

**CITY OF BELMONT
CITY COUNCIL AND BELMONT FIRE
PROTECTION DISTRICT BOARD OF
DIRECTORS**



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CITY COUNCIL REGULAR MEETING AGENDA

Tuesday, April 9, 2024

7:00 PM

City Council Chambers

City Hall, One Twin Pines Lane, Belmont, California

The meeting will be broadcast live to Belmont residents on Comcast Cable Channel 27, streamed live via the City's website at www.Belmont.gov. The public may also attend the meeting in the Chambers and address the Council from the Chambers.

PUBLIC COMMENT:

To maximize time for live public comment, we encourage members of the public to provide comments by joining the Committee meeting via Zoom : For web, visit <https://belmont-gov.zoom.us/> select "Join" and enter **Meeting ID: 95745673035**. Use the Raise Hand feature to request to speak. You may rename your profile if you wish to remain anonymous.

For dial- in comments, call *67 1-(669) 900-6833 (your phone number will appear on the live broadcast if *67 is not dialed prior to the phone number), enter **Meeting ID: 95745673035**, and press *9 to request to speak. All public comments are subject to a 3-minute time limit unless otherwise determined by the Committee Chair.

If you wish to submit written public comment, you may send an email to cclerk@belmont.gov before the council considers the item. Please indicate the agenda item topic or agenda item number you wish to comment on in your email's subject line. Any public comment regarding agenda items that are received from the publication of the agenda through the meeting date will be made part of the meeting record but will not be read during the Council meeting.

- 1. ROLL CALL**
- 2. PLEDGE OF ALLEGIANCE**
- 3. REPORT FROM CLOSED SESSION**
- 4. SPECIAL PRESENTATIONS**
 - A. Proclamation Recognizing Outgoing Parks and Recreation Commissioner Karl Mittelstadt**
 - B. Belmont Sports and Multi-Use Fields Update**

C. American Public Works Association (APWA) Accreditation Update

5. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

This portion of the meeting is reserved for persons wishing to address the Body on any City matter not on the agenda. The period for public comment at this point in the agenda is limited to 15 minutes, with a maximum of 3 minutes per speaker. Speakers who requested but did not receive an opportunity to speak during this comment period will be given an opportunity to address the Body later in the meeting. State law prohibits the Body from acting on non-agenda items.

6. COUNCILMEMBER ANNOUNCEMENTS

7. CONSENT BUSINESS

Consent business items are considered to be routine in nature and will be enacted by one motion. There will be no separate discussion on these items unless a member or staff request specific items to be removed for separate action. The City Attorney will read the title of ordinances to be adopted.

A. Sanitary Sewer Root Abatement Service Agreement

Recommendation: Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Duke's Root Control, Inc., for root foaming of sanitary sewer lines for an amount not to exceed \$60,000.

Attachment(s):

[Staff Report](#)
[Resolution](#)

B. Service Agreement Amendment with George Hills Company

Recommendation: Adopt a resolution authorizing the City Manager to negotiate and execute Amendment No. 3 to the Service Agreement with George Hills Company for claims adjustment and administration services in an amount not-to-exceed \$66,000, through June 30, 2025.

Attachment(s):

[Staff Report](#)
[Implementing Resolution](#)
[George Hills' Proposal](#)

C. Senate Bill 1 (SB 1) Local Streets and Roads Project List FY 2024-2025

Recommendation: Adopt a resolution approving a list of proposed projects for fiscal year (FY) 2024-2025 funded by the Road Repair and Accountability Act of 2017

Attachment(s):

[Staff Report](#)
[Resolution](#)
[2025 Pavement Rehabilitation Street List](#)

8. PUBLIC HEARINGS - None

9. GENERAL BUSINESS

General Business items are considered separately, typically in the order listed. The chair will call for public comment on each item when the body considers the item.

