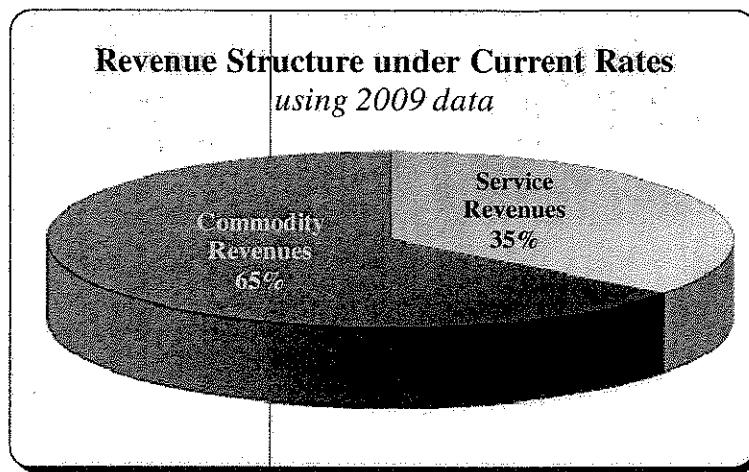
Figure II-1: Bill Frequency Chart



The bill frequency tabulation plots cumulative usage and cumulative number of bills at each increment of monthly use (hcf of water). The average monthly usage in 2008 is 32 hcf, which represents 53.1 percent of cumulative usage from 81.3 percent of cumulative bills. This bill tabulation helps to better understand how water is used and how customers are impacted under current rates in determining the tier cut-offs.

Figure II-2 below shows the City's revenue structure under current water rates in FY 2009. The figure indicates that 35 percent of total water sales come from ready-to-serve monthly service charges. The Best Management Practice II (BMP II) published by California Urban Water Conservation Council recommends water suppliers collect no more than 30 percent of all revenues from fixed charges to promote conservation.

Figure II-2: Revenue Structure under Current Rates



D. Revenue Requirements

The adequacy of the existing rate structure can be measured by comparing revenue requirement projections against revenue projections under existing rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted. The City provided a number of forward looking assumptions in order to facilitate projections and assess the practicality of rate adjustments. Projections beyond five years generally are less reliable. This is a reasonable timeframe to assist management, policymakers, investors, and bond rating agencies, as well as the public or other agents that need to evaluate the financial position or revenue requirements of the water utility.

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining water collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. Operation and maintenance (O&M) expenditures are the normal cost obligations of the water system and are met from operating revenues as they are incurred.

The City's FY 2010 budget was used as the base year for O&M costs. Various escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). Most O&M expenses are subject to an annual 3 percent inflation increase, based on historical consumer pricing index (CPI); while a few expenses are estimated to have different escalation factors as follow:

- Personnel expenses are escalated at 5 percent to accommodate for annual living cost adjustments and increasing benefit costs.
- Utility costs are escalated at 2 percent per year over the life of the study.

Table II-7 below shows the projected O&M expenses for the water utility.

Table II-7: O&M Expenses

Line no	Descriptions	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	O&M						
2	Employee Services	\$ 1,420,387	\$ 1,491,406	\$ 1,565,977	\$ 1,644,276	\$ 1,726,489	\$ 1,812,814
3	Services & Supplies	\$ 2,801,158	\$ 2,873,921	\$ 2,948,641	\$ 3,025,373	\$ 3,541,418	\$ 3,635,459
4	Repair/Maint	\$ 16,000	\$ 16,480	\$ 16,974	\$ 17,484	\$ 18,008	\$ 18,548
5	Interfund Svc-Bill/Coll	\$ 144,685	\$ 149,026	\$ 153,496	\$ 158,101	\$ 162,844	\$ 167,730
6	Interfund Svc-Mtr Read SV	\$ 248,470	\$ 255,924	\$ 263,602	\$ 271,510	\$ 279,655	\$ 288,045
7	Interfund Svc-SG&A	\$ 426,460	\$ 440,151	\$ 454,297	\$ 468,915	\$ 484,021	\$ 499,633
8	Lease Payments	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000
9	Transfer-Gas Tax Street FD	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867
10	Transfer-SPL Donation Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Routine Capital Outlay	\$ 814,000	\$ 838,420	\$ 863,573	\$ 889,480	\$ 916,164	\$ 943,649
12	Total O&M	\$ 6,359,160	\$ 6,553,868	\$ 6,755,656	\$ 6,964,807	\$ 7,618,859	\$ 7,856,744

Capital expenditures are generally classified into broad categories, including routine replacement of existing facilities, normal extensions and improvements, and major capital replacements and improvements. Sound capital expenditure forecasts are critical to developing adequate revenue requirement projections. The City has developed a comprehensive water Capital Improvement Plan (CIP) to address the future needs of the water system. The major project in the CIP is the water treatment plant (WTP) expansion, which is expected to be completed in 2013. The CIP is to be funded through a combination of system revenues and debt financing.

The CIP provided by the City reflects planned capital projects through FY 2015, totaling approximately \$11.14 million. The plan is provided in current dollars, not adjusted for inflation. Based on the construction cost index (CCI) from 2005 to 2008 in 20 cities, an escalation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent each year thereafter was used over the planning period. Table II-8 shows the inflated CIP for the next 5 years.

Table II-8: Inflated CIP Expenses

Line no	Descriptions	Projected 2010	Budgeted 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	Restoration of White Water Diversion Pipeline Flume	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,580,800
2	Replace 20" Transmission Line in Banning Water Canyon	\$ -	\$ 133,926	\$ 954,995	\$ 2,173,994	\$ -	\$ -
3	Construction of Additional Water Wells	\$ -	\$ -	\$ 1,061,106	\$ 1,544,970	\$ 1,606,769	\$ -
4	Annual Waterline Replacement Program	\$ 242,400	\$ 309,060	\$ 42,444	\$ -	\$ 573,846	\$ 596,800
5	Projected Future CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	TOTAL CIP (Inflated)	\$ 242,400	\$ 442,986	\$ 2,058,546	\$ 3,718,964	\$ 2,180,615	\$ 4,177,600

E. Proposed Revenue Adjustments

Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter. Thus, to continue providing water service to its customers, the City needs to increase its water rates to ensure cost recovery.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The revenue adjustments required to meet all expenses are as follows. The effective increase for each customer will vary depending on meter size and monthly usage.

September 2010	30 percent
September 2011	7 percent
September 2012	7 percent
September 2013	7 percent
September 2014	7 percent

The City must ensure revenues are sufficient to meet all debt coverage requirements on existing and proposed debt. Failure to meet the coverage ratios could potentially damage the City's credit ratings, resulting in higher interest rates if the City returns to the debt market in the future. In 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds. The proceeds of these bonds were utilized to refund and defease the 1986 Water Utility Fund Certificates of Participation and the 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements. The cash flow summary presented in Table II-9 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period.

Table II-9: Water Operating Cash Flow

Line no	Descriptions		Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	REVENUES							
2	Revenues From Existing Rates		\$ 6,963,636	\$ 7,323,529	\$ 7,622,761	\$ 7,537,438	\$ 7,455,731	\$ 7,377,535
3	Revenues from Adjustments							
4	FY	%	Months Effective					
5	2010	0%	0	\$ -	\$ -	\$ -	\$ -	\$ -
6	2011	30%	10	\$ 1,830,882	\$ 2,286,828	\$ 2,261,231	\$ 2,236,719	\$ 2,213,260
7	2012	7%	10	\$ 578,059	\$ 685,907	\$ 678,472	\$ 671,356	
8	2013	7%	10		\$ 611,600	\$ 725,965	\$ 718,351	
9	2014	7%	10			\$ 647,318	\$ 768,635	
10	2015	7%	10				\$ 685,366	
11	<i>Total Revenues from Adjustment</i>		\$ -	\$ 1,830,882	\$ 2,864,888	\$ 3,558,739	\$ 4,288,474	\$ 5,056,968
12	<i>Total Revenues from Rates</i>		\$ 6,963,636	\$ 9,154,411	\$ 10,487,649	\$ 11,096,177	\$ 11,744,205	\$ 12,434,503
13	Non-Operating Revenues							
14	Interest Income		\$ 69,276	\$ 58,314	\$ 57,434	\$ 97,036	\$ 102,216	\$ 100,359
15	Meter Installations		\$ 1,000	\$ -	\$ 7,236	\$ 3,752	\$ 4,556	\$ 5,360
16	Miscellaneous Revenues							
17	Turn on Charges		\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	\$ 46,371
18	Delinquent Reconnect Fee		\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964
19	Backflow Charges		\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185
20	Miscellaneous Revenues		\$ 7,000	\$ 7,210	\$ 7,426	\$ 7,649	\$ 7,879	\$ 8,115
21	Mis Rev-Repairs / Replacement		\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377	\$ 3,478
22	Sale of Surplus Property		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Restitution / Subrogation		\$ 182,902	\$ -	\$ -	\$ -	\$ -	\$ -
24	<i>Total Non-Operating Revenues</i>		\$ 373,178	\$ 181,914	\$ 191,978	\$ 231,915	\$ 241,833	\$ 244,832
25	TOTAL REVENUES		\$ 7,336,814	\$ 9,336,325	\$ 10,679,626	\$ 11,328,092	\$ 11,986,038	\$ 12,679,335
26	REVENUE REQUIREMENTS							
27	O&M expenses		\$ 6,359,160	\$ 6,553,868	\$ 6,755,656	\$ 6,964,807	\$ 7,618,859	\$ 7,856,744
28	Debt Service							
29	Old Debt		\$ 2,298,201	\$ 2,296,842	\$ 2,298,944	\$ 2,294,949	\$ 2,299,857	\$ 2,296,456
30	Proposed Loan		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	TOTAL REV REQUIREMENT		\$ 8,657,361	\$ 8,850,709	\$ 9,054,600	\$ 9,259,756	\$ 9,918,716	\$ 10,153,200
	Transfers to Reserves							
32	Transfer From/(To) WCFF		\$ -	\$ -	\$ -	\$ (2,500,000)	\$ (2,000,000)	\$ (3,500,000)
33	Transfer From/(To) BUA Capital		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL TRANSFERS		\$ -	\$ -	\$ -	\$ (2,500,000)	\$ (2,000,000)	\$ (3,500,000)
34	Net Annual Cash Flows		\$ (1,320,547)	\$ 485,616	\$ 1,625,026	\$ (431,664)	\$ 67,322	\$ (973,865)
35	Coverage Ratio		43%	121%	171%	190%	190%	210%
36	Required Coverage - 115%		115%	115%	115%	115%	115%	115%

Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period.

Table II-10: Water Reserves Balance

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Reserves							
1	Beginning Balance	\$ 2,462,965	\$ 1,142,418	\$ 1,628,034	\$ 3,253,060	\$ 2,821,396	\$ 2,888,718
2	Net Annual Cash Flows	\$ (1,320,547)	\$ 485,616	\$ 1,625,026	\$ (431,664)	\$ 67,322	\$ (973,865)
3							
4	Ending Balance	\$ 1,142,418	\$ 1,628,034	\$ 3,253,060	\$ 2,821,396	\$ 2,888,718	\$ 1,914,853
5	Target Balance @ 25% of O&M	\$ 1,589,790	\$ 1,638,467	\$ 1,688,914	\$ 1,741,202	\$ 1,904,715	\$ 1,964,186
Water Capital Facility Fund (WCFF)							
6	Beginning Balance	\$ 4,792,371	\$ 4,553,971	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679
7	Water Capital Facilities Fees	\$ -	\$ -	\$ 195,264	\$ 101,248	\$ 122,944	\$ 144,640
8	Water Frontage Fee	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
9	Capital Outlay - for WCF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	CIP Projects	\$ (242,400)	\$ (442,986)	\$ (2,058,546)	\$ (3,718,964)	\$ (2,180,615)	\$ (4,177,600)
11	Loan Proceeds from proposed loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Transfer from/(to) Oper Fund	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 2,000,000	\$ 3,500,000
13	Transfer from/(to) BUA Fund	\$ -	\$ 33,363	\$ -	\$ -	\$ -	\$ -
14	Ending Balance	\$ 4,553,971	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679	\$ 592,719
BUA Water Capital Projects Fund							
15	Beginning Balance	\$ 6,720,178	\$ 33,363	\$ -	\$ -	\$ -	\$ -
16	Misc. Reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Capital Outlay - for WCP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Transfer from/(to) Oper Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Transfer from/(to) Capital Facility Fund	\$ -	\$ (33,363)				
20	Brinton Reservoir	\$ (6,686,815)	\$ -	\$ -	\$ -	\$ -	\$ -
21	Ending Balance	\$ 33,363	\$ -				
22	Total Capital Reserves	\$ 4,587,334	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679	\$ 592,719
23	Target Balance @ 50% of avg. CIP	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341
BUA Water Debt Service Fund							
24	Beginning Balance	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700
25	Reserve from Proposed Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Transfer In	\$ 2,298,201	\$ 2,296,842	\$ 2,298,944	\$ 2,294,949	\$ 2,299,857	\$ 2,296,456
27	Debt Service	\$ (2,298,201)	\$ (2,296,842)	\$ (2,298,944)	\$ (2,294,949)	\$ (2,299,857)	\$ (2,296,456)
28							
29	Ending Balance	\$ 100,700					

F. Cost of Service Analysis

The cost of service analysis is based upon the premise of generating revenues sufficient to meet the estimated annual revenue requirements and allocating the revenue requirements to the customers in proportion to the service they receive. Revenue requirements include operating costs and rate funded capital costs, annual debt service, and reserve requirements. Deductions from revenue requirements include miscellaneous operating revenues, interest revenues, reserve funding, and raw water revenue. Adjustments for fund balances and mid-year rate increases ensure that rates are not set higher than needed to recover the necessary revenue requirements. Table II-11 below shows the costs to be recovered from the City for FY 2011. This cost is then

used as the basis to develop unit rates and to allocate costs to the various user classes in proportion to the water services rendered.

Table II-11: Cost to be recovered from water rates

Line No.		FY 2011		
		Operating	Capital	Total
Operating Expenses				
1	O&M	\$ 6,553,868		\$ 6,553,868
2	Existing Debt service		\$ 2,296,842	\$ 2,296,842
3	Proposed Debt		\$ -	\$ -
4	Transfers to Reserves		\$ -	\$ -
5	Subtotal	\$ 6,553,868	\$ 2,296,842	\$ 8,850,709
Less: Miscellaneous Revenue				
6	Misc. Revenues	\$ 123,600		\$ 123,600
7	Interest Revenue	\$ 58,314		\$ 58,314
8	Transfer from Reserves	\$ -		\$ -
9	Subtotal	\$ 181,914	\$ -	\$ 181,914
Less: Adjustments				
10	Adjustment for Annual Cash Balance	\$ (485,616)		\$ (485,616)
11	Adjustment to Annualize Rate Increase	\$ (366,176)		\$ (366,176)
12	Subtotal	\$ (851,793)	\$ -	\$ (851,793)
13	Total Cost to be Recovered	\$ 7,223,746	\$ 2,296,842	\$ 9,520,588

The total costs of the water enterprise are functionalized as supply, treatment, transmission and distribution, storage, customer service, etc. These costs are then allocated to water system parameters in accordance with the Base-Extra Capacity method endorsed by the American Water Works Association (AWWA), a nationally recognized industry group. For this analysis, the functionalized water utility costs are allocated to three parameters, or cost centers, including base costs, extra capacity costs and customer service related costs.

Base costs are those operating and capital costs of the water system associated with serving customers under average conditions. Extra capacity costs represent those operating costs incurred to meet customer peak demands for water in excess of average day usage, plus those capital costs for extra plant and system capacity beyond that required to supply water at the average rate of use. Total extra capacity costs are subdivided into costs associated with maximum day and maximum hour demands. RFC used peaking factors provided by the City's engineers to allocate among base, maximum day, and maximum hour as shown in Table II-12.

Table II-12: Peaking Factors

Base-Extra Capacity Method Components	Factors	Base	Max Day	Max Hour	Total
Base	1	100.00%			100.00%
Max Day	1.7	58.82%	41.18%		100.00%
Max Hour	3.0	33.33%	23.33%	43.33%	100.00%

In order to allocate costs of service to the different user classes, unit costs of service need to be developed for each cost parameter. The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual units of the respective cost parameter.

Different units are used for the different cost parameters. The volume related costs parameters are based on volumetric units of one hundred cubic feet, or "hcf" or "ccf" (about 748 gallons). The extra capacity parameters of Max Day and Max Hour are based on a rate of usage so they are calculated in hcf per day. Customer related cost parameters are based on equivalent meters for the meter charges calculation or bills for the monthly service charge calculation. Table II-13 shows the units of service and the development of the FY 2011 unit costs for each of the cost parameters. The modified cost of service is used to ensure that rates are reasonable and consistent with City objectives.