A. Comprehensive Sewer Rate Study and Proposed Sewer Changes for Fiscal Years 2024-25 and 2025-26

Recommendation: Adopt a resolution proposing sewer charges for Fiscal Years 2024-25 and

2025-26, setting a Proposition 218 hearing for June 11, 2024, directing staff to provide notice of the hearing as required by law, and adopting protest procedures

Attachment(s):

[Staff Report](#)

[Resolution](#)

[City of Belmont - 2024 Sewer Rate Study DRAFT Report 04.05.24](#)

B. Housing Element Annual Progress Report 2023 and Housing Successor Annual Report FY 2022-2023

Recommendation: Review the Housing Element Annual Progress Report 2023 and the Housing Successor Annual Report FY 2023, and direct transmittal to the California Governor's Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD).

Attachment(s):

[Staff Report](#)

[Housing Element Report](#)

[Annual Report FY23](#)

10. BRIEF VERBAL REPORTS FROM MEMBERS AND STAFF

A. Verbal report from Councilmembers on Intergovernmental (IGR) and Subcommittee Assignments

B. Verbal report from City Manager

11. MATTERS OF INTEREST/CLARIFICATION

Items in this category are for discussion and direction to staff only. However, Council/Board may take final action on an item if there is no need for additional staff analysis.

12. ADJOURNMENT

If you need assistance to participate in this meeting, please contact the City Clerk at (650) 595-7413. Notification in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. Meeting information can also be accessed via the internet at: www.belmont.gov. All staff reports will be posted to the web in advance of the meeting, and any writings or documents provided to a majority of the City Council/District Board or Commission regarding any item on this agenda will be made available for public inspection in the City Clerk's Office, One Twin Pines Lane, during normal business hours and at the Council Chambers at City Hall, Second Floor, during the meeting.

AGENDA POSTING: I declare a copy of this agenda was posted at City Hall, One Twin Pines Lane, and the City's website www.belmont.gov on _____, at _____ . /s/ _____



STAFF REPORT

Meeting Date: April 9, 2024
Agency: City of Belmont
Staff Contact: Tim Murray, Public Works, tmurray@belmont.gov, 650-637-2932
Agenda Title: Sanitary Sewer Root Abatement Service Agreement
Agenda Action: Resolution

Recommendation

Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Duke's Root Control, Inc., for root foaming of sanitary sewer lines for an amount not to exceed \$60,000.

Strategic Focus Area

Infrastructure and Mobility

Background

The City has approximately 430,000 feet of sewer mains. Intrusion of roots into sewers is one of the most destructive problems encountered in a wastewater collection system. Root-related problems include:

- Structural damage caused by tree roots penetrating into sewer mains
- Formation of septic pools behind root masses
- Sewer stoppages and overflows

In urban locations such as the City of Belmont, good sources of nutrients and moisture for tree roots can be scarce, directing root systems toward the collection system pipes where it finds every opportunity to penetrate the pipe system. Even microscopic openings permit hair-like root systems to penetrate the pipe wall damaging the pipe structure and causing maintenance problems such as blockages and overflows.

Root control treatments help to significantly reduce the likelihood of sanitary sewer overflows in the City's sewer system. Root foaming is a standard maintenance method of applying a chemical root control agent to the sewer pipe interior to control growth of roots in sewers. The chemical root foaming agent is approved by the U.S. Environmental Protection Agency for this use and is accepted by the Silicon Valley Clean Water wastewater treatment plant, as it has no ill-effects on water quality or treatment system equipment. The foam is pumped through the sewer main from manhole to manhole to compress it against all pipe surfaces. Roots in the sewer stop growing and eventually die upon contact with the herbicide foam; trees are not otherwise harmed with this method. The treatment generally inhibits re-growth for three to five years.

Analysis

The city annually plans to treat approximately 10% of the sewer mains citywide and has averaged approximately \$75,000 in root foaming services in previous years. CIP and in house rehab projects have allowed us to remove several lines from the root foaming lists. Last year, this reduced our annual cost by



over 10%, to \$66,000. This year, we have reduced our cost to \$60,000. The Public Works Department has made it a priority to remove certain sections of the system from future root-foaming once confirmed that those sections will or have been repaired by capital improvement projects or in house repairs thus negating the need for root foaming service.