Table II-13: Cost Allocation and Unit Cost Calculation

	Base	Max Day	Max Hour	Meter Charges	Billing & Customer Service	Fire Hydrant	General	Total
allocation %	43.2%	14.3%	5.3%	5.9%	4.5%	0.6%	26.1%	
Net Operating Expenses	\$3,056,777	\$1,008,956	\$377,700	\$420,176	\$318,992	\$44,003	\$1,850,672	\$ 7,077,275
Debt Service	\$1,189,761	\$651,215	\$72,887	\$88,203	\$73,815	\$40,314	\$180,646	\$ 2,396,842
Cost of Service	\$4,246,538	\$1,660,171	\$450,586	\$508,379	\$392,807	\$84,317	\$2,031,318	\$ 9,374,117
Allocation o Allocation of General Cost	\$1,188,412	\$464,606	\$126,099	\$142,272	\$109,929			\$ 2,031,318
Allocation o Allocation of Fire Service				\$84,317				
Total Modified Cost of Service	\$5,163,203	\$1,106,144	\$300,218	\$2,301,816	\$502,736			\$ 9,374,117
Unit of Measure	hcf	hcf / day	hcf / day	Equiv. meters	Monthly bills			
Total Units of Services	3,314,078	6,356	3,632	14,028	10,326			
Unit cost of service \$	1.56	\$ 0.48	\$ 0.23	\$ 13.67	\$ 4.06			
Average unit cost of service \$	1.98							

G. Proposed Rates

After careful review of the City's revenue requirements and cost of service, RFC recommends that the City retains the current rate structure that includes both a fixed monthly service charge and a variable quantity, or commodity, rate.

Service Charge: We suggest that the City continues to utilize a monthly service charge varying by meter size. The service charge that makes up the fixed revenue portion of the City's total rate revenue is currently 35 percent. Under the proposed rates, the fixed revenue will decrease to 30 percent of the total revenue. The variable revenue will increase to 70 percent in FY 2011 from the original 65 percent. The California Urban Water Conservation Council (CUWCC) recommends that fixed revenue be no more than 30 percent of total rate revenue in order to

promote conservation. Fixed revenues provide the City with a stable source of income and can act as insurance against widely varying water usage.

Quantity Rate: We recommend that the City continues to maintain a quantity rate. To encourage conservation, it is recommended that the increasing block rate structure remain as three tiers. The recommended monthly usage levels in each tier will be:

First Tier: 0 – 12 hcf (31 percent of use and 43 percent of the bills fall within this block).

Second Tier: 12 – 25 hcf (17 percent of use and 31 percent of the bills fall within this block).

Third Tier: Over 25 hcf (52 percent of use and 27 percent of the bills fall within this block).

The recommended rate structure is shown in Table II-14. The effective rate increase for an average SFR customer is approximately 27 percent, assuming a $\frac{3}{4}$ -inch meter and monthly usage of 20 hcf.

Table II-14: Proposed Water Rates

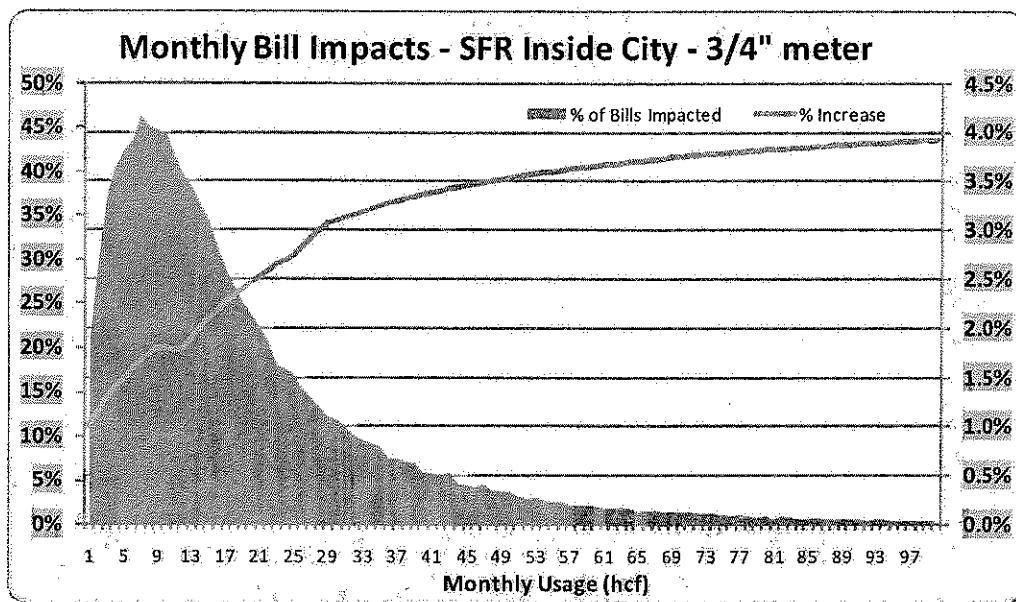
Monthly Water Charges							
Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
5/8 inch	\$ 16.77	5/8 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
3/4 inch	\$ 16.77	3/4 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
1 inch	\$ 25.64	1 inch	\$ 26.85	\$ 29.00	\$ 31.32	\$ 33.83	\$ 36.20
1 1/2 inch	\$ 46.87	1 1/2 inch	\$ 49.64	\$ 53.61	\$ 57.90	\$ 62.53	\$ 66.91
2 inch	\$ 72.51	2 inch	\$ 76.98	\$ 83.14	\$ 89.79	\$ 96.97	\$ 103.76
3 inch	\$ 132.64	3 inch	\$ 140.80	\$ 152.06	\$ 164.22	\$ 177.36	\$ 189.78
4 inch	\$ 218.41	4 inch	\$ 232.00	\$ 250.56	\$ 270.60	\$ 292.25	\$ 312.71
6 inch	\$ 432.40	6 inch	\$ 459.81	\$ 496.59	\$ 536.32	\$ 579.23	\$ 619.78
8 inch	\$ 688.84	8 inch	\$ 733.29	\$ 791.95	\$ 855.31	\$ 923.73	\$ 988.39
Commodity Charge							
0-9 HCF	\$ 1.15	0 - 12 HCF	\$ 1.56	\$ 1.68	\$ 1.81	\$ 1.95	\$ 2.09
10-29 HCF	\$ 1.34	13 - 25 HCF	\$ 1.98	\$ 2.14	\$ 2.31	\$ 2.49	\$ 2.66
30+ HCF	\$ 1.51	26 + HCF	\$ 2.24	\$ 2.42	\$ 2.61	\$ 2.82	\$ 3.02

H. Customer Impacts

Before implementing any rate structure recommendations, it is important to understand how the proposed rate structure would impact water customers. RFC worked closely with City Staff to ensure that the new rate structure would recover the necessary revenue requirements while at the same time maintaining manageable customer impacts.

RFC has developed the following figure (Figure II-3), which demonstrates the impacts of the proposed rates for FY 2011 on customers across all levels. The figure shows a graphical presentation of the level of rate increases experienced by residential customers with $\frac{3}{4}$ -inch meter. The red line represents the percentage change in monthly bills and the blue area represents the percentage of bills at each level of usage for residential customers with $\frac{3}{4}$ -inch meter.

Figure II-3: Customer Impacts



III. WASTEWATER ENTERPRISE

The City provides wastewater service through approximately 11,000 service connections, including residential, commercial, and a correctional facility. Wastewater collected through the collection system is treated at the wastewater treatment plant. In order to augment the City's current water supply, the City is planning to build a 1.5 million gallons per day (MGD) tertiary treatment plant to produce recycled water, which can be used for irrigation purposes. The treatment plant expansion is expected to be financed by a low-interest State Revolving Fund (SRF) loan.

A. Existing Rates

The City currently employs a monthly sewer usage charge of \$12.86 per equivalent dwelling unit (EDU) which has not been updated since 2003. In addition to the service fee, a monthly surcharge of \$2.00 per EDU is charged for the treatment plant upgrade. Table III-1 depicts the schedule of service fees and EDU apportionment by customer class.

The most significant source of operating revenue is user fees. Under the existing rate structure, user fees comprise nearly 87 percent of total operating revenue in FY 2009. Although included in monthly billings, revenues generated from the surcharge are transferred to a separate fund, which is reserved for the construction of a tertiary treatment plant.

Wastewater customers discharge different levels of wastewater flow according to their various requirements. The City estimates average usage patterns and categorizes them by customer classes, including residential and commercial. The City has determined that the average level of wastewater discharge for a single-family residence is 225 gallons per day (GPD). This usage pattern equates to one EDU. For the purposes of pricing, the EDU rate is an important feature of the City's pricing structure. It may be conceptualized as a common factor or customer equivalent, which equates the relative service requirements of each customer class to that of a single-family residence. For instance, a recreational vehicle typically discharges a relatively small amount of wastewater flow into the system for treatment. The quantity is on average a fraction of the discharge that single-family unit exhibits. As a matter of cost recovery, the utility is obliged to recover proportionately less from recreational vehicles than from single-family units. The recreation vehicle is charged an equivalent $\frac{3}{4}$ EDU. Accordingly, Table III-1 shows that recreational vehicles contribute \$9.65 per month under existing rates, whereas single-family units contribute \$12.86 per month.

Commercial and institutional customers that are not depicted in Table III-1, as well as all industrial units, are evaluated by the City on a case by case basis. The determination of EDUs is based upon the estimated quality and quantity of discharge into the wastewater system. Moreover, if the discharge by a commercial, institutional or industrial establishment exceeds the constituent levels of an equivalent dwelling unit, the City may impose a surcharge to cover costs of processing the additional constituents, and/or require pretreatment before granting a wastewater discharge permit.

Table III-1: Existing Wastewater Rates

			Existing Rates	Surcharge
		EDU	Per Month	Per Month
<u>Residential</u>				
a.1) Each individual single-family, condominium, apartment, or mobilehome		1.00	12.86	2.00
a.2) Each recreational vehicle space connected to sewer		0.75	9.65	1.50
a.3) Each recreational vehicle space using private sanitary facilities		0.50	6.43	1.00
<u>Commercial</u>				
b.1) Hotels and Motels	Living unit w/o kitchen	0.50	6.43	1.00
	Living unit with kitchen	1.00	12.86	2.00
b.2) Churches, theaters and auditoriums (per each 100 seats)		1.00	12.86	2.00
b.3) Restaurants (per each 7 seats)		1.00	12.86	2.00
b.4) Automobile svc stations	4 Gasoline pumps or less	2.00	25.72	4.00
	More than 4 gasoline pumps	3.00	38.58	6.00
b.5) Laundries (self-service)	Per washer	0.75	9.65	1.50
b.6) Retail stores and offices	First unit in building	1.00	12.86	2.00
	Per additional unit in building	0.60	7.72	1.20
<u>Institutional</u>				
c) Schools	Elementary - for each 60 pupils or fraction thereof	1.00	12.86	2.00
	Junior High - for each 50 pupils or fraction thereof	1.00	12.86	2.00
	High - for each 30 pupils or fraction thereof	1.00	12.86	2.00

B. Growth

From a planning and rate making standpoint, one of the most important areas of consideration is customer related data and statistics. The City receives a significant portion of its operating revenue through monthly service charges. It also receives a significant amount of revenue for capital improvement through the tertiary treatment plant surcharge. These revenues are forecasted by applying customer growth projections to the existing customer base and applying the City's existing rate structure for the services provided. Inaccurate information can critically impede these projections.

The City's growth forecast is projected over the next five years. Due to the current economic condition, the City has lost approximately 780 Equivalent Dwelling Units (EDUs) in the past fiscal year. The City is projecting that the number of EDUs will return to pre-2009 level over the next two years. Subsequently, the City is projecting some growth, approximately 14 to 20 EDUs each year from FY 2013 through FY 2015. The Wastewater Rate Model developed for this study provides flexibility to adjust the growth rates as needed. Moreover, the regional correctional facility is expected to expand and the EDUs would grow by 800 in FY 2011, which has been incorporated into the model to reflect the additional revenue in capital facilities fee. Table III-2 summarizes growth projections by customer class.

Table III-2: Growth Projections by Customer Class

Line No.		Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Customer Class							
1	Residential	10,084	10,351	10,665	10,679	10,696	10,717
2	Commercial	3,763	3,863	3,975	3,975	3,975	3,975
3	Regional Correction Facility	975	1,775	1,775	1,775	1,775	1,775
4	Total	14,822	15,989	16,415	16,429	16,446	16,466

The City wastewater enterprise has two main types of revenue: operating and non-operating. Operating revenues include the sale of wastewater service to general customers, as well as the sale of other services.

Revenue under existing rates is anticipated to increase at the same rate as EDU growth projections. Although the usage charge and surcharge are both projected over the planning period, the surcharge is not directly related to the sale of wastewater service and is not considered operating revenue. Proceeds generated from the surcharge are transferred to a separate fund and reserved for the construction of the tertiary treatment plant.

Table III-3 summarizes the City's forecast of revenue through existing rates summarized by customer class. The table depicts revenues generated from both user charges and the tertiary treatment plant surcharge.

Table III-3: Revenue under Existing Rates

Line No.		Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Usage Charge							
1	Residential	\$ 1,556,165	\$ 1,597,403	\$ 1,645,865	\$ 1,648,004	\$ 1,650,641	\$ 1,653,777
2	Commercial	\$ 580,727	\$ 596,116	\$ 613,403	\$ 613,403	\$ 613,403	\$ 613,403
3	Regional Correction Facility	\$ 150,462	\$ 273,918	\$ 273,918	\$ 273,918	\$ 273,918	\$ 273,918
4	Subtotal	\$ 2,287,353	\$ 2,467,437	\$ 2,533,186	\$ 2,535,325	\$ 2,537,962	\$ 2,541,098
				\$ 2,297,445			
Surcharge							
5	Residential	\$ 242,016	\$ 248,430	\$ 255,966	\$ 256,299	\$ 256,709	\$ 257,197
6	Commercial	\$ 90,315	\$ 92,709	\$ 95,397	\$ 95,397	\$ 95,397	\$ 95,397
7	Regional Correction Facility	\$ 23,400	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600
8	Subtotal	\$ 355,731	\$ 383,738	\$ 393,964	\$ 394,296	\$ 394,706	\$ 395,194
9	TOTAL EXISTING RATE REVENUES	\$ 2,643,085	\$ 2,851,175	\$ 2,927,149	\$ 2,929,622	\$ 2,932,669	\$ 2,936,293

C. Revenue Requirements

The adequacy of the existing rate structure can be measured by comparing revenue requirement projections against revenue projections under existing rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted. The City provided a number of forward looking assumptions in order to facilitate projections and assess the practicality of rate adjustments. Projections beyond five years generally are less reliable. This is a reasonable timeframe to assist management, policymakers, investors, and bond rating agencies,

as well as the public or other agents that need to evaluate the financial position or revenue requirements of the wastewater utility.

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining wastewater collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. O&M expenditures are the normal cost obligations of the wastewater system and are met from operating revenues as they are incurred.

The City's FY 2010 budget was used as the base year for O&M costs. Standard escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). O&M expenses are subject to an annual 3 percent inflation increase, based on historical CPI.

Table III-4 below shows the projected O&M expenses for the wastewater utility.

Table III-4: O&M Expenses

Line No. Descriptions	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1 Salary & Wages	\$ 337,742	\$ 347,874	\$ 358,310	\$ 449,060	\$ 542,532	\$ 558,808
2 Fringe Benefits	\$ 161,872	\$ 166,728	\$ 171,730	\$ 202,945	\$ 235,097	\$ 242,150
3 Contractual Services	\$ 690,850	\$ 711,576	\$ 732,923	\$ 754,910	\$ 977,558	\$ 1,006,884
4 Miscellaneous Services	\$ 420,798	\$ 432,231	\$ 444,007	\$ 456,136	\$ 694,823	\$ 714,477
5 Interfund Services Payments	\$ 455,727	\$ 463,969	\$ 472,458	\$ 481,202	\$ 490,208	\$ 499,484
6 Interfund Services Transfers	\$ 811,825	\$ 834,177	\$ 697,136	\$ 697,111	\$ 696,759	\$ 700,973
7 Capital Expenditures/Outlay	\$ 135,000	\$ 139,050	\$ 143,222	\$ 147,518	\$ 151,944	\$ 156,502
8 TOTAL O&M EXPENSES	\$ 3,013,814	\$ 3,095,604	\$ 3,019,786	\$ 3,188,882	\$ 3,788,920	\$ 3,879,278

Capital expenditures are generally classified into broad categories, including routine replacement of existing facilities, normal extensions and improvements, and major capital replacements and improvements. Sound capital expenditure forecasts are critical to developing adequate revenue requirement projections. The City has developed a comprehensive wastewater Capital Improvement Plan (CIP) to address the future needs of the wastewater system. The major project in the CIP is the wastewater treatment plant (WWTP) expansion, which is expected to be completed in 2013. The CIP is to be funded through a combination of system revenues and debt financing. The WWTP will be funded through a low interest SRF loan. It is estimated that the interest on the SRF loan will be 2.6 percent for 20 years.

Table III-5 summarizes the CIP projections over the forecast period. The figures have been escalated by an inflation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY2012, and 4 percent per year thereafter.