In an ongoing effort to conduct preventative maintenance on the sanitary sewer mains, staff is proposing to engage Duke’s Root Foaming (Duke) to treat sewer mains city-wide. Duke will be performing root foaming treatment of a select group of our sanitary sewer main lines with heavy root intrusion. This root foaming treatment will help kill current root growth in the sewer system and prevent future growth for up to three years per Duke’s warranty terms. The select group of sewer main lines include 420 feet of 10-inch pipe, 1,597 feet of 8-inch pipe and 31,051 feet of 6-inch pipe. The City has satisfactory experience using Duke on previous contracts and is using a cooperative procurement process described below to contract with Duke for the upcoming preventative maintenance work.

In 2016, the City Council authorized the City to enter a cooperative purchasing contract through HGACBuy in lieu of following the City’s competitive procurement process. HGACBuy is a "Government-to-Government" procurement service available nationwide. Using this service makes the governmental procurement process more efficient by establishing competitively priced contracts at larger scales for goods and services and providing the customer service necessary to help its members achieve their procurement goals. All contracts available to members of HGACBuy have been awarded by virtue of a public competitive procurement process compliant with state statutes. All units of local government, including non-profits providing governmental services, are eligible to join HGACBuy provided the governing body (City Council) authorizes the contract

Alternatives

- 1. Take no action.
- 2. Refer back to staff for further information.

Attachments

- A. Resolution.

Fiscal Impact

☐ No Fiscal Impact

☒ Funding Source Confirmed: \$60,000 is anticipated for root foaming service for the remainder of the current fiscal year and the funding has been allocated in the current year’s operating budget in the Sewer Collections Fund (Account Number 501-3-710-8351).

Source:

Staff

Purpose:

Discretionary Action

Public Outreach:

Posting of Agenda

RESOLUTION NO. 2024 –

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT
AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A TASK
ORDER WITH DUKE’S ROOT CONTROL, INC., FOR ROOT FOAMING OF
SANITARY SEWER LINES FOR AN AMOUNT NOT TO EXCEED \$60,000**

WHEREAS, in 2016, the City Council authorized the City to enter into a cooperative purchasing contract through (Houston-Galveston Area Council Buy) in lieu of following the City’s competitive procurement process; and,

WHEREAS, HGACBuy is a "Government-to-Government" procurement service available nationwide, and using this service makes the governmental procurement process more efficient by establishing competitively priced contracts at larger scales for goods and services; and,

WHEREAS, \$60,000 is currently budgeted in Fiscal Year 2023 in Account Number 501-3-710-8351/Other Professional Technical.

NOW, THEREFORE, the City Council of the City of Belmont resolves as follows:

SECTION 1.: The City Manager is authorized to negotiate and execute an agreement purchasing sanitary sewer line root foaming service from Duke’s Root Control, Inc. for an amount not to exceed \$60,000.

* * *

ADOPTED April 9, 2024 by the City of Belmont City Council by the following vote:

Ayes:

Noes:

Absent:

Abstain:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney



STAFF REPORT

Meeting Date: April 9, 2024
Agency: City of Belmont
Staff Contact: Grace Castaneda, Finance Director, gcastaneda@belmont.gov
Nawel Voelker, Management Analyst, nvoelker@belmont.gov
Agenda Title: Service Agreement Amendment with George Hills Company
Agenda Action: Resolution

Recommendation

Adopt a resolution authorizing the City Manager to negotiate and execute Amendment No. 3 to the Service Agreement with George Hills Company for claims adjustment and administration services in an amount not-to-exceed \$66,000, through June 30, 2025.