Table III-5: Inflated CIP Expenses

Line No.	Project	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	FP-21 WWTP Expansion - 1.5mgd	\$ -	\$ -	\$ 7,109,410	\$ 11,642,455	\$ -	\$ -
2	Irrigation Water System	\$ -	\$ 3,090,600	\$ 3,183,318	\$ 4,414,201	\$ -	\$ -
3	Future CIP	\$ -	\$ -	\$ -	\$ -	\$ 1,147,692	\$ 1,193,600
4	Total CIP (inflated)	\$ -	\$ 3,090,600	\$10,292,728	\$16,056,656	\$ 1,147,692	\$ 1,193,600

D. Proposed Revenue Adjustments

Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The adjustments based on the monthly service charge (excluding surcharge for tertiary system upgrade) to customers are as follows:

September 2010	12 percent
September 2011	15 percent
September 2012	15 percent
September 2013	15 percent
September 2014	3 percent

The cash flow summary presented in Table III-6 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period. The debt service for the SRF loan and the 2005 Wastewater Revenue Bond (BUA Wastewater Debt Service) are also included as revenue requirements.

Table III-6: Wastewater Operating Cash Flow

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues from Rates							
1	User fees	\$ 2,287,353	\$ 2,467,437	\$ 2,533,186	\$ 2,535,325	\$ 2,537,962	\$ 2,541,098
Additional Revenues Needed:							
	FY	Percent	Months Effective				
3	2010	0%	0	\$ -	\$ -	\$ -	\$ -
4	2011	12%	10	\$ 246,744	\$ 303,982	\$ 304,239	\$ 304,555
5	2012	15%	10	\$ 354,646	\$ 425,935	\$ 426,378	\$ 426,905
6	2013	15%	10	\$ 408,187	\$ 490,334	\$ 490,940	
7	2014	15%	10	\$ 469,904	\$ 564,581		
8	2015	3%	10	\$ 108,211			
9	Total Revenue from Rates	\$ 2,287,353	\$ 2,714,181	\$ 3,191,814	\$ 3,673,687	\$ 4,229,133	\$ 4,436,668
Other Revenues							
10	Interest Income	\$ 192,720	\$ 186,851	\$ 166,696	\$ 237,040	\$ 190,523	\$ 199,826
11	Miscellaneous Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Total Operating Revenue	\$ 2,480,073	\$ 2,901,031	\$ 3,358,510	\$ 3,910,727	\$ 4,419,657	\$ 4,636,493
Revenue Requirements							
13	O&M Expenses Less Transfer & Capital Outlay	\$ 2,066,989	\$ 2,122,378	\$ 2,179,428	\$ 2,344,253	\$ 2,940,217	\$ 3,021,803
14	Annual Capital Outlay	\$ 135,000	\$ 139,050	\$ 143,222	\$ 147,518	\$ 151,944	\$ 156,502
15	Transfer to SRF Fund	\$ 289,000	\$ 304,289	\$ 304,289	\$ 304,289	\$ 304,289	\$ 304,289
16	BUA Wastewater Debt Service	\$ 522,825	\$ 529,888	\$ 392,848	\$ 392,822	\$ 392,470	\$ 396,685
17	Additional State Revolving Fund Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 955,252	\$ 955,252
18	Total Revenue Requirements	\$ 3,013,814	\$ 3,095,604	\$ 3,019,786	\$ 3,188,882	\$ 4,744,171	\$ 4,834,529
19	Net Annual Cash Balance	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
20	Transfers from/(to) Capital Facility Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Net Annual Cash Balance (After Transfer)	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
22	Debt Service Coverage (w/o Connection Fee)	95%	138%	227%	285%	115%	123%
23	Required Coverage (w/o Connection Fee)	100%	100%	100%	100%	100%	100%
24	Debt Service Coverage (w/ Connection Fee)	206%	295%	235%	290%	118%	126%
25	Required Coverage (w/ Connection Fee)	115%	115%	115%	115%	115%	115%

Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Table III-7 shows the projected balance in each of the reserves.

Table III-7: Wastewater Reserves Balance

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operations Fund							
1	Beginning Balance	\$ 2,406,754	\$ 1,873,013	\$ 1,678,440	\$ 2,017,164	\$ 2,739,009	\$ 2,414,494
2	Net Annual Cash Balance	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
3	Ending Balance	\$ 1,873,013	\$ 1,678,440	\$ 2,017,164	\$ 2,739,009	\$ 2,414,494	\$ 2,216,458
4	Target Reserve - 25% of O&M	\$ 550,497	\$ 565,357	\$ 580,662	\$ 622,943	\$ 773,040	\$ 794,576
Capital Facility Fees Fund							
5	Beginning Balance	\$ 10,386,744	\$ 11,644,244	\$ 13,027,982	\$ 8,250,798	\$ 4,442,200	\$ 3,761,817
6	Capital Revenues	\$ 900,000	\$ 1,300,000	\$ 62,330	\$ 63,627	\$ 72,603	\$ 81,619
7	Surcharge Revenue	\$ 357,500	\$ 383,738	\$ 393,964	\$ 394,296	\$ 394,706	\$ 395,194
8	Transfers from/(to) Irrigation Fund			\$ (5,500,000)			
9	Transfer from/(to) Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	2012 SRF Funding			\$ 7,375,933	\$ 7,375,933		
11	Expenses	\$ -	\$ (300,000)	\$ -	\$ -	\$ -	\$ -
12	Loan to Water Enterprise						
13	Repayment of Loan						
14	CIP Projects	\$ -	\$ -	\$ (7,109,410)	\$ (11,642,455)	\$ (1,147,692)	\$ (1,193,600)
15	Ending Balance	\$ 11,644,244	\$ 13,027,982	\$ 8,250,798	\$ 4,442,200	\$ 3,761,817	\$ 3,045,031
BUA WW Capital Project Fund							
16	Beginning Balance	\$ 2,319,302	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -
17	Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Transfers from/(to) Irrigation Fund		\$ (2,319,302)				
19	Ending Balance	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation Fund							
20	Beginning Balance	\$ 2,955,409	\$ 2,955,409	\$ 2,184,111	\$ 4,500,793	\$ 86,592	\$ 86,592
21	Transfers from BUA	\$ -	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -
22	Transfers from Capital Facility Fees Fund	\$ -	\$ -	\$ 5,500,000	\$ -	\$ -	\$ -
23	Irrigation Water System	\$ -	\$ (3,090,600)	\$ (3,183,318)	\$ (4,414,201)	\$ -	\$ -
24	Ending Balance	\$ 2,955,409	\$ 2,184,111	\$ 4,500,793	\$ 86,592	\$ 86,592	\$ 86,592
20	Capital Reserve	\$ 16,918,955	\$ 15,212,093	\$ 12,751,591	\$ 4,528,792	\$ 3,848,409	\$ 3,131,623
25	Target Reserve - 50% of CIP	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111
State Revolving Fund Loan (SRF)							
26	Beginning Balance	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659
27	Transfers from Operations	\$ 289,000	\$ 304,289	\$ 304,289	\$ 304,289	\$ 1,259,540	\$ 1,259,540
28	Expenses	\$ (289,000)	\$ (304,289)	\$ (304,289)	\$ (304,289)	\$ (1,259,540)	\$ (1,259,540)
29	Ending Balance	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659
BUA WW Debt Service Fund							
30	Beginning Balance	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007
31	Transfers from Operations	\$ 522,825	\$ 529,888	\$ 392,848	\$ 392,822	\$ 392,470	\$ 396,685
32	Expenses	\$ (522,825)	\$ (529,888)	\$ (392,848)	\$ (392,822)	\$ (392,470)	\$ (396,685)
33	Ending Balance	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007

E. Proposed Rates and Customer Impacts

To calculate the wastewater rates, the total O&M and capital costs were divided by the total number of EDUs. Table III-8 summarizes the proposed rates. Rates per EDU increase to \$14.40 from \$12.86 in FY 2011. This excludes the \$2 surcharge for the wastewater treatment plant, which will continue to be collected to recover costs related to the treatment plant upgrade. The last line shows the effective percentage increase in customer's bills.

Table III-8: Proposed Wastewater Rates

	Existing Rate	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Commercial (\$/EDU)	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Tertiary Surcharge (\$/EDU)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
\$ Change		\$ 1.54	\$ 2.16	\$ 2.48	\$ 2.86	\$ 0.66
Percent change		10.4%	13.2%	13.4%	13.6%	2.8%

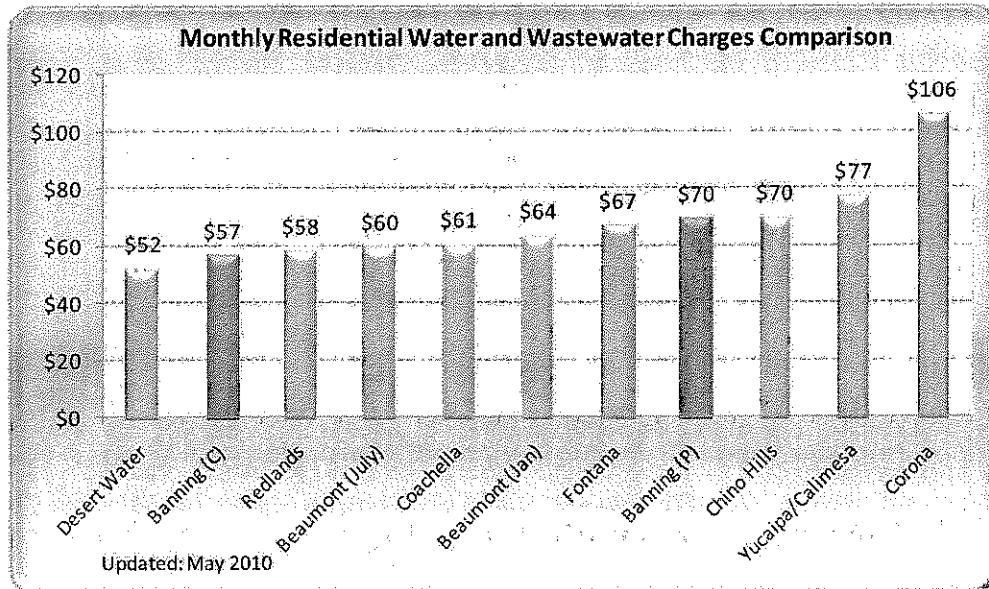
* assume 1 EDU per bill; excludes \$2 surcharge.

IV. RATE SURVEY

Comparing water and wastewater rates with other representative communities can provide insights into a utility's pricing policies related to water and wastewater service. Care should be taken, however, in drawing conclusions from such a comparison. High rates may not mean the utilities are operated and managed poorly. Many factors affect the level of costs and the pricing structure employed to recover those costs. Some of the most prevalent factors include geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology. Moreover, many agencies are currently conducting their own water and/or wastewater rate studies. Thus, their current rates may not accurately reflect their current costs of providing service.

RFC conducted a survey of neighboring and comparable agencies based on each agency's effective rates as of May 2010. As shown in Figure IV-1, the City's existing monthly water and wastewater charges place it in the low end in a comparison with surrounding agencies. With the proposed increases, the City's charges remain comparable with the neighboring utilities. In order to provide a meaningful comparison, all bills are calculated on a monthly basis for a single family residence (SFR) customer using a $\frac{3}{4}$ -inch meter and an assumed monthly usage of 20 hundred cubic feet (hcf), which is the approximate average usage for SFR customers in the City. The combined effective bill increase for an average SFR customer is approximately 22.5 percent.

Figure IV-1: Rate Survey



**CITY COUNCIL/BANNING UTILITY AUTHORITY AGENDA
PUBLIC HEARING**

Date: September 14, 2010

TO: City Council/Banning Utility Authority

FROM: Duane Burk, Director of Public Works
Kirby Warner, Interim Administrative Services Director

SUBJECT: Urgency Ordinance No. 1429, "Increase of the Wastewater Rates for the Wastewater Utility"

RECOMMENDATION: Adopt Urgency Ordinance No. 1429, approving the increase of Wastewater Rates for the Wastewater Utility as presented in the City of Banning Water and Wastewater Rate Study Report attached as Exhibit "A".

JUSTIFICATION: Increasing the wastewater rates is essential to generate the required revenues to offset loss of revenue; maintain the minimum bond coverage ratio required by bond covenants; cover increasing costs of operating and maintaining wastewater collection, treatment and discharge facilities; cover costs of the replacement of wastewater infrastructure; cover costs of future construction of wastewater infrastructure required by Regional Water Quality Control Board regulations and the development of a recycled water system.

BACKGROUND: On August 21, 2008 the City Manager approved an Agreement with Raftelis Financial Consultants, Inc. (RFC) for Professional Services Entitled "Financial Planning for Wastewater and Recycled Water System Projects" to develop a financial plan and provide a report on wastewater rates and capital facilities fees. As a result of said agreement along with an existing agreement to develop a financial plan for the water enterprise, RFC prepared the City of Banning "Water and Wastewater Rate Study Report" (Rate Study Report), attached as Exhibit "A", which supports the recommended increase of the Wastewater Rates for the next five years. The increase in rates will provide the required revenue to offset loss of revenue, meet the necessary debt coverage requirements due to bond covenants, cover increasing operations and maintenance costs and capital improvement costs.

The Rate Study Report recommends a five year plan for implementing the rate increases beginning in Fiscal Year 2011:

Monthly Wastewater Charges						
	Current FY 2010	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$12.86	\$14.40	\$16.56	\$19.04	\$21.90	\$22.56
Commercial (\$/EDU)	\$12.86	\$14.40	\$16.56	\$19.04	\$21.90	\$22.56
Tertiary Surcharge (\$/EDU)	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

The proposed increases in wastewater rates (excluding the existing surcharge for tertiary system upgrades) equate to an average increase of:

September 2010	12 Percent Increase
September 2011	15 Percent Increase
September 2012	15 Percent Increase
September 2013	15 Percent Increase
September 2014	3 Percent Increase

Staff recommends that the plan be reviewed annually prior to the implementation of the suggested rates. During the annual review staff will analyze changes in revenue sources such as wastewater user fees, grants and credit agreements to determine if it is necessary to implement the suggested rate or if it is justified to implement one that is lower than the recommend rate.

On July 26, 2010, the Banning Utility Authority (BUA) approved BUA Resolution No. 2010-07UA, "Receive and File the 2010 Water and Wastewater Rate Study Report and Approve Proposition 218 Notifications". Proposition 218 was approved by California voters in 1996 and requires that local governments 1) give notification to all property owners of the proposed rates and instructions for those who wish to protest the rate increases, 2) hold a public hearing at least forty five (45) days after the mailing of the notifications and 3) reject the proposed fee if written protests are presented by a majority of the affected property owners. The Proposition 218 notifications were mailed out on July 28, 2010. Subsequently, City staff held three town hall meetings on August 5, 10 and 18 of 2010. The goal of the meetings was to discuss the Rate Study Report and to receive and answer questions from the public.

FISCAL DATA: A 12 percent increase in the first year, if approved, would provide additional revenues of approximately \$246,744.00; a 15 percent increase in each of the following three years would provide additional revenues, from its previous year, of approximately \$354,646.00, \$408,187.00, \$469,904.00, respectively and a 3 percent increase in the fifth year would provide additional revenues of approximately \$108,211.00. The revenues generated will be sufficient to offset loss of revenue, maintain the minimum bond coverage ratio required by bond covenants, cover increasing costs of the water systems operations and maintenance programs and cover capital improvement project costs.

RECOMMENDED BY:


Duane Burk
Director of Public Works

REVIEWED BY:


Kirby Warner
Interim Administrative Services Director

APPROVED BY:


Andy Takata
City Manager

124

ORDINANCE 1429

AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BANNING AMENDING CHAPTER 13.08 OF THE BANNING MUNICIPAL CODE RELATING TO THE SEWER RATE SCHEDULE

WHEREAS, Chapter 13.08 of the Banning Municipal Code establishes procedures for the City of Banning to set water, sanitation and wastewater rates; and

WHEREAS, the City of Banning wastewater rates are subject to periodic reviews and increases in order to maintain the rates at a level which ensures the City recovers all costs associated with providing wastewater services; and

WHEREAS, increasing the wastewater rates is essential to generate the required revenues to offset loss of revenue; maintain the minimum bond coverage ratio required by bond covenants; cover increasing costs of operating and maintaining wastewater collection, treatment and discharge facilities; cover costs of the replacement of wastewater infrastructure; cover costs of future construction of wastewater infrastructure required by Regional Water Quality Control Board regulations and the development of a recycled water system; and

WHEREAS, on August 21, 2008 the City Manager approved an Agreement with Raftelis Financial Consultants, Inc. (RFC) for Professional Services Entitled "Financial Planning for Wastewater and Recycled Water System Projects" to develop a financial plan and provide a report on wastewater rates and capital facilities fees which resulted in the City of Banning "Water and Wastewater Rate Study Report", enclosed herewith as Exhibit "A"; and

WHEREAS, said "Water and Wastewater Rate Study Report" supports the recommended increase of the wastewater rates, as shown in Attachment I, for the next five years; and

WHEREAS, the Wastewater Rate Schedule increases are recommended in accordance with the Banning Municipal Code; and

WHEREAS, Section 5471 of the Health and Safety Code and Section 13.08.030 of the Banning Municipal Code requires that the increase in wastewater rates be adopted by ordinance approved by a two-thirds vote of the members of the City Council; and

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Banning as follows:

Section I. Adopt Ordinance No. 1429, an Urgency Ordinance approving the increases to the Wastewater Rate Schedule as set forth in Attachment I affixed hereto and by reference made apart hereof.

Section II. This ordinance shall be considered as adopted upon the date that the vote is declared by the City Council, and will become effective on September 15, 2010.

Section III. Authorize the City Manager, or his designee, to implement the necessary annual changes to the City's billing system immediately after the Ordinance becomes effective. All previously Wastewater Rate Structures are hereby rescinded.

PASSED, APPROVED, AND ADOPTED this 14th day of September, 2010.

Robert E. Botts, Mayor
City of Banning

APPROVED AS TO FORM AND
LEGAL CONTENT:

David J. Aleshire, City Attorney
Aleshire & Wynder, LLP

ATTEST:

Marie A. Calderon, City Clerk
City of Banning

CERTIFICATION:

I, Marie Calderon, City Clerk of the City of Banning, California, do hereby certify that the foregoing Urgency Ordinance No. 1429 was introduced at a regular meeting of the City Council of the City of Banning, California, held on the 14th day of September, 2010 and was duly adopted at a regular meeting of the City Council held on the 14th day of September, 2010, by the following roll-call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marie A. Calderon, City Clerk
City of Banning, California

ATTACHMENT I

CITY OF BANNING ORDINANCE NO. 1429

MONTHLY WASTEWATER CHARGES

	Current FY 2010	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$12.86	\$14.40	\$16.56	\$19.04	\$21.90	\$22.56
Commercial (\$/EDU)	\$12.86	\$14.40	\$16.56	\$19.04	\$21.90	\$22.56
Tertiary Surcharge (\$/EDU)	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

* Assume 1 Equivalent Dwelling Unit (EDU) per bill; excludes \$2 surcharge.

EXHIBIT "A"

WATER AND WASTE WATER RATE STUDY REPORT



RAFTELIS FINANCIAL
CONSULTANTS, INC.

201 S. Lake Ave, Suite 301 Phone 626•583•1894 www.raftelis.com
Pasadena • CA • 91101 Fax 626•583•1411

June 9, 2010

Mr. Duane Burk
Public Works Director
City of Banning
176 E. Lincoln Street
Banning, CA 92220

Subject: City of Banning Water and Wastewater Rate Study Report

Dear Mr. Burk,

Raftelis Financial Consultants, Inc. (RFC) is pleased to present the principal findings and recommendations of the water and wastewater rate study in this report. We are confident that the implementation of the recommendations will be beneficial to the City's customers and promote financial stability of the enterprises.

The objective of this report is to provide the City with a financial plan to secure the financial stability of the water and wastewater enterprises through appropriate planning measures. The plan is designed to meet the City's revenue requirements, as well as be easy to administer, adjust, and conform to the governing policies of the City.

Both the water and wastewater enterprises need future revenue adjustments due to the following factors:

- Rates have not been updated since August of 2006.
- The City customer base has reduced because of the economy, necessitating increases to cover the fixed costs.
- The City needs to incur significant capital costs over the next several years.
- The City needs to meet debt coverage requirements due to bond covenants.

All these factors influence the revenue increases recommended in this report.

It was a pleasure working with you and we wish to express our thanks to staff members for the support and cooperation extended throughout the study. If you have any questions, please feel free to call me at (626) 583-1894.

Sincerely,
RAFTELIS FINANCIAL CONSULTANTS, INC.

Sudhir Pardiwala
Vice President

130

Table of Contents

I.	EXECUTIVE SUMMARY.....	3
A.	Water Enterprise.....	3
1.	Existing Rates.....	3
2.	Revenue Requirements	4
3.	Proposed Revenue Adjustments.....	5
4.	Proposed Rates	7
B.	Wastewater Enterprise.....	7
1.	Existing Rates.....	7
2.	Revenue Requirements	8
3.	Proposed Revenue Adjustments.....	9
4.	Proposed Rates	11
C.	Rate Survey	11
II.	WATER ENTERPRISE.....	13
A.	Existing Water Rates.....	14
B.	Growth.....	15
C.	Usage Characteristics	16
D.	Revenue Requirements.....	17
E.	Proposed Revenue Adjustments	18
F.	Cost of Service Analysis	21
G.	Proposed Rates	23
H.	Customer Impacts.....	24
III.	WASTEWATER ENTERPRISE.....	26
A.	Existing Rates	26
B.	Growth.....	27
C.	Revenue Requirements.....	28
D.	Proposed Revenue Adjustments	30
E.	Proposed Rates and Customer Impacts	33
IV.	RATE SURVEY	34

I. EXECUTIVE SUMMARY

The City of Banning (City) engaged Raftelis Financial Consultants (RFC) to conduct a water and wastewater rate study in order to ensure financial sufficiency of the enterprise funds as well as determine equitable rates that appropriately recover the operating and capital costs of providing water and wastewater service to the City's customers.

Ensuring the economic viability of the City's water and wastewater enterprises is an important objective. Financial planning is a critical element of this endeavor. Through sound planning practices, the City can continue to provide quality service and further the City's vision for a safe, pleasant, and prosperous community.

The objective of this study is to develop a financial plan that recovers the operating and capital costs of the water and wastewater enterprises through appropriate planning measures. The plan is designed to meet the City's revenue requirements, and calculate rates proportional to the cost of providing service.

A. Water Enterprise

1. Existing Rates

The City last completed a water rate study in 2003. Its current water rate structure includes three-tiered commodity rates that apply to all customer classes and a monthly service charge based on meter sizes. All billings are done on a monthly basis. Table I-1 outlines the current rates as specified in the City's ordinance number 1296.

Table I-1: Current Water Rate Structure

Customer Base Charge (\$ / month)

Meter Size	Effective Date			
	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
5/8 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
3/4 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
1 inch	\$ 20.18	\$ 22.20	\$ 24.42	\$ 25.64
1-1/2 inch	\$ 36.89	\$ 40.58	\$ 44.64	\$ 46.87
2 inch	\$ 57.07	\$ 62.78	\$ 69.06	\$ 72.51
3 inch	\$ 104.40	\$ 114.84	\$ 126.32	\$ 132.64
4 inch	\$ 171.91	\$ 189.10	\$ 208.01	\$ 218.41
6 inch	\$ 340.34	\$ 374.37	\$ 411.81	\$ 432.40
8 inch	\$ 542.18	\$ 596.40	\$ 656.04	\$ 688.84

Commodity Charge (\$ / hcf)

hcf = 100 cubic ft = 748 gallons

Rate Plans (Tiers)	Effective Date			
	From	To	7-Aug-03	7-Aug-04
	0	9	\$ 0.90	\$ 0.99
	10	29	\$ 1.06	\$ 1.16
	30 +		\$ 1.19	\$ 1.31
				\$ 1.44
				\$ 1.51

2. Revenue Requirements

A review of a utility's revenue requirements is a key first step in the rate design process. The review involves an analysis of annual operating revenues under existing rates; operating and maintenance (O&M) expenses, capital expenditures, including debt service, reserves, and transfers between funds. This section of the report provides a discussion of the projected revenues, operating and capital expenditures, debt coverage requirements, reserve funding policies, and the revenues/rate adjustments required to ensure financial sufficiency of the water enterprise.

RFC projected the revenue requirements for the City's water enterprise for the next five fiscal years (FY) to determine the necessary revenue adjustments required to ensure that the City sufficiently recovers its costs. The City's FY 2010 budget was used as the base year for O&M costs. Various escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). Most O&M expenses are subject to an annual 3 percent inflation increase, based on historical consumer pricing index (CPI); while a few expenses are estimated to have different escalation factors as follow:

- Personnel expenses are escalated at 5 percent to accommodate for annual living cost adjustments and increasing benefit costs.
- Utility costs are escalated at 2 percent per year over the life of the study.

The CIP provided by the City reflects planned capital projects through FY 2015, totaling approximately \$11.14 million. The plan is provided in current dollars, not adjusted for inflation. Based on the construction cost index (CCI) from 2005 to 2008 in 20 cities, an escalation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent each year thereafter was used over the planning period. Figures I-1 and I-2 reflect the O&M and the inflated CIP expenses in the next five years. The City expects to fund all CIP expenses through rate revenues.

Figure I-1: O&M Expenses

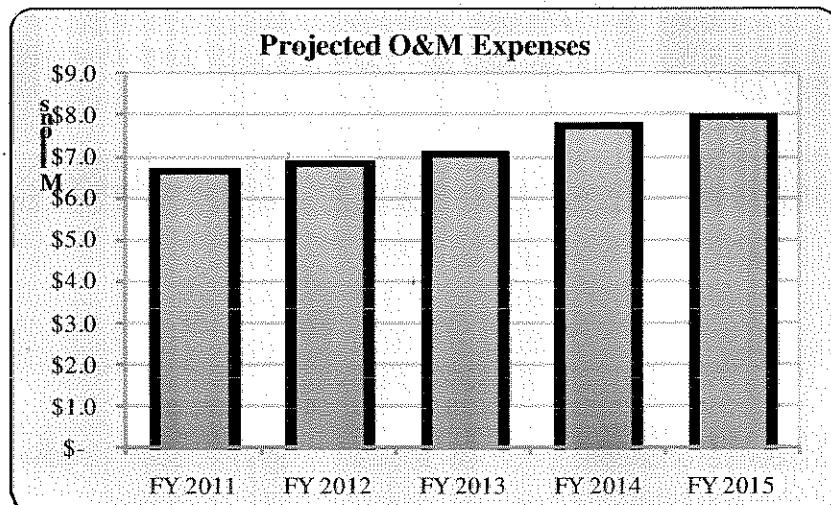
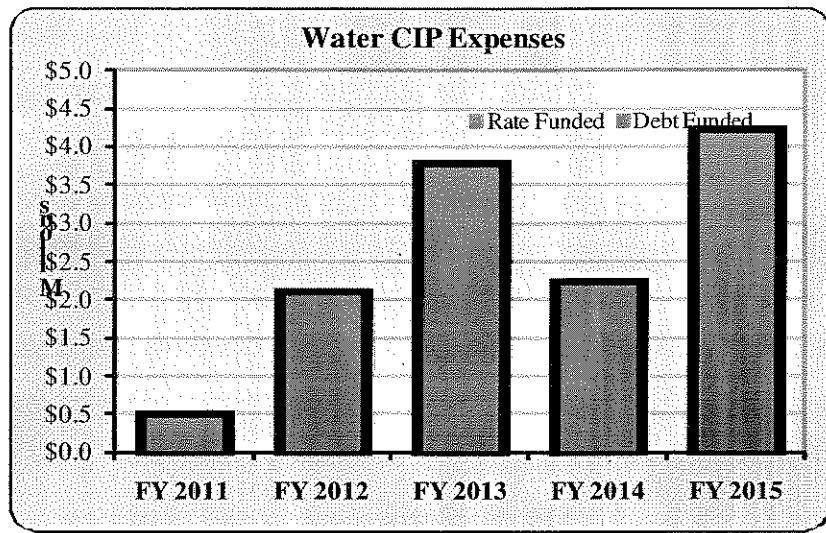


Figure I-2: Inflated CIP Expenses



3. Proposed Revenue Adjustments

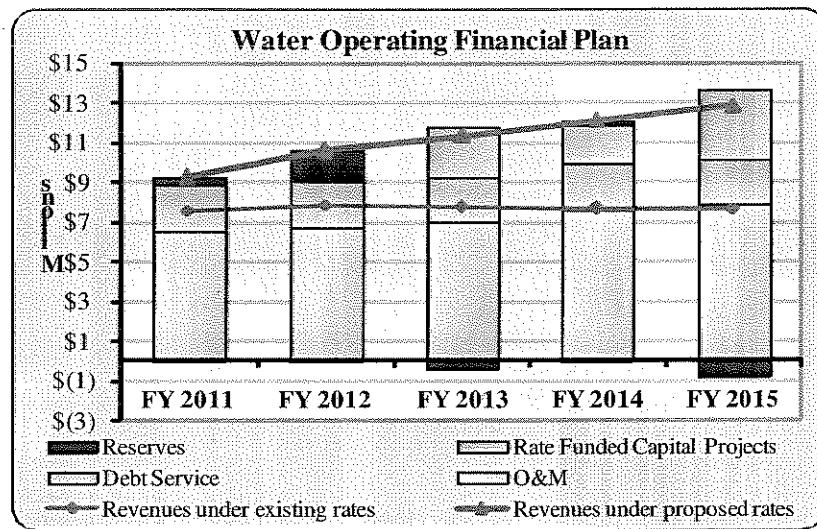
Proposed financing of the water system will be accomplished through rate increases. Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The revenue adjustments required to meet all expenses are as follows. The effective increase for each customer will vary depending on meter size and monthly usage.

September 2010	30 percent
September 2011	7 percent
September 2012	7 percent
September 2013	7 percent
September 2014	7 percent

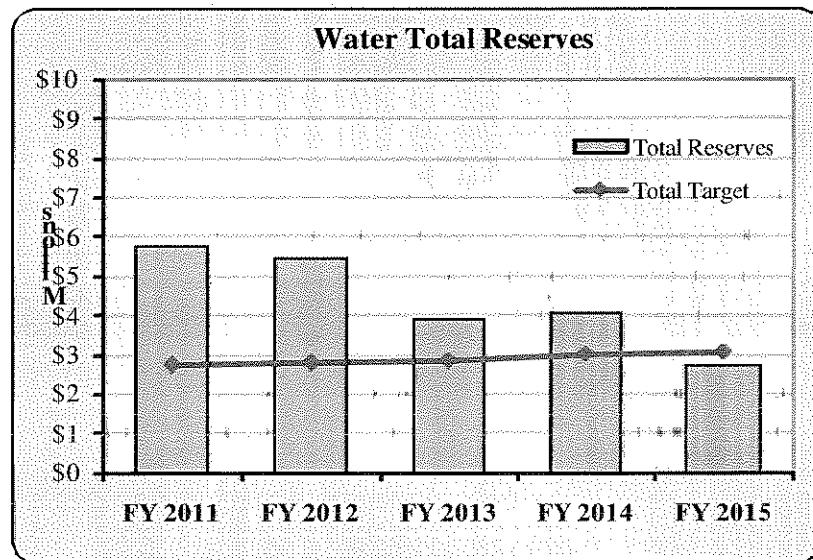
The City must ensure revenues are sufficient to meet all debt coverage requirements on existing and proposed debt. Failure to meet the coverage ratios could potentially damage the City's credit ratings, resulting in higher interest rates if the City returns to the debt market in the future. In 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds. The proceeds of these bonds were utilized to refund and defease the 1986 Water Utility Fund Certificates of Participation and the 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements. Figure I-3 shows the proposed revenue increases and the revenue requirements for the water enterprise.

Figure I-3: Water Operating Financial Plan



Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Figure I-4 shows the projected reserves balance for FY 2011 to FY 2015.

Figure I-4: Water Reserves Balance



4. Proposed Rates

After careful review of the City's revenue requirements and cost of service, RFC recommends that the City retains the use of a rate structure that includes both a fixed monthly service charge and a variable quantity, or commodity, rate. The following table shows the proposed rates for the planning period. The effective rate increase for an average SFR customer is approximately 27 percent, assuming a 3/4-inch meter and monthly usage of 20 hcf.

Table I-2: Proposed Water Rates

Monthly Water Charges							
Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
5/8 inch	\$ 16.77	5/8 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
3/4 inch	\$ 16.77	3/4 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89
1 inch	\$ 25.64	1 inch	\$ 26.85	\$ 29.00	\$ 31.32	\$ 33.83	\$ 36.20
1 1/2 inch	\$ 46.87	1 1/2 inch	\$ 49.64	\$ 53.61	\$ 57.90	\$ 62.53	\$ 66.91
2 inch	\$ 72.51	2 inch	\$ 76.98	\$ 83.14	\$ 89.79	\$ 96.97	\$ 103.76
3 inch	\$ 132.64	3 inch	\$ 140.80	\$ 152.06	\$ 164.22	\$ 177.36	\$ 189.78
4 inch	\$ 218.41	4 inch	\$ 232.00	\$ 250.56	\$ 270.60	\$ 292.25	\$ 312.71
6 inch	\$ 432.40	6 inch	\$ 459.81	\$ 496.59	\$ 536.32	\$ 579.23	\$ 619.78
8 inch	\$ 688.84	8 inch	\$ 733.29	\$ 791.95	\$ 855.31	\$ 923.73	\$ 988.39
Commodity Charge							
0-9 HCF	\$ 1.15	0 - 12 HCF	\$ 1.56	\$ 1.68	\$ 1.81	\$ 1.95	\$ 2.09
10-29 HCF	\$ 1.34	13 - 25 HCF	\$ 1.98	\$ 2.14	\$ 2.31	\$ 2.49	\$ 2.66
30+ HCF	\$ 1.51	26 + HCF	\$ 2.24	\$ 2.42	\$ 2.61	\$ 2.82	\$ 3.02

B. Wastewater Enterprise

1. Existing Rates

The City currently employs a monthly sewer usage charge of \$12.86 per equivalent dwelling unit (EDU) which has not been updated since 2003. In addition to the service fee, a monthly surcharge of \$2.00 per EDU is accessed for the treatment plant upgrade. Table 1-3 depicts the schedule of service fees and EDUs by customer class.