Strategic Focus Area

Fiscal and Organizational Sustainability

Background

George Hills Company (George Hills) has served as the City's third-party claims administrator (TPA) since 1996. The third-party administrator assists the City in responding to liability claims quickly and effectively, and performs thorough investigations as needed. In addition, the TPA provides guidance to the City practices and decisions related to claims adjusting, performs regular quarterly reviews on outstanding claims with staff and the City's insurance broker, takes initiative on processing claims from submittal to close of file, and reports applicable claims to the City's excess insurance carrier, including monitoring of those claims to close of file.

In 2016, City Council approved a 3-year contract with George Hills for \$50,000 on a time and expense basis. In 2019 and 2022, additional Amendments were executed for additional 3 years, respectively, each for \$50,000 on the same time and expense basis.

The City is currently a little over halfway through the term of its second Amendment with George Hills and, as of November 2023, funds for Amendment No. 2 are depleted. Staff has been working closely with George Hills to identify reasons for the accelerated rate in which funds were being expended.

Analysis

There were a few reasons as to why the funds have been depleted at an accelerated rate. Firstly, as a result of their own internal audit (at the City's request), the vendor discovered that there were some billing irregularities whereby the adjuster had overlooked certain charges to bill in the months in which the services were performed, so those charges were subsequently invoiced in batches at a later time, which crossed fiscal years. As a concession, George Hills has offered a credit to be applied towards these invoices. Secondly, as is consistent with the current market trend, the City's claim frequency increased



58% from FY 2021-22 to FY 2022-23 and is on pace to increase yet again this fiscal year. As such, this has impacted the amount of time and expense spent on each claim.

Notwithstanding the above-mentioned reasons, the City and consultant are reviewing procedural improvements that can be applied to the City's internal process that will help to reduce time and expense charges on behalf of the adjuster. Further, the City has requested that George Hills reassign a new adjuster to the City to meet the City's service and efficiency goals that will again help to reduce costs under this contract.

Staff has analyzed the option of moving to a fixed fee contract as proposed by the TPA to explore all options of savings, but analysis showed that using the current time and expense approach is more economical and aligns better with the City's needs, especially with a revised internal process and a new adjuster that are expected to reduce overall cost.

Additional funds are needed to continue the City's claims administration services with George Hills Company through contract term that is set to expire on June 30, 2025. After performing an analysis of current costs due and estimating time and expense costs of claims administration through the contract term, staff is requesting that the City Council adopt the attached Resolution authorizing the City Manager to negotiate and execute Amendment No. 3 to the Service Agreement with George Hills Company in an amount of \$60,000 plus a 10% contingency for a total not-to-exceed amount of \$66,000. \$19,000 of this amount is estimated to cover this fiscal year with the remaining amount to be incorporated into the proposed FY 2024-25 budget.

Alternatives

1. With direction, seek an alternative third-party claims administrator.
2. Take no action.

Attachments

- A. Implementing Resolution
- B. George Hills Proposal

Fiscal Impact

☐ No Fiscal Impact

☒ Funding Source Confirmed:

There is sufficient funding in the Liability Insurance Fund (Account #571-1-503-8351) to cover for the estimated cost in the current fiscal year. Estimated cost for the next fiscal year will be incorporated in the FY 2024-25 budget development process.

Source:

Staff

Purpose:

Discretionary Action

Public Outreach:

Posting of Agenda

RESOLUTION NO. 2024 –

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AMENDMENT NO. 3 TO THE SERVICE AGREEMENT WITH GEORGE HILLS COMPANY FOR CLAIMS ADJUSTMENT AND ADMINISTRATION SERVICES FOR A TOTAL AMOUNT NOT TO EXCEED \$66,000

WHEREAS, the City has need of third party claims administration services; and,

WHEREAS, George Hills Company (GHC) has demonstrated expertise in this field and has served as the City's third-party administrator since 1996; and,

WHEREAS, in May 2022, the City executed Amendment No. 2 with GHC to provide these services from July 1, 2022 through June 30, 2025 for an amount not to exceed \$50,000; and,

WHEREAS, as of November 2023, Amendment No. 2 funds have been depleted; and,

WHEREAS, additional claims adjusting and administration services are needed in order to complete the contract term through June 30, 2025; and,

WHEREAS, GHC has provided the City with a full scope of work, attached hereto as Exhibit A.

WHEREAS, There is sufficient funding in the Liability Insurance Fund (Account #571-1-503-8351) to cover for the estimated cost in the current fiscal year. Estimated cost for the next fiscal year will be incorporated in the FY 2024-25 budget development process and subject to budget approval.

NOW, THEREFORE, the City Council of the City of Belmont resolves as follows:

SECTION 1. The City Manager is authorized to negotiate and execute an amendment purchasing claims adjusting and administration services from George Hills Company for \$60,000 plus a 10% contingency for a total amount not to exceed \$66,000.

* * *

ADOPTED April 9, 2024 by the City of Belmont City Council by the following vote:

Ayes:

Noes:

Absent:

Abstain:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

April 4, 2024

Nawel Voelker
Management Analyst – Finance Department
City of Belmont
One Twin Pines Lane, Suite 320
Belmont, CA 94002

Ms. Voelker,

Pursuant to our negotiations regarding the contract between the City of Belmont and George Hills, we respectfully request the following amendments to the contract:

We are asking for an increase in the not-to-exceed amount of the contract to be raised by an additional \$60,000.00 to cover the term of the current contract through June 30, 2025. This is in part due to the increase in claim frequency we have seen in claims reported by the City. Prior to the pandemic the City was reporting an average of 12 claims per year to George Hills. In 2023 there were 34 claims reported to George Hills, this year is tracking towards 26. The current “not to exceed” compensation figure is not sufficient to support the claim work in the scope of services in the contract, in addition to the work that is not claim specific yet required, which makes up the work covered by the admin fee and the MMSEA Medicare reporting fee.

Additionally, we have mutually discussed making an adjuster change. To facilitate that, we ask that the “key personnel” language be removed from the contract so we may assign appropriate claim professionals to these claims.

Essentially, we are asking for two modifications:

1. The “not-to-exceed amount” to be increased to \$60,000.00 through June 30, 2025 and,
2. Pursuant to the City’s desire to engage a different adjuster, we ask for the removal of the key personnel requirement.

All other scope of service items in our contract would remain unchanged.

Should you have any questions, please direct them to my attention.

Many Thanks,



Chris Shaffer ARM-P
Chief Operating Officer
George Hills
916.859.4826
chris.shaffer@georgehills.com



STAFF REPORT

Meeting Date: April 9, 2024
Agency: City of Belmont
Staff Contact: Harry Mar, Public Works, (650) 226-6862, HMar@belmont.gov
Agenda Title: Senate Bill 1 (SB 1) Local Streets and Roads Project List FY 2024-2025
Agenda Action: Resolution

Recommendation

Adopt a resolution approving a list of proposed projects for fiscal year (FY) 2024-2025 funded by the Road Repair and Accountability Act of 2017.

Strategic Focus Area

Infrastructure and Mobility

Background

On April 28, 2017, after years of advocating for a solution to the state's transportation crisis, the Legislature passed and the Governor signed Senate Bill 1 (SB 1) also known as the [Road Repair and Accountability Act of 2017](#), increasing transportation funding and instituting much-needed reforms. SB 1 provides the first significant, stable, and on-going increase in state transportation funding in more than two decades to address basic road maintenance, rehabilitation, and critical safety needs on state highways, local streets and road systems. With SB 1, the Road Maintenance and Rehabilitation Account (RMRA) was established to fund road repair and rehabilitation projects.

SB 1 emphasizes the importance of accountability and transparency in the delivery of California's transportation programs. To be eligible, the City must adopt by resolution a list of all projects proposed to receive funding from RMRA, created by SB 1. The proposed project list must include a description, location of each proposed project, a schedule for the project's completion, and the estimated useful life of the improvement.

In February 2024, the City Council approved a five-year pavement plan for FY 2024-2028. The plan consists of the City allocating an average of \$2.4 million in street maintenance repairs for the current five-year paving plan, with RMRA funds of approximately \$500k per year.