Table I-3: Current Wastewater Rates

			Existing Rates	Surcharge
		EDU	Per Month	Per Month
<u>Residential</u>				
a.1) Each individual single-family, condominium, apartment, or mobilehome		1.00	12.86	2.00
a.2) Each recreational vehicle space connected to sewer		0.75	9.65	1.50
a.3) Each recreational vehicle space using private sanitary facilities		0.50	6.43	1.00
<u>Commercial</u>				
b.1) Hotels and Motels	Living unit w/o kitchen	0.50	6.43	1.00
	Living unit with kitchen	1.00	12.86	2.00
b.2) Churches, theaters and auditoriums (per each 100 seats)		1.00	12.86	2.00
b.3) Restaurants (per each 7 seats)		1.00	12.86	2.00
b.4) Automobile svc stations	4 Gasoline pumps or less	2.00	25.72	4.00
	More than 4 gasoline pumps	3.00	38.58	6.00
b.5) Laundries (self-service)	Per washer	0.75	9.65	1.50
b.6) Retail stores and offices	First unit in building	1.00	12.86	2.00
	Per additional unit in building	0.60	7.72	1.20
<u>Institutional</u>				
c) Schools	Elementary - for each 60 pupils or fraction thereof	1.00	12.86	2.00
	Junior High - for each 50 pupils or fraction thereof	1.00	12.86	2.00
	High - for each 30 pupils or fraction thereof	1.00	12.86	2.00

2. Revenue Requirements

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining wastewater collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. O&M expenditures are the normal cost obligations of the wastewater system and are met from operating revenues as they are incurred. The City's forecasted annual O&M expenditures are based on the budgeted expenditure projections for FY 2010. Expenses for future years are projected using an inflation factor of 3 percent per year.

The City anticipates a moderate growth trend for Wastewater Operation Fund O&M expenses over the projection period of FY 2011 to FY 2015. These expenditures include salary and wages, fringe benefits, contractual wastewater plant services, miscellaneous services, inter-fund services payments and transfers, and capital expenditures or outlay.

Figure I-5 summarizes the data pertaining to O&M expenditures.

Figure I-5: O&M Expenses

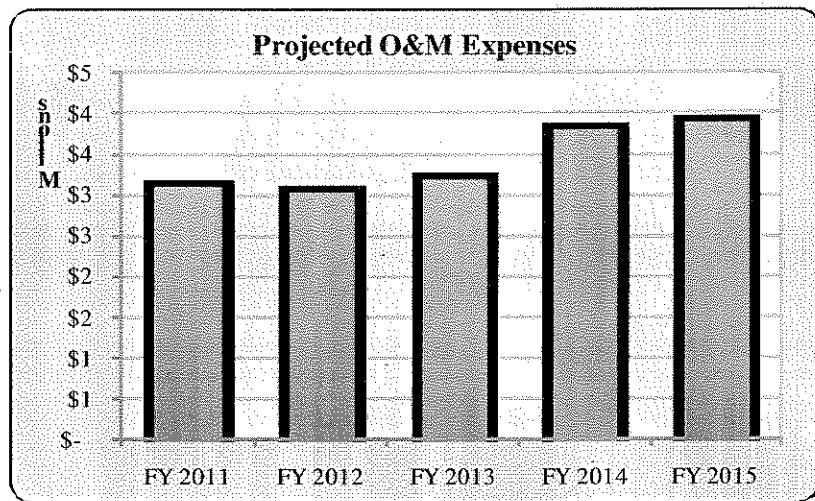
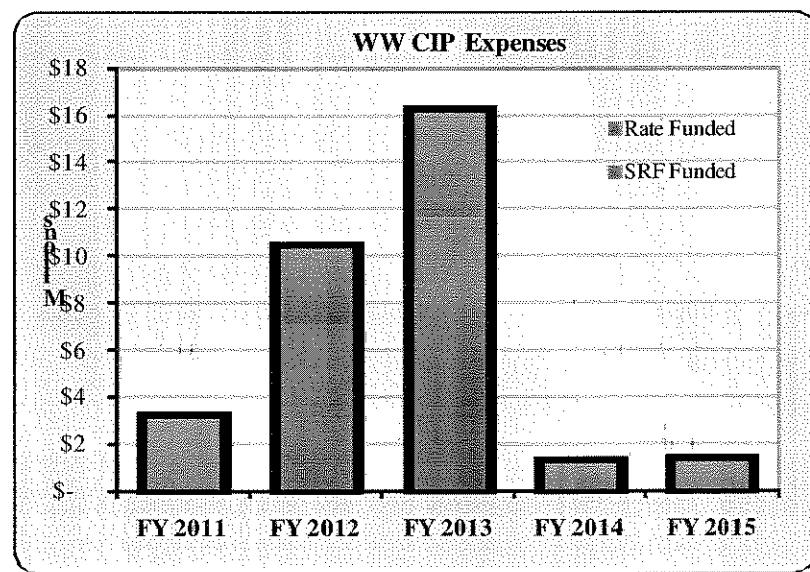


Figure I-6 summarizes the CIP projections over the forecast period. The figures have been escalated by an inflation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent per year thereafter.

Figure I-6: Inflated CIP Expenses



3. Proposed Revenue Adjustments

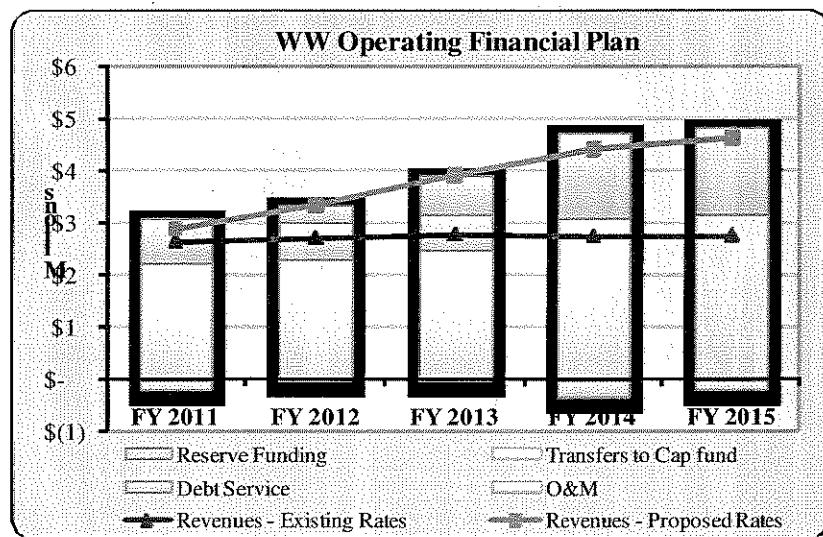
Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The adjustments based on the monthly service charge (excluding surcharge for tertiary system upgrade) to customers are as follows:

September 2010	12 percent
September 2011	15 percent
September 2012	15 percent
September 2013	15 percent
September 2014	3 percent

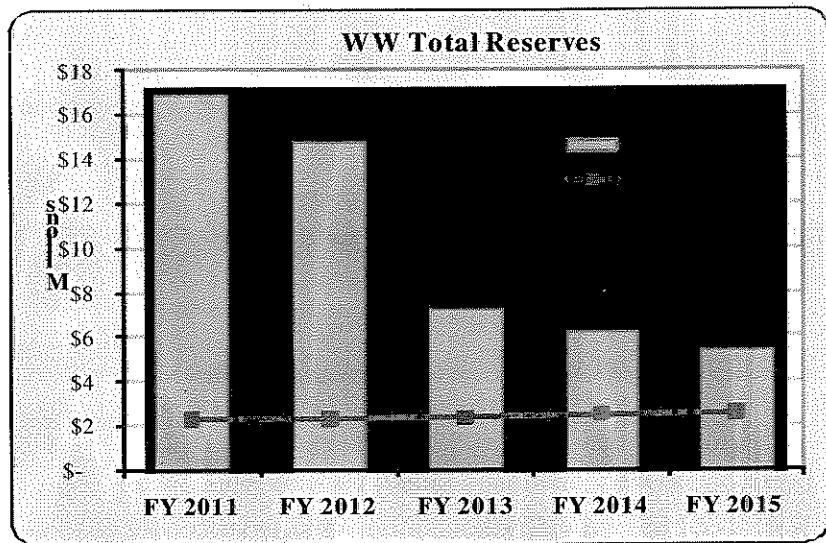
The cash flow summary presented in Figure I-7 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period. The debt service for the State Revolving Fund (SRF) and the 2005 Wastewater Revenue Bond (BUA Wastewater Debt Service) are also included as revenue requirements.

Figure I-7: Wastewater Operating Cash Flow



Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Figure I-8 shows the projected reserves balance for FY 2011 to FY 2015.

Figure I-8: Wastewater Reserves Balance



4. Proposed Rates

Table I-4 summarizes the proposed rates. Rates per EDU increase to \$14.40 from \$12.86 in FY 2011. This excludes the \$2 surcharge for the wastewater treatment plant, which will continue to be collected to recover costs related to the treatment plant upgrade. Thus, the effective rate increase for a residential customer is 10.4 percent.

Table I-4: Proposed Wastewater Rates

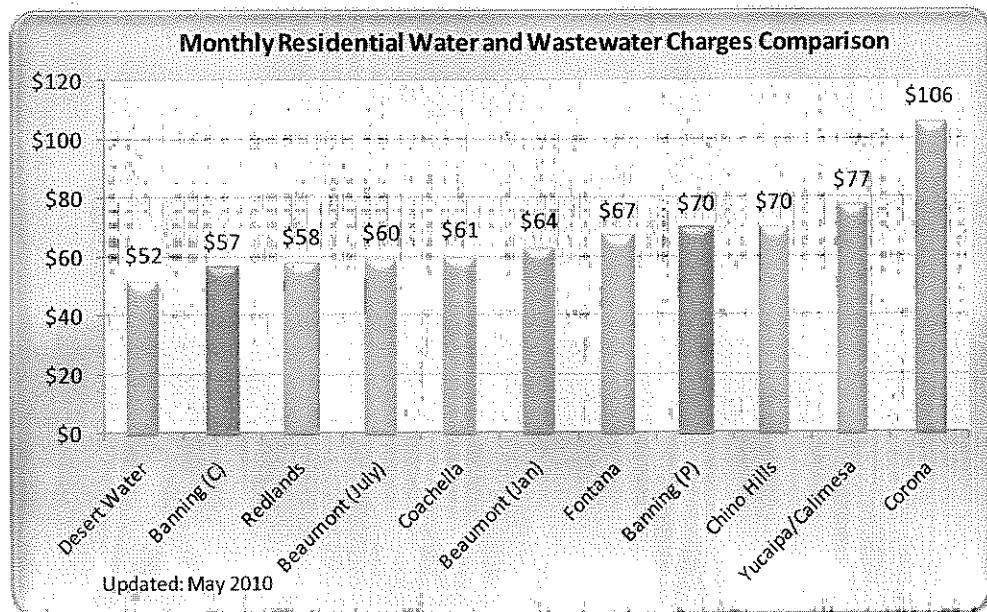
	Existing Rate	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Commercial (\$/EDU)	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Tertiary Surcharge (\$/EDU)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
\$ Change		\$ 1.54	\$ 2.16	\$ 2.48	\$ 2.86	\$ 0.66
Percent change		10.4%	13.2%	13.4%	13.6%	2.8%

* assume 1 EDU per bill; excludes \$2 surcharge.

C. Rate Survey

As shown in Figure I-9, the City's current monthly water and wastewater charges place it in the middle in a comparison with surrounding agencies. With the proposed increases, the City's charges remain comparable with the neighboring utilities. In order to provide a meaningful comparison, all bills are calculated on a monthly basis for a single family residence (SFR) customer using a 3/4" meter and an assumed monthly usage of 20 hundred cubic feet (hcf), which is the approximate average usage for SFR customers in the City. The combined effective bill increase for an average SFR customer is approximately 22.5 percent.

Figure I-9: Rate Survey



II. WATER ENTERPRISE

The City of Banning (City) provides water service to approximately 10,865 customer accounts. The City meets its water demand from three sources of supply: groundwater, imported water from State Water Project (SWP), and recycled water for irrigation demand.

The City is overlies the San Gorgonio Pass and Banning Canyon Groundwater Basins. The groundwater basins are naturally recharged through the percolation of runoff, direct precipitation, surface inflow, and artificial recharge. Within the City, the San Gorgonio Pass Basin is subdivided into a series of storage units: the Banning Bench, Banning, Beaumont and Cabazon storage units. The Banning Canyon Groundwater Basin consists of three storage units: the Upper, Middle and Lower Banning Canyon storage units. The City currently operates and maintains 22 potable groundwater production wells. Half of these wells are located in Banning Canyon and the remaining wells are in Banning storage units and Beaumont storage unit. Table II-1 below summarizes the City's wells and their current capacity by storage units¹.

Table II-1: Well Capacities by Storage Unit

Wells by Storage Unit	Well Design Capacity		Dry Year Capacity	
	gpm	acre-ft/yr	gpm	acre-ft/yr
Upper Banning Canyon	3,800	6,130	1,600	2,580
Middle Banning Canyon	7,000	11,290	1,600	2,580
Banning Bench	3,500	5,650	1,600	2,580
East Banning	1,000	1,610	1,000	1,610
West Banning	4,450	7,180	4,450	7,180
Beaumont	8,700	14,030	8,700	14,030
Total Capacity	28,450	45,890	18,950	30,560

Recycled water supplies are expected to meet projected irrigation demand. The recycled water production actually exceeds demand for the irrigation of golf courses, parks, medians and greenbelts. The City also plans to make recycled water available for irrigating landscape of new homes.

In addition to groundwater and recycled water, the City is eligible to receive imported water from the San Gorgonio Pass Water Agency (SGPWA). The SGPWA's entitlement of SWP water is not guaranteed every year depending on climatic variability, availability of diversion, storage and conveyance facilities, environmental concerns, and demand for SWP water. The City is entitled to 6,574 acre-ft/year of SWP water from SGPWA and an additional 5,780 acre-ft/year from California Department of Water Resources (DWR) or other entities in Central and/or Northern California. The variable reliability of SWP water is accounted for in determining the City's projected water supplies in 2010 and 2015 presented in Table II-2 below.

¹ 2005 Urban Water Management Plan page 2-6, Table 2-2

Table II-2: Projected Water Supplies (acre-ft/year)²

Water Supply Source	Projected 2010	Projected 2015
Banning Bench Storage Unit	5,000	5,000
Beaumont Storage Unit ²	5,900	400
Cabazon Storage Unit	2,050	2,050
East Banning Storage Unit	1,050	1,050
West Banning Storage Unit	350	350
Recycled Water Use	1,504	1,832
Return Flows from Irrigation	1,309	1,564
SWP Table A Entitlement	2,129	4,667
SWP Additional Table A	1,871	4,104
Total	21,163	21,017

A. Existing Water Rates

The City's current water rate structure includes three-tiered commodity rates that apply to all customer classes and a monthly service charge based on meter sizes. All billings are done on a monthly basis. Table II-3 outlines the current rates as specified in the City's ordinance number 1296.

Table II-3: Current Water Rate Structure

Customer Base Charge (\$ / month)

Meter Size	Effective Date			
	7-Aug-03	7-Aug-04	7-Aug-05	7-Aug-06
5/8 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
3/4 inch	\$ 13.20	\$ 14.52	\$ 15.97	\$ 16.77
1 inch	\$ 20.18	\$ 22.20	\$ 24.42	\$ 25.64
1 1/2 inch	\$ 36.89	\$ 40.58	\$ 44.64	\$ 46.87
2 inch	\$ 57.07	\$ 62.78	\$ 69.06	\$ 72.51
3 inch	\$ 104.40	\$ 114.84	\$ 126.32	\$ 132.64
4 inch	\$ 171.91	\$ 189.10	\$ 208.01	\$ 218.41
6 inch	\$ 340.34	\$ 374.37	\$ 411.81	\$ 432.40
8 inch	\$ 542.18	\$ 596.40	\$ 656.04	\$ 688.84

Commodity Charge (\$ / hcf)

hcf = 100 cubic ft = 748 gallons

Rate Plans (Tiers)	Effective Date			
	From	To	7-Aug-03	7-Aug-04
	0	9	\$ 0.90	\$ 0.99
	10	29	\$ 1.06	\$ 1.16
	30 +		\$ 1.19	\$ 1.31
				\$ 1.44
				\$ 1.51

² Extracted from 2005 Urban Water Management Plan page 2-3, Table 2-1 with correction for Beaumont Storage Unit supply in 2010 equal to 5,900 acre-ft/yr provided by George Thatcher in October 2008

B. Growth

Due to the current economic condition, the City has lost approximately 500 customer accounts in the past fiscal year. The City is projecting that the number of accounts will return to pre-2009 level over the next two years as the economy recovers. From FY 2012 to 2015, the City estimated that the growth rate would be approximately 0.1 to 0.2 percent, or about 14 to 17 accounts annually. It should be noted that if the economic recovery is slower than projected and therefore usage is lower than projected, the City would need higher revenue adjustments than projected in this report.