Analysis

For FY 2024-2025, funding from SB1 funds will provide for preparation of contract documents and the construction cost for pavement rehabilitation project across various streets where the estimated useful life of improvements range approximately between fifteen to twenty years. Please refer to Attachment B for full tentative list of streets proposed for the 2025 Pavement Rehabilitation Project.



It is anticipated that construction will begin in April 2025 and that construction will be completed in September 2025.

Alternatives

- 1. Take no action

Attachments

- A. Resolution
- B. 2025 Pavement Project Tentative List of Streets

Fiscal Impact

- ☐ No Fiscal Impact
- ☒ Funding Source Confirmed: SB 1 funding through RMRA will be allocated in FY 2024-25 budget and five-year capital improvement program.

<u>Source:</u>	<u>Purpose:</u>	<u>Public Outreach:</u>
Staff	Statutory/Contractual Requirement	Posting of Agenda

RESOLUTION NO. 2024 –

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT ADOPTING A LIST OF PROJECTS FOR FISCAL YEAR 2024-2025 FUNDED BY SENATE BILL 1: THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017

WHEREAS, Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017 (Chapter 5, Statutes of 2017) was passed by the Legislature and signed into law by the Governor in April 2017 to address the significant multi-modal transportation funding shortfalls statewide; and,

WHEREAS, SB 1 includes accountability and transparency provisions that will ensure the residents of Belmont are aware of the projects proposed for funding in our community and which projects have been completed each fiscal year; and,

WHEREAS, the City must adopt by resolution a list of projects proposed to receive fiscal year funding from the Road Maintenance and Rehabilitation Account (RMRA), created by SB 1, which must include a description and the location of each proposed project, a proposed schedule for the project's completion, and the estimated useful life of the improvement; and,

WHEREAS, the City, will receive an estimated \$500,000 in RMRA funding in Fiscal Year 2024-2025 from SB 1; and,

WHEREAS, this is the seventh year in which the City is receiving SB 1 funding and will enable the City to continue essential road maintenance and rehabilitation projects, safety improvements, repairing and replacing aging bridges, and increasing access and mobility options for the traveling public that would not have otherwise been possible without SB 1; and,

WHEREAS, the City has undergone a robust public process to ensure public input into our community's transportation project priorities list including providing information on City's website, conducting presentations at the Council meeting discussing existing and proposed street capital improvement projects; and,

WHEREAS, the City used a pavement management system to develop the SB 1 project list to ensure revenues are being used on the most high-priority and cost-effective projects that also meet the communities priorities for transportation investment, said list was developed using P-Tap program as well as 5-year Pavement Program; and,

WHEREAS, the funding from SB 1 will help the City maintain and rehabilitate 8 streets throughout the City this year and a number of similar projects into the future, currently estimated at one or two capital improvement project per fiscal year; and,

WHEREAS, the 2018 California Statewide Local Streets and Roads Needs Assessment found that the City's streets and roads are in a fair condition and this revenue will help us increase the overall quality of our road system and over the next decade will bring our streets and roads into a good condition; and,

WHEREAS, the SB 1 project list and overall investment in our local streets and roads

infrastructure with a focus on basic maintenance and safety, investing in complete streets infrastructure, and using cutting-edge technology, materials and practices, will have significant positive co-benefits statewide.

NOW, THEREFORE, IT IS HEREBY RESOLVED, ORDERED, AND FOUND BY the City Council of the City of Belmont, State of California, as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The following list of newly proposed projects will be funded in-part or solely with Fiscal Year 2024-2025 Road Maintenance and Rehabilitation Account revenues:

Project Title: 2025 Pavement Rehabilitation Project

Project Description: heavy and light rehabilitation of 8 street segments with associated curb ramps and drainage improvements

Project Location: City of Belmont (Forest Avenue, Coronet Blvd. (2 segments), Monte Cresta Drive (3 segments), Pullman Avenue, Lower Lock Avenue)

Estimated Project Schedule: Start (06/24)– Completion (10/25) based on the component being funded with RMRA funds

Estimated Project Useful Life: fifteen years.