The following table, Table II-4, shows the number of customer accounts by meter size from FY 2010 to 2015.

Table II-4: Customer Accounts by Meter Size

Line no	Meter Size	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
<i>1</i> <i>Rounded up to nearest integer</i>							
2	5/8 inch	32	35	37	37	37	37
3	3/4 inch	8,670	9,417	9,934	9,947	9,963	9,982
4	1 inch	445	483	510	511	512	513
5	1 1/2 inch	89	97	102	102	102	102
6	2 inch	155	168	177	177	177	177
7	3 inch	28	30	32	32	32	32
8	4 inch	41	45	47	47	47	47
9	6 inch	22	24	25	25	25	25
10	8 inch	25	27	28	28	28	28
11	TOTAL	9,507	10,326	10,892	10,906	10,923	10,943

Table II-5 shows the projected water usage in hcf in each tier. The usage increases with the economic recovery but is projected to reduce because of conservation in the later years.

Table II-5: Usage by Tier (hcf)

Line no	Tiers	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
<i>1</i> <i>Rounded up to nearest integer</i>							
2	0	9	25.0%	803,512	829,136	857,138	841,088
3	10	29	26.1%	838,631	865,375	894,601	877,849
4	30	+	48.9%	1,569,515	1,619,567	1,674,264	1,642,912
5	TOTAL USAGI	3,211,658	3,314,078	3,426,003	3,361,849	3,299,885	3,240,034

Table II-6 shows the projected revenues under the existing water rates, given the above growth rates, projected customer accounts, and projected water usage over the next 5 years.

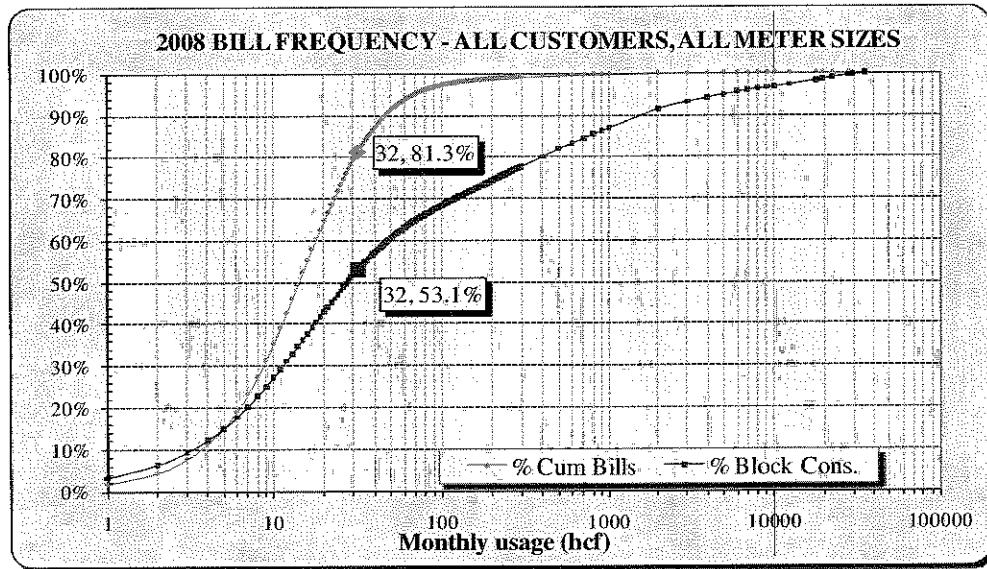
Table II-6: Revenues under Existing Rates

Line no	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1 Service Revenues	\$ 2,545,864	\$ 2,764,874	\$ 2,910,148	\$ 2,913,072	\$ 2,916,600	\$ 2,920,731
2 Commodity Revenues						
3 Tier 1 - 0 to 9	\$ 924,039	\$ 953,506	\$ 985,709	\$ 967,251	\$ 949,424	\$ 932,204
4 Tier 2 - 10 to 29	\$ 1,123,766	\$ 1,159,603	\$ 1,198,765	\$ 1,176,318	\$ 1,154,636	\$ 1,133,695
5 Tier 3 - 30 and over	\$ 2,369,968	\$ 2,445,546	\$ 2,528,139	\$ 2,480,797	\$ 2,435,071	\$ 2,390,905
6 Total Water Revenue from Rates	\$ 6,963,636	\$ 7,323,529	\$ 7,622,761	\$ 7,537,438	\$ 7,455,731	\$ 7,377,535

C. Usage Characteristics

The City provided RFC with various billing data that allowed RFC to perform several analyses in order to determine customer usage characteristics. Figure II-1 shows the pattern for the water consumption for City's customers in all meter sizes.

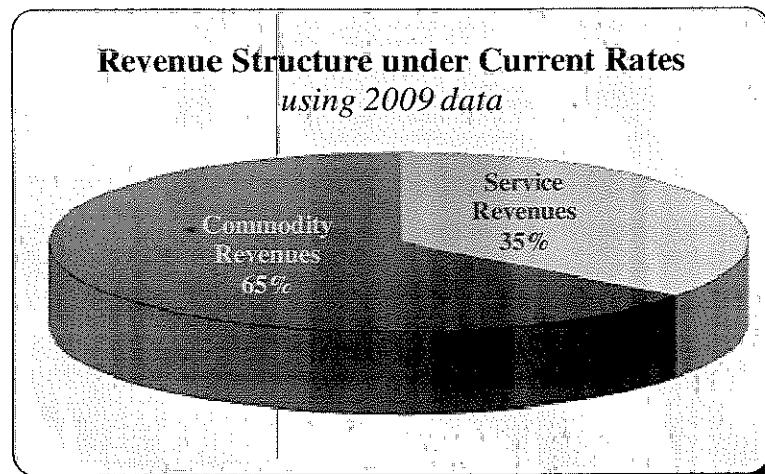
Figure II-1: Bill Frequency Chart



The bill frequency tabulation plots cumulative usage and cumulative number of bills at each increment of monthly use (hcf of water). The average monthly usage in 2008 is 32 hcf, which represents 53.1 percent of cumulative usage from 81.3 percent of cumulative bills. This bill tabulation helps to better understand how water is used and how customers are impacted under current rates in determining the tier cut-offs.

Figure II-2 below shows the City's revenue structure under current water rates in FY 2009. The figure indicates that 35 percent of total water sales come from ready-to-serve monthly service charges. The Best Management Practice 11 (BMP 11) published by California Urban Water Conservation Council recommends water suppliers collect no more than 30 percent of all revenues from fixed charges to promote conservation.

Figure II-2: Revenue Structure under Current Rates



D. Revenue Requirements

The adequacy of the existing rate structure can be measured by comparing revenue requirement projections against revenue projections under existing rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted. The City provided a number of forward looking assumptions in order to facilitate projections and assess the practicality of rate adjustments. Projections beyond five years generally are less reliable. This is a reasonable timeframe to assist management, policymakers, investors, and bond rating agencies, as well as the public or other agents that need to evaluate the financial position or revenue requirements of the water utility.

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining water collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. Operation and maintenance (O&M) expenditures are the normal cost obligations of the water system and are met from operating revenues as they are incurred.

The City's FY 2010 budget was used as the base year for O&M costs. Various escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). Most O&M expenses are subject to an annual 3 percent inflation increase, based on historical consumer pricing index (CPI); while a few expenses are estimated to have different escalation factors as follow:

- Personnel expenses are escalated at 5 percent to accommodate for annual living cost adjustments and increasing benefit costs.
- Utility costs are escalated at 2 percent per year over the life of the study.

Table II-7 below shows the projected O&M expenses for the water utility.

Table II-7: O&M Expenses

Line no	Descriptions	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	O&M						
2	Employee Services	\$ 1,420,387	\$ 1,491,406	\$ 1,565,977	\$ 1,644,276	\$ 1,726,489	\$ 1,812,814
3	Services & Supplies	\$ 2,801,158	\$ 2,873,921	\$ 2,948,641	\$ 3,025,373	\$ 3,541,418	\$ 3,635,459
4	Repair/Maint	\$ 16,000	\$ 16,480	\$ 16,974	\$ 17,484	\$ 18,008	\$ 18,548
5	Interfund Svc-Bill/Coll	\$ 144,685	\$ 149,026	\$ 153,496	\$ 158,101	\$ 162,844	\$ 167,730
6	Interfund Svc-Mtr Read SV	\$ 248,470	\$ 255,924	\$ 263,602	\$ 271,510	\$ 279,655	\$ 288,045
7	Interfund Svc-SG&A	\$ 426,460	\$ 440,151	\$ 454,297	\$ 468,915	\$ 484,021	\$ 499,633
8	Lease Payments	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000	\$ 470,000
9	Transfer-Gas Tax Street FD	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867
10	Transfer-SPL Donation Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Routine Capital Outlay	\$ 814,000	\$ 838,420	\$ 863,573	\$ 889,480	\$ 916,164	\$ 943,649
12	Total O&M	\$ 6,359,160	\$ 6,553,868	\$ 6,755,656	\$ 6,964,807	\$ 7,618,859	\$ 7,856,744

Capital expenditures are generally classified into broad categories, including routine replacement of existing facilities, normal extensions and improvements, and major capital replacements and improvements. Sound capital expenditure forecasts are critical to developing adequate revenue requirement projections. The City has developed a comprehensive water Capital Improvement Plan (CIP) to address the future needs of the water system. The major project in the CIP is the water treatment plant (WTP) expansion, which is expected to be completed in 2013. The CIP is to be funded through a combination of system revenues and debt financing.

The CIP provided by the City reflects planned capital projects through FY 2015, totaling approximately \$11.14 million. The plan is provided in current dollars, not adjusted for inflation. Based on the construction cost index (CCI) from 2005 to 2008 in 20 cities, an escalation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY 2012, and 4 percent each year thereafter was used over the planning period. Table II-8 shows the inflated CIP for the next 5 years.

Table II-8: Inflated CIP Expenses

Line no	Descriptions	Projected 2010	Budgeted 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	Restoration of White Water Diversion Pipeline Flume	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,580,800
2	Replace 20" Transmission Line in Banning Water Canyon	\$ -	\$ 133,926	\$ 954,995	\$ 2,173,994	\$ -	\$ -
3	Construction of Additional Water Wells	\$ -	\$ -	\$ 1,061,106	\$ 1,544,970	\$ 1,606,769	\$ -
4	Annual Waterline Replacement Program	\$ 242,400	\$ 309,060	\$ 42,444	\$ -	\$ 573,846	\$ 596,800
5	Projected Future CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	TOTAL CIP (Inflated)	\$ 242,400	\$ 442,986	\$ 2,058,546	\$ 3,718,964	\$ 2,180,615	\$ 4,177,600

E. Proposed Revenue Adjustments

Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter. Thus, to continue providing water service to its customers, the City needs to increase its water rates to ensure cost recovery.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The revenue adjustments required to meet all expenses are as follows: The effective increase for each customer will vary depending on meter size and monthly usage.

September 2010	30 percent
September 2011	7 percent
September 2012	7 percent
September 2013	7 percent
September 2014	7 percent

The City must ensure revenues are sufficient to meet all debt coverage requirements on existing and proposed debt. Failure to meet the coverage ratios could potentially damage the City's credit ratings, resulting in higher interest rates if the City returns to the debt market in the future. In 2005, the Banning Utility Authority issued \$35,635,000 in Water Enterprise Revenue Bonds. The proceeds of these bonds were utilized to refund and defease the 1986 Water Utility Fund Certificates of Participation and the 1989 Water Utility Fund Certificates of Participation and to provide additional funds to pay for certain capital project improvements. The cash flow summary presented in Table II-9 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period.

Table II-9: Water Operating Cash Flow

Line no	Descriptions		Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	REVENUES							
2	Revenues From Existing Rates		\$ 6,963,636	\$ 7,323,529	\$ 7,622,761	\$ 7,537,438	\$ 7,455,731	\$ 7,377,535
3	Revenues from Adjustments							
4	FY	%	Months Effective					
5	2010	0%	0	\$ -	\$ -	\$ -	\$ -	\$ -
6	2011	30%	10	\$ 1,830,882	\$ 2,286,828	\$ 2,261,231	\$ 2,236,719	\$ 2,213,260
7	2012	7%	10		\$ 578,059	\$ 685,907	\$ 678,472	\$ 671,356
8	2013	7%	10			\$ 611,600	\$ 725,965	\$ 718,351
9	2014	7%	10				\$ 647,318	\$ 768,635
10	2015	7%	10					\$ 685,366
11	<i>Total Revenues from Adjustment</i>			\$ 1,830,882	\$ 2,864,888	\$ 3,558,739	\$ 4,288,474	\$ 5,056,968
12	<i>Total Revenues from Rates</i>			\$ 6,963,636	\$ 9,154,411	\$ 10,487,649	\$ 11,096,177	\$ 11,744,205
13	Non-Operating Revenues							
14	Interest Income		\$ 69,276	\$ 58,314	\$ 57,434	\$ 97,036	\$ 102,216	\$ 100,359
15	Meter Installations		\$ 1,000	\$ -	\$ 7,236	\$ 3,752	\$ 4,556	\$ 5,360
16	Miscellaneous Revenues							
17	Turn on Charges		\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020	\$ 46,371
18	Delinquent Reconnect Fee		\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964
19	Backflow Charges		\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185
20	Miscellaneous Revenues		\$ 7,000	\$ 7,210	\$ 7,426	\$ 7,649	\$ 7,879	\$ 8,115
21	Mis Rev-Repairs / Replacement		\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377	\$ 3,478
22	Sale of Surplus Property		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Restitution / Subrogation		\$ 182,902	\$ -	\$ -	\$ -	\$ -	\$ -
24	<i>Total Non-Operating Revenues</i>		\$ 373,178	\$ 181,914	\$ 191,978	\$ 231,915	\$ 241,833	\$ 244,832
25	TOTAL REVENUES		\$ 7,336,814	\$ 9,336,325	\$ 10,679,626	\$ 11,328,092	\$ 11,986,038	\$ 12,679,335
26	REVENUE REQUIREMENTS							
27	O&M expenses		\$ 6,359,160	\$ 6,553,868	\$ 6,755,656	\$ 6,964,807	\$ 7,618,859	\$ 7,856,744
28	Debt Service							
29	Old Debt		\$ 2,298,201	\$ 2,296,842	\$ 2,298,944	\$ 2,294,949	\$ 2,299,857	\$ 2,296,456
30	Proposed Loan		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	TOTAL REV REQUIREMENT		\$ 8,657,361	\$ 8,850,709	\$ 9,054,600	\$ 9,259,756	\$ 9,918,716	\$ 10,153,200
	Transfers to Reserves							
32	Transfer From/(To) WCFF		\$ -	\$ -	\$ -	\$ (2,500,000)	\$ (2,000,000)	\$ (3,500,000)
33	Transfer From/(To) BUA Capital		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL TRANSFERS		\$ -	\$ -	\$ -	\$ (2,500,000)	\$ (2,000,000)	\$ (3,500,000)
34	Net Annual Cash Flows		\$ (1,320,547)	\$ 485,616	\$ 1,625,026	\$ (431,664)	\$ 67,322	\$ (973,865)
35	Coverage Ratio		43%	121%	171%	190%	190%	210%
36	Required Coverage - 115%		115%	115%	115%	115%	115%	115%

Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period.