SECTION 3. The following previously proposed and adopted project may also utilize Fiscal Year 2024-2025 Road Maintenance and Rehabilitation Account revenues in its delivery. With the relisting of these projects in the adopted fiscal year resolution, the City of Belmont is reaffirming to the public and the State our intent to fund these projects with Road Maintenance and Rehabilitation Account revenues:

Project Title: 2023 Pavement Project

Project Description: heavy rehabilitation of Middle Rd and Lyon Avenue with associated curb ramps and drainage improvements

Project Location: City of Belmont (Middle Rd between Davey Glen Rd and Notre Dame Avenue, and Lyon Avenue between Mezes Avenue and Alameda de las Pulgas)

Estimated Project Schedule: Start (03/24)– Completion (08/25) based on the component being funded with RMRA funds

Estimated Project Useful Life: fifteen years

* * *

ADOPTED April 9, 2024 by the City of Belmont City Council by the following vote:

Ayes:

Noes:

Absent:

Abstain:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

ATTACHMENT B
2025 PAVEMENT PROJECT LIST OF STREETS

Street Name	Beginning Location	End Location	Length (LF)	Width (LF)	Section Area (SF)	Current PCI
FOREST AVENUE	ALAMEDA DE LAS PULGAS	CIPRIANI BOULEVARD	950	18	17,100	29
CORONET BOULEVARD	ARTHUR AVENUE	PRINDLE ROAD	1,550	22	34,100	40
CORONET BOULEVARD	LYON AVENUE	ARTHUR AVENUE	1,750	22	38,500	66
MONTE CRESTA DRIVE	SAN JUAN BOULEVARD	BARCLAY WAY	1,600	22	35,200	42
MONTE CRESTA DRIVE	BARCLAY WAY	MONTE CRESTA COURT	225	22	4,950	81
MONTE CRESTA DRIVE	MONTE CRESTA COURT	DEAD END	600	22	13,200	36
PULLMAN AVENUE	COVINGTON ROAD	CORONET BOULEVARD	2,150	20	43,000	54
LOWER LOCK AVENUE	END OF PAVED ROAD	HILLCREST DRIVE	950	26	24,700	51



STAFF REPORT

Meeting Date: April 9, 2024
Agency: City of Belmont
Staff Contact: Peter Brown, Public Works, (650) 595-7459, pbrown@belmont.gov
Alberto Espinoza, Public Works, (650) 595-7465, aespinoza@belmont.gov
Agenda Title: Comprehensive Sewer Rate Study and Proposed Sewer Charges for Fiscal Years 2024-25 and 2025-26
Agenda Action: Resolution

Recommendation

Adopt a resolution proposing sewer charges for Fiscal Years 2024-25 and 2025-26, setting a Proposition 218 hearing for June 11, 2024, directing staff to provide notice of the hearing as required by law, and adopting protest procedures.

Strategic Focus Area

Fiscal and Organizational Sustainability

Background

The City's sewer operation is a revenue neutral utility, and the sewer fees reflects only those charges sufficient to support the community's sewer conveyance and treatment services. The sewer rate revenue is used to fund operations, maintenance, and debt service for the capital improvements associated with the City's sewer utility systems, and to fund City's portion of sewer treatment costs at the wastewater treatment plant managed by Silicon Valley Clean Water (SVCW).

In November of 2023, the City retained the services of HDR Inc. (HDR) to update the comprehensive sewer rate study for Fiscal Years 2024-25 and 2025-26. The study reviews the adequacy of the existing sewer rates to meet the system improvement needs and provide the basis for appropriate rate structures for each customer classification. In developing the sewer revenue requirement, it was assumed the utility must financially "stand on its own" and be properly funded. As a result, the revenue requirement analysis as developed assumes the full and proper funding needed to operate and maintain the system on a financially sound and prudent basis.