Table II-10: Water Reserves Balance

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Reserves							
1	Beginning Balance	\$ 2,462,965	\$ 1,142,418	\$ 1,628,034	\$ 3,253,060	\$ 2,821,396	\$ 2,888,718
2	Net Annual Cash Flows	\$ (1,320,547)	\$ 485,616	\$ 1,625,026	\$ (431,664)	\$ 67,322	\$ (973,865)
3							
4	Ending Balance	\$ 1,142,418	\$ 1,628,034	\$ 3,253,060	\$ 2,821,396	\$ 2,888,718	\$ 1,914,853
5	Target Balance @ 25% of O&M	\$ 1,589,790	\$ 1,638,467	\$ 1,688,914	\$ 1,741,202	\$ 1,904,715	\$ 1,964,186
Water Capital Facility Fund (WCFF)							
6	Beginning Balance	\$ 4,792,371	\$ 4,553,971	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679
7	Water Capital Facilities Fees	\$ -	\$ -	\$ 195,264	\$ 101,248	\$ 122,944	\$ 144,640
8	Water Frontage Fee	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
9	Capital Outlay - for WCF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	CIP Projects	\$ (242,400)	\$ (442,986)	\$ (2,058,546)	\$ (3,718,964)	\$ (2,180,615)	\$ (4,177,600)
11	Loan Proceeds from proposed loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Transfer from/(to) Oper Fund	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 2,000,000	\$ 3,500,000
13	Transfer from/(to) BUA Fund	\$ -	\$ 33,363	\$ -	\$ -	\$ -	\$ -
14	Ending Balance	\$ 4,553,971	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679	\$ 592,719
BUA Water Capital Projects Fund							
15	Beginning Balance	\$ 6,720,178	\$ 33,363	\$ -	\$ -	\$ -	\$ -
16	Misc. Reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Capital Outlay - for WCP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Transfer from/(to) Oper Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Transfer from/(to) Capital Facility Fund	\$ -	\$ (33,363)	\$ -	\$ -	\$ -	\$ -
20	Brinton Reservoir	\$ (6,686,815)	\$ -	\$ -	\$ -	\$ -	\$ -
21	Ending Balance	\$ 33,363	\$ -				
22	Total Capital Reserves	\$ 4,587,334	\$ 4,148,348	\$ 2,289,066	\$ 1,175,350	\$ 1,121,679	\$ 592,719
23	Target Balance @ 50% of avg. CIP	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341	\$ 1,103,341
BUA Water Debt Service Fund							
24	Beginning Balance	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700	\$ 100,700
25	Reserve from Proposed Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Transfer In	\$ 2,298,201	\$ 2,296,842	\$ 2,298,944	\$ 2,294,949	\$ 2,299,857	\$ 2,296,456
27	Debt Service	\$ (2,298,201)	\$ (2,296,842)	\$ (2,298,944)	\$ (2,294,949)	\$ (2,299,857)	\$ (2,296,456)
28							
29	Ending Balance	\$ 100,700					

F. Cost of Service Analysis

The cost of service analysis is based upon the premise of generating revenues sufficient to meet the estimated annual revenue requirements and allocating the revenue requirements to the customers in proportion to the service they receive. Revenue requirements include operating costs and rate funded capital costs, annual debt service, and reserve requirements. Deductions from revenue requirements include miscellaneous operating revenues, interest revenues, reserve funding, and raw water revenue. Adjustments for fund balances and mid-year rate increases ensure that rates are not set higher than needed to recover the necessary revenue requirements. Table II-11 below shows the costs to be recovered from the City for FY 2011. This cost is then

used as the basis to develop unit rates and to allocate costs to the various user classes in proportion to the water services rendered.

Table II-11: Cost to be recovered from water rates

Line No.	FY 2011		
	Operating	Capital	Total
Operating Expenses			
1 O&M	\$ 6,553,868		\$ 6,553,868
2 Existing Debt service		\$ 2,296,842	\$ 2,296,842
3 Proposed Debt		\$ -	\$ -
4 Transfers to Reserves		\$ -	\$ -
5 Subtotal	\$ 6,553,868	\$ 2,296,842	\$ 8,850,709
Less: Miscellaneous Revenue			
6 Misc. Revenues	\$ 123,600		\$ 123,600
7 Interest Revenue	\$ 58,314		\$ 58,314
8 Transfer from Reserves	\$ -		\$ -
9 Subtotal	\$ 181,914	\$ -	\$ 181,914
Less: Adjustments			
10 Adjustment for Annual Cash Balance	\$ (485,616)		\$ (485,616)
11 Adjustment to Annualize Rate Increase	\$ (366,176)		\$ (366,176)
12 Subtotal	\$ (851,793)	\$ -	\$ (851,793)
13 Total Cost to be Recovered	\$ 7,223,746	\$ 2,296,842	\$ 9,520,588

The total costs of the water enterprise are functionalized as supply, treatment, transmission and distribution, storage, customer service, etc. These costs are then allocated to water system parameters in accordance with the Base-Extra Capacity method endorsed by the American Water Works Association (AWWA), a nationally recognized industry group. For this analysis, the functionalized water utility costs are allocated to three parameters, or cost centers, including base costs, extra capacity costs and customer service related costs.

Base costs are those operating and capital costs of the water system associated with serving customers under average conditions. Extra capacity costs represent those operating costs incurred to meet customer peak demands for water in excess of average day usage, plus those capital costs for extra plant and system capacity beyond that required to supply water at the average rate of use. Total extra capacity costs are subdivided into costs associated with maximum day and maximum hour demands. RFC used peaking factors provided by the City's engineers to allocate among base, maximum day, and maximum hour as shown in Table II-12.

Table II-12: Peaking Factors

Base-Extra Capacity Method Components	Factors	Base	Max Day	Max Hour	Total
Base	1	100.00%			100.00%
Max Day	1.7	58.82%	41.18%		100.00%
Max Hour	3.0	33.33%	23.33%	43.33%	100.00%

In order to allocate costs of service to the different user classes, unit costs of service need to be developed for each cost parameter. The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual units of the respective cost parameter.

Different units are used for the different cost parameters. The volume related costs parameters are based on volumetric units of one hundred cubic feet, or "hcf" or "ccf" (about 748 gallons). The extra capacity parameters of Max Day and Max Hour are based on a rate of usage so they are calculated in hcf per day. Customer related cost parameters are based on equivalent meters for the meter charges calculation or bills for the monthly service charge calculation. Table II-13 shows the units of service and the development of the FY 2011 unit costs for each of the cost parameters. The modified cost of service is used to ensure that rates are reasonable and consistent with City objectives.

Table II-13: Cost Allocation and Unit Cost Calculation

	Base	Max Day	Max Hour	Meter Charges	Billing & Customer Service	Fire Hydrant	General	Total
allocation %	43.2%	14.3%	5.3%	5.9%	4.5%	0.6%	26.1%	
Net Operating Expenses	\$3,056,777	\$1,008,956	\$377,700	\$420,176	\$318,992	\$44,003	\$1,850,672	\$ 7,077,275
Debt Service	\$1,189,761	\$651,215	\$72,887	\$88,203	\$73,815	\$40,314	\$180,646	\$ 2,296,842
Cost of Service	\$4,246,538	\$1,660,171	\$450,586	\$508,379	\$392,807	\$84,317	\$2,031,318	\$ 9,374,117
Allocation o Allocation of General Cost	\$1,188,412	\$464,606	\$126,099	\$142,272	\$109,929			\$ 2,031,318
Allocation o Allocation of Fire Service				\$84,317				
Total Modified Cost of Service	\$5,163,203	\$1,106,144	\$300,218	\$2,301,816	\$502,736			\$ 9,374,117
Unit of Measure	hcf	hcf / day	hcf / day	Equiv. meters	Monthly bills			
Total Units of Services	3,314,078	6,356	3,632	14,028	10,326			
Unit cost of service \$	1.56	\$ 0.48	\$ 0.23	\$ 13.67	\$ 4.06			
Average unit cost of service \$	1.98							

G. Proposed Rates

After careful review of the City's revenue requirements and cost of service, RFC recommends that the City retains the current rate structure that includes both a fixed monthly service charge and a variable quantity, or commodity, rate.

Service Charge: We suggest that the City continues to utilize a monthly service charge varying by meter size. The service charge that makes up the fixed revenue portion of the City's total rate revenue is currently 35 percent. Under the proposed rates, the fixed revenue will decrease to 30 percent of the total revenue. The variable revenue will increase to 70 percent in FY 2011 from the original 65 percent. The California Urban Water Conservation Council (CUWCC) recommends that fixed revenue be no more than 30 percent of total rate revenue in order to

promote conservation. Fixed revenues provide the City with a stable source of income and can act as insurance against widely varying water usage.

Quantity Rate: We recommend that the City continues to maintain a quantity rate. To encourage conservation, it is recommended that the increasing block rate structure remain as three tiers. The recommended monthly usage levels in each tier will be:

First Tier: 0 – 12 hcf (31 percent of use and 43 percent of the bills fall within this block).

Second Tier: 12 – 25 hcf (17 percent of use and 31 percent of the bills fall within this block).

Third Tier: Over 25 hcf (52 percent of use and 27 percent of the bills fall within this block).

The recommended rate structure is shown in Table II-14. The effective rate increase for an average SFR customer is approximately 27 percent, assuming a $\frac{3}{4}$ -inch meter and monthly usage of 20 hcf.

Table II-14: Proposed Water Rates

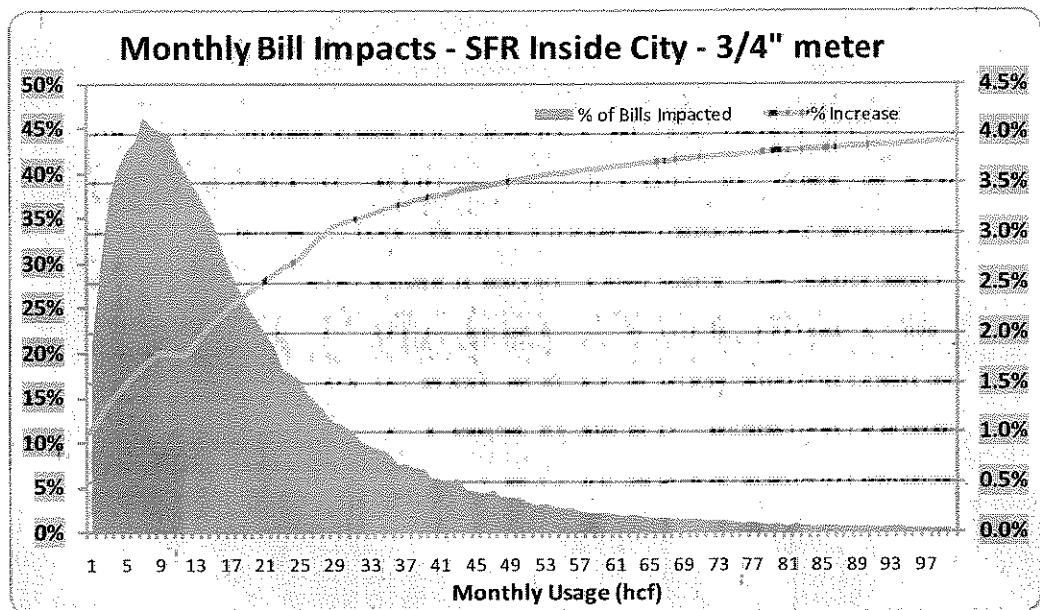
Monthly Water Charges								
Service Charge Meter Size	Existing FY 2010	Service Charge Meter Size	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015	
5/8 inch	\$ 16.77	5/8 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89	
3/4 inch	\$ 16.77	3/4 inch	\$ 17.73	\$ 19.15	\$ 20.68	\$ 22.33	\$ 23.89	
1 inch	\$ 25.64	1 inch	\$ 26.85	\$ 29.00	\$ 31.32	\$ 33.83	\$ 36.20	
1 1/2 inch	\$ 46.87	1 1/2 inch	\$ 49.64	\$ 53.61	\$ 57.90	\$ 62.53	\$ 66.91	
2 inch	\$ 72.51	2 inch	\$ 76.98	\$ 83.14	\$ 89.79	\$ 96.97	\$ 103.76	
3 inch	\$ 132.64	3 inch	\$ 140.80	\$ 152.06	\$ 164.22	\$ 177.36	\$ 189.78	
4 inch	\$ 218.41	4 inch	\$ 232.00	\$ 250.56	\$ 270.60	\$ 292.25	\$ 312.71	
6 inch	\$ 432.40	6 inch	\$ 459.81	\$ 496.59	\$ 536.32	\$ 579.23	\$ 619.78	
8 inch	\$ 688.84	8 inch	\$ 733.29	\$ 791.95	\$ 855.31	\$ 923.73	\$ 988.39	
Commodity Charge								
0-9 HCF	\$ 1.15	0 - 12 HCF	\$ 1.56	\$ 1.68	\$ 1.81	\$ 1.95	\$ 2.09	
10-29 HCF	\$ 1.34	13 - 25 HCF	\$ 1.98	\$ 2.14	\$ 2.31	\$ 2.49	\$ 2.66	
30+ HCF	\$ 1.51	26 + HCF	\$ 2.24	\$ 2.42	\$ 2.61	\$ 2.82	\$ 3.02	

H. Customer Impacts

Before implementing any rate structure recommendations, it is important to understand how the proposed rate structure would impact water customers. RFC worked closely with City Staff to ensure that the new rate structure would recover the necessary revenue requirements while at the same time maintaining manageable customer impacts.

RFC has developed the following figure (Figure II-3), which demonstrates the impacts of the proposed rates for FY 2011 on customers across all levels. The figure shows a graphical presentation of the level of rate increases experienced by residential customers with $\frac{3}{4}$ -inch meter. The red line represents the percentage change in monthly bills and the blue area represents the percentage of bills at each level of usage for residential customers with $\frac{3}{4}$ -inch meter.

Figure II-3: Customer Impacts



III. WASTEWATER ENTERPRISE

The City provides wastewater service through approximately 11,000 service connections, including residential, commercial, and a correctional facility. Wastewater collected through the collection system is treated at the wastewater treatment plant. In order to augment the City's current water supply, the City is planning to build a 1.5 million gallons per day (MGD) tertiary treatment plant to produce recycled water, which can be used for irrigation purposes. The treatment plant expansion is expected to be financed by a low-interest State Revolving Fund (SRF) loan.

A. Existing Rates

The City currently employs a monthly sewer usage charge of \$12.86 per equivalent dwelling unit (EDU) which has not been updated since 2003. In addition to the service fee, a monthly surcharge of \$2.00 per EDU is charged for the treatment plant upgrade. Table III-1 depicts the schedule of service fees and EDU apportionment by customer class.

The most significant source of operating revenue is user fees. Under the existing rate structure, user fees comprise nearly 87 percent of total operating revenue in FY 2009. Although included in monthly billings, revenues generated from the surcharge are transferred to a separate fund, which is reserved for the construction of a tertiary treatment plant.

Wastewater customers discharge different levels of wastewater flow according to their various requirements. The City estimates average usage patterns and categorizes them by customer classes, including residential and commercial. The City has determined that the average level of wastewater discharge for a single-family residence is 225 gallons per day (GPD). This usage pattern equates to one EDU. For the purposes of pricing, the EDU rate is an important feature of the City's pricing structure. It may be conceptualized as a common factor or customer equivalent, which equates the relative service requirements of each customer class to that of a single-family residence. For instance, a recreational vehicle typically discharges a relatively small amount of wastewater flow into the system for treatment. The quantity is on average a fraction of the discharge that single-family unit exhibits. As a matter of cost recovery, the utility is obliged to recover proportionately less from recreational vehicles than from single-family units. The recreation vehicle is charged an equivalent $\frac{3}{4}$ EDU. Accordingly, Table III-1 shows that recreational vehicles contribute \$9.65 per month under existing rates, whereas single-family units contribute \$12.86 per month.

Commercial and institutional customers that are not depicted in Table III-1, as well as all industrial units, are evaluated by the City on a case by case basis. The determination of EDUs is based upon the estimated quality and quantity of discharge into the wastewater system. Moreover, if the discharge by a commercial, institutional or industrial establishment exceeds the constituent levels of an equivalent dwelling unit, the City may impose a surcharge to cover costs of processing the additional constituents, and/or require pretreatment before granting a wastewater discharge permit.

Table III-1: Existing Wastewater Rates

		<u>EDU</u>	<u>Existing Rates Per Month</u>	<u>Surcharge Per Month</u>
<u>Residential</u>				
a.1) Each individual single-family, condominium, apartment, or mobilehome		1.00	12.86	2.00
a.2) Each recreational vehicle space connected to sewer		0.75	9.65	1.50
a.3) Each recreational vehicle space using private sanitary facilities		0.50	6.43	1.00
<u>Commercial</u>				
b.1) Hotels and Motels	Living unit w/o kitchen	0.50	6.43	1.00
	Living unit with kitchen	1.00	12.86	2.00
b.2) Churches, theaters and auditoriums (per each 100 seats)		1.00	12.86	2.00
b.3) Restaurants (per each 7 seats)		1.00	12.86	2.00
b.4) Automobile svc stations	4 Gasoline pumps or less	2.00	25.72	4.00
	More than 4 gasoline pumps	3.00	38.58	6.00
b.5) Laundries (self-service) Per washer		0.75	9.65	1.50
b.6) Retail stores and offices	First unit in building	1.00	12.86	2.00
	Per additional unit in building	0.60	7.72	1.20
<u>Institutional</u>				
c) Schools	Elementary - for each 60 pupils or fraction thereof	1.00	12.86	2.00
	Junior High - for each 50 pupils or fraction thereof	1.00	12.86	2.00
	High - for each 30 pupils or fraction thereof	1.00	12.86	2.00

B. Growth

From a planning and rate making standpoint, one of the most important areas of consideration is customer related data and statistics. The City receives a significant portion of its operating revenue through monthly service charges. It also receives a significant amount of revenue for capital improvement through the tertiary treatment plant surcharge. These revenues are forecasted by applying customer growth projections to the existing customer base and applying the City's existing rate structure for the services provided. Inaccurate information can critically impede these projections.

The City's growth forecast is projected over the next five years. Due to the current economic condition, the City has lost approximately 780 Equivalent Dwelling Units (EDUs) in the past fiscal year. The City is projecting that the number of EDUs will return to pre-2009 level over the next two years. Subsequently, the City is projecting some growth, approximately 14 to 20 EDUs each year from FY 2013 through FY 2015. The Wastewater Rate Model developed for this study provides flexibility to adjust the growth rates as needed. Moreover, the regional correctional facility is expected to expand and the EDUs would grow by 800 in FY 2011, which has been incorporated into the model to reflect the additional revenue in capital facilities fee. Table III-2 summarizes growth projections by customer class.

Table III-2: Growth Projections by Customer Class

Line No.	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Customer Class						
1 Residential	10,084	10,351	10,665	10,679	10,696	10,717
2 Commercial	3,763	3,863	3,975	3,975	3,975	3,975
3 Regional Correction Facility	975	1,775	1,775	1,775	1,775	1,775
4 Total	14,822	15,989	16,415	16,429	16,446	16,466

The City wastewater enterprise has two main types of revenue: operating and non-operating. Operating revenues include the sale of wastewater service to general customers, as well as the sale of other services.

Revenue under existing rates is anticipated to increase at the same rate as EDU growth projections. Although the usage charge and surcharge are both projected over the planning period, the surcharge is not directly related to the sale of wastewater service and is not considered operating revenue. Proceeds generated from the surcharge are transferred to a separate fund and reserved for the construction of the tertiary treatment plant.

Table III-3 summarizes the City's forecast of revenue through existing rates summarized by customer class. The table depicts revenues generated from both user charges and the tertiary treatment plant surcharge.

Table III-3: Revenue under Existing Rates

Line No.	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Usage Charge						
1 Residential	\$ 1,556,165	\$ 1,597,403	\$ 1,645,865	\$ 1,648,004	\$ 1,650,641	\$ 1,653,777
2 Commercial	\$ 580,727	\$ 596,116	\$ 613,403	\$ 613,403	\$ 613,403	\$ 613,403
3 Regional Correction Facility	\$ 150,462	\$ 273,918	\$ 273,918	\$ 273,918	\$ 273,918	\$ 273,918
4 Subtotal	\$ 2,287,353	\$ 2,467,437	\$ 2,533,186	\$ 2,535,325	\$ 2,537,962	\$ 2,541,098
			\$ 2,297,445			
Surcharge						
5 Residential	\$ 242,016	\$ 248,430	\$ 255,966	\$ 256,299	\$ 256,709	\$ 257,197
6 Commercial	\$ 90,315	\$ 92,709	\$ 95,397	\$ 95,397	\$ 95,397	\$ 95,397
7 Regional Correction Facility	\$ 23,400	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600
8 Subtotal	\$ 355,731	\$ 383,738	\$ 393,964	\$ 394,296	\$ 394,706	\$ 395,194
9 TOTAL EXISTING RATE REVENUES	\$ 2,643,085	\$ 2,851,175	\$ 2,927,149	\$ 2,929,622	\$ 2,932,669	\$ 2,936,293

C. Revenue Requirements

The adequacy of the existing rate structure can be measured by comparing revenue requirement projections against revenue projections under existing rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted. The City provided a number of forward looking assumptions in order to facilitate projections and assess the practicality of rate adjustments. Projections beyond five years generally are less reliable. This is a reasonable timeframe to assist management, policymakers, investors, and bond rating agencies,

as well as the public or other agents that need to evaluate the financial position or revenue requirements of the wastewater utility.

For any utility to maintain its service obligations, the utility must recover its revenue requirements on an ongoing basis. These expenditures include the cost of operating and maintaining wastewater collection, treatment, and discharge facilities. Additional expenses include the costs of providing technical services, such as laboratory functions, and administrative costs, such as billing and accounting. O&M expenditures are the normal cost obligations of the wastewater system and are met from operating revenues as they are incurred.

The City's FY 2010 budget was used as the base year for O&M costs. Standard escalation rates were used to project other expenses over the life of the forecast study (FY 2011 to FY 2015). O&M expenses are subject to an annual 3 percent inflation increase, based on historical CPI.

Table III-4 below shows the projected O&M expenses for the wastewater utility.

Table III-4: O&M Expenses

Line No.	Descriptions	Budgeted 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
1	Salary & Wages	\$ 337,742	\$ 347,874	\$ 358,310	\$ 449,060	\$ 542,532	\$ 558,808
2	Fringe Benefits	\$ 161,872	\$ 166,728	\$ 171,730	\$ 202,945	\$ 235,097	\$ 242,150
3	Contractual Services	\$ 690,850	\$ 711,576	\$ 732,923	\$ 754,910	\$ 977,558	\$ 1,006,884
4	Miscellaneous Services	\$ 420,798	\$ 432,231	\$ 444,007	\$ 456,136	\$ 694,823	\$ 714,477
5	Interfund Services Payments	\$ 455,727	\$ 463,969	\$ 472,458	\$ 481,202	\$ 490,208	\$ 499,484
6	Interfund Services Transfers	\$ 811,825	\$ 834,177	\$ 697,136	\$ 697,111	\$ 696,759	\$ 700,973
7	Capital Expenditures/Outlay	\$ 135,000	\$ 139,050	\$ 143,222	\$ 147,518	\$ 151,944	\$ 156,502
8	TOTAL O&M EXPENSES	\$ 3,013,814	\$ 3,095,604	\$ 3,019,786	\$ 3,188,882	\$ 3,788,920	\$ 3,879,278

Capital expenditures are generally classified into broad categories, including routine replacement of existing facilities, normal extensions and improvements, and major capital replacements and improvements. Sound capital expenditure forecasts are critical to developing adequate revenue requirement projections. The City has developed a comprehensive wastewater Capital Improvement Plan (CIP) to address the future needs of the wastewater system. The major project in the CIP is the wastewater treatment plant (WWTP) expansion, which is expected to be completed in 2013. The CIP is to be funded through a combination of system revenues and debt financing. The WWTP will be funded through a low interest SRF loan. It is estimated that the interest on the SRF loan will be 2.6 percent for 20 years.

Table III-5 summarizes the CIP projections over the forecast period. The figures have been escalated by an inflation factor of one percent in FY 2010, 2 percent in FY 2011, 3 percent in FY2012, and 4 percent per year thereafter.

Table III-5: Inflated CIP Expenses

Line No.	Project	Budgeted	Projected	Projected	Projected	Projected	Projected
		2010	2011	2012	2013	2014	2015
1	FP-21 WWTP Expansion - 1.5mgd	\$ -	\$ -	\$ 7,109,410	\$ 11,642,455	\$ -	\$ -
2	Irrigation Water System	\$ -	\$ 3,090,600	\$ 3,183,318	\$ 4,414,201	\$ -	\$ -
3	Future CIP	\$ -	\$ -	\$ -	\$ -	\$ 1,147,692	\$ 1,193,600
4	Total CIP (inflated)	\$ -	\$ 3,090,600	\$10,292,728	\$16,056,656	\$ 1,147,692	\$ 1,193,600

D. Proposed Revenue Adjustments

Under existing rates, the City projects considerable deficits in net annual cash balances throughout the planning period and thereafter.

The first rate adjustment will be implemented in September 2010. Subsequent rate increases are anticipated to take place on September 1st of each year. The adjustments based on the monthly service charge (excluding surcharge for tertiary system upgrade) to customers are as follows:

September 2010	12 percent
September 2011	15 percent
September 2012	15 percent
September 2013	15 percent
September 2014	3 percent

The cash flow summary presented in Table III-6 provides a basis for evaluating the timing and level of revenue increases required to meet the projected revenue requirements for the study period. The debt service for the SRF loan and the 2005 Wastewater Revenue Bond (BUA Wastewater Debt Service) are also included as revenue requirements.

Table III-6: Wastewater Operating Cash Flow

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues from Rates							
1	User fees	\$ 2,287,353	\$ 2,467,437	\$ 2,533,186	\$ 2,535,325	\$ 2,537,962	\$ 2,541,098
Additional Revenues Needed:							
				Months Effective			
3	FY	Percent	0				
4	2010	0%	0	\$ -	\$ -	\$ -	\$ -
4	2011	12%	10	\$ 246,744	\$ 303,982	\$ 304,239	\$ 304,555
5	2012	15%	10	\$ 354,646	\$ 425,935	\$ 426,378	\$ 426,905
6	2013	15%	10	\$ 408,187	\$ 490,334	\$ 490,940	\$ 490,940
7	2014	15%	10	\$ 469,904	\$ 564,581	\$ 564,581	\$ 564,581
8	2015	3%	10	\$ 108,211			
9	Total Revenue from Rates	\$ 2,287,353	\$ 2,714,181	\$ 3,191,814	\$ 3,673,687	\$ 4,229,133	\$ 4,436,668
Other Revenues							
10	Interest Income	\$ 192,720	\$ 186,851	\$ 166,696	\$ 237,040	\$ 190,523	\$ 199,826
11	Miscellaneous Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Total Operating Revenue	\$ 2,480,073	\$ 2,901,031	\$ 3,358,510	\$ 3,910,727	\$ 4,419,657	\$ 4,636,493
Revenue Requirements							
13	O&M Expenses Less Transfer & Capital Outlay	\$ 2,066,989	\$ 2,122,378	\$ 2,179,428	\$ 2,344,253	\$ 2,940,217	\$ 3,021,803
14	Annual Capital Outlay	\$ 135,000	\$ 139,050	\$ 143,222	\$ 147,518	\$ 151,944	\$ 156,502
15	Transfer to SRF Fund	\$ 289,000	\$ 304,289	\$ 304,289	\$ 304,289	\$ 304,289	\$ 304,289
16	BUA Wastewater Debt Service	\$ 522,825	\$ 529,888	\$ 392,848	\$ 392,822	\$ 392,470	\$ 396,685
17	Additional State Revolving Fund Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 955,252	\$ 955,252
18	Total Revenue Requirements	\$ 3,013,814	\$ 3,095,604	\$ 3,019,786	\$ 3,188,882	\$ 4,744,171	\$ 4,834,529
19	Net Annual Cash Balance	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
20	Transfers from/(to) Capital Facility Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Net Annual Cash Balance (After Transfer)	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
22	Debt Service Coverage (w/o Connection Fee)	95%	138%	227%	285%	115%	123%
23	Required Coverage (w/o Connection Fee)	100%	100%	100%	100%	100%	100%
24	Debt Service Coverage (w/ Connection Fee)	206%	295%	235%	290%	118%	126%
25	Required Coverage (w/ Connection Fee)	115%	115%	115%	115%	115%	115%

Prudent business practice requires that the City maintains an operating reserve funded from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. RFC recommends that the City maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the City should maintain a capital reserve with a target of 50 percent of average annual capital expenses over the planning period. Table III-7 shows the projected balance in each of the reserves.

Table III-7: Wastewater Reserves Balance

Line No.		Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operations Fund							
1	Beginning Balance	\$ 2,406,754	\$ 1,873,013	\$ 1,678,440	\$ 2,017,164	\$ 2,739,009	\$ 2,414,494
2	Net Annual Cash Balance	\$ (533,741)	\$ (194,573)	\$ 338,724	\$ 721,845	\$ (324,515)	\$ (198,036)
3	Ending Balance	\$ 1,873,013	\$ 1,678,440	\$ 2,017,164	\$ 2,739,009	\$ 2,414,494	\$ 2,216,458
4	Target Reserve - 25% of O&M	\$ 550,497	\$ 565,357	\$ 580,662	\$ 622,943	\$ 773,040	\$ 794,576
Capital Facility Fees Fund							
5	Beginning Balance	\$ 10,386,744	\$ 11,644,244	\$ 13,027,982	\$ 8,250,798	\$ 4,442,200	\$ 3,761,817
6	Capital Revenues	\$ 900,000	\$ 1,300,000	\$ 62,330	\$ 63,627	\$ 72,603	\$ 81,619
7	Surcharge Revenue	\$ 357,500	\$ 383,738	\$ 393,964	\$ 394,296	\$ 394,706	\$ 395,194
8	Transfers from/(to) Irrigation Fund			\$ (5,500,000)			
9	Transfer from/(to) Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	2012 SRF Funding			\$ 7,375,933	\$ 7,375,933		
11	Expenses	\$ -	\$ (300,000)	\$ -	\$ -	\$ -	\$ -
12	Loan to Water Enterprise						
13	Repayment of Loan						
14	CIP Projects	\$ -	\$ -	\$ (7,109,410)	\$ (11,642,455)	\$ (1,147,692)	\$ (1,193,600)
15	Ending Balance	\$ 11,644,244	\$ 13,027,982	\$ 8,250,798	\$ 4,442,200	\$ 3,761,817	\$ 3,045,031
BUA WW Capital Project Fund							
16	Beginning Balance	\$ 2,319,302	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -
17	Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Transfers from/(to) Irrigation Fund		\$ (2,319,302)				
19	Ending Balance	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation Fund							
20	Beginning Balance	\$ 2,955,409	\$ 2,955,409	\$ 2,184,111	\$ 4,500,793	\$ 86,592	\$ 86,592
21	Transfers from BUA	\$ -	\$ 2,319,302	\$ -	\$ -	\$ -	\$ -
22	Transfers from Capital Facility Fees Fund	\$ -	\$ -	\$ 5,500,000	\$ -	\$ -	\$ -
23	Irrigation Water System	\$ -	\$ (3,090,600)	\$ (3,183,318)	\$ (4,414,201)	\$ -	\$ -
24	Ending Balance	\$ 2,955,409	\$ 2,184,111	\$ 4,500,793	\$ 86,592	\$ 86,592	\$ 86,592
20	Capital Reserve	\$ 16,918,955	\$ 15,212,093	\$ 12,751,591	\$ 4,528,792	\$ 3,848,409	\$ 3,131,623
25	Target Reserve - 50% of CIP	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111	\$ 1,736,111
State Revolving Fund Loan (SRF)							
26	Beginning Balance	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659
27	Transfers from Operations	\$ 289,000	\$ 304,289	\$ 304,289	\$ 304,289	\$ 1,259,540	\$ 1,259,540
28	Expenses	\$ (289,000)	\$ (304,289)	\$ (304,289)	\$ (304,289)	\$ (1,259,540)	\$ (1,259,540)
29	Ending Balance	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659	\$ 766,659
BUA WW Debt Service Fund							
30	Beginning Balance	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007
31	Transfers from Operations	\$ 522,825	\$ 529,888	\$ 392,848	\$ 392,822	\$ 392,470	\$ 396,685
32	Expenses	\$ (522,825)	\$ (529,888)	\$ (392,848)	\$ (392,822)	\$ (392,470)	\$ (396,685)
33	Ending Balance	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007	\$ 90,007

E. Proposed Rates and Customer Impacts

To calculate the wastewater rates, the total O&M and capital costs were divided by the total number of EDUs. Table III-8 summarizes the proposed rates. Rates per EDU increase to \$14.40 from \$12.86 in FY 2011. This excludes the \$2 surcharge for the wastewater treatment plant, which will continue to be collected to recover costs related to the treatment plant upgrade. The last line shows the effective percentage increase in customer's bills.

Table III-8: Proposed Wastewater Rates

	Existing Rate	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014	Proposed FY 2015
Residential*	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Commercial (\$/EDU)	\$ 12.86	\$ 14.40	\$ 16.56	\$ 19.04	\$ 21.90	\$ 22.56
Tertiary Surcharge (\$/EDU)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
\$ Change		\$ 1.54	\$ 2.16	\$ 2.48	\$ 2.86	\$ 0.66
Percent change		10.4%	13.2%	13.4%	13.6%	2.8%

* assume 1 EDU per bill; excludes \$2 surcharge.

IV. RATE SURVEY

Comparing water and wastewater rates with other representative communities can provide insights into a utility's pricing policies related to water and wastewater service. Care should be taken, however, in drawing conclusions from such a comparison. High rates may not mean the utilities are operated and managed poorly. Many factors affect the level of costs and the pricing structure employed to recover those costs. Some of the most prevalent factors include geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology. Moreover, many agencies are currently conducting their own water and/or wastewater rate studies. Thus, their current rates may not accurately reflect their current costs of providing service.

RFC conducted a survey of neighboring and comparable agencies based on each agency's effective rates as of May 2010. As shown in Figure IV-1, the City's existing monthly water and wastewater charges place it in the low end in a comparison with surrounding agencies. With the proposed increases, the City's charges remain comparable with the neighboring utilities. In order to provide a meaningful comparison, all bills are calculated on a monthly basis for a single family residence (SFR) customer using a $\frac{3}{4}$ -inch meter and an assumed monthly usage of 20 hundred cubic feet (hcf), which is the approximate average usage for SFR customers in the City. The combined effective bill increase for an average SFR customer is approximately 22.5 percent.

Figure IV-1: Rate Survey