Analysis

Based on the sewer operational needs of the City, HDR has prepared the rate analysis for the next five fiscal years. Reviewing a multi-year time period is recommended to identify any major expenses that may be on the horizon. By anticipating future financial requirements, the City can begin planning for these changes sooner, thereby minimizing short-term rate impacts and planning for long-term rate needs. The City's working group consisting of the Public Works and Finance staff has reviewed the analysis and concurs with HDR's assessment that Fiscal Years 2024-25 and 2025-26 rate increase of 4% each year over the current rates are adequate for the City to receive sufficient revenues to meet its expenditure obligations and its planned capital improvement program.



Most the City's rate revenues are derived from residential customers. Currently, the City has two major classes of service: residential and non-residential customers. Non-residential customers are further categorized between low-strength and high-strength customers, depending on amount of water used. The City's sewer rate structure includes a fixed component, as well as a component based on the customers' winter water average consumption. Each year, the City requests the water consumption data from the Mid-Peninsula Water District (MPWD) to develop the proposed sewer rates and the revenue forecast for the next fiscal years.

Expense

Operation and maintenance (O&M) expenses are incurred by the City to operate and maintain the existing plant in service (i.e., infrastructure). Escalation factors were developed for the basic types of expenses the City incurs: labor, benefits, materials and supplies, utilities, insurance, and miscellaneous expenses.

A major cost for the sewer utility is the cost of wastewater treatment from SVCW. SVCW's costs have been increasing due to their recent major capital projects, but also because of their operating cost associated with regulatory and utility cost increases. SVCW costs are allocated proportionally among the JPA members based on their capacity rights, average annual flow rates, and strength of the sewer generated by each member agency.

The total operation and maintenance expenses for the City are projected to be approximately \$7.4 million in FY 2024-25. Of this amount, approximately \$3.5 million, is related to SVCW wastewater treatment costs. The SVCW wastewater treatment costs are purchased services and are thus not a "locally controlled" sewer cost.

Capital Funding Needs

A key component in the development of the City's sewer revenue requirement is properly funding the capital improvement needs. The City's capital and capacity improvements needs is estimated at \$28.1 million over the next 5 fiscal years. This study updated the capital improvement funding analysis based on the City's current capital plan and funding approach. However, the City is in process of finalizing its Sewer Masterplan and once it's finalized and approved, we'll revisit the capital investment needs based on the more updated information. A key consideration in issuing debt is the establishment of rates sufficient to support repayment of the debt, but also, sufficient to meet rate covenants associated with the debt (e.g., reserves, minimum debt service coverage ratios).

Debt Service

In FY 2015-16, the city issued \$16 million in bonds to fund capital project needs. The new level of annual debt service payments resulting from this issue is approximately \$1 million a year. In FY 2019-20 the City issued \$17 million of additional long-term borrowing to fund capital improvements. This debt issuance results in an additional \$1.2 million in annual debt service payments.

Revenue Requirements

Similar to the results of the prior sewer rate study, rate adjustments are necessary to meet the annual O&M renewal and replacement and capital needs of the sewer system. The projected rate adjustments allow the City to meet three key prudent financial criteria, including:



- Meeting Debt Service Coverage Ratios – During the prior rate study this was a key driver in the results of the proposed rate adjustments. The proposed rate adjustments in this study allow the City to maintain a strong debt service coverage ratio.
- Adequate Renewal and Replacement Funding – The need to maintain the system is key to minimizing future deferred capital needs. This study continued the annual renewal and replacement funding needs to prudent levels over the 5-year plan.
- Maintaining Prudent Reserve Fund Levels – The study has continued funding to increase reserve fund ending balances to typical industry levels. Given that the City receives semi-annual payments for services, it is important to have sufficient reserves (cash on hand) to fund operations between payments.

Table 1 below shows the total deficiency of revenues before any sewer rate adjustments, and it ranges from \$579,000 in FY 2024-25 to \$3.2 million by FY 2028-29. The rate adjustments needed to meet the above criteria are 4% in FYs 2024-25 and 2025-26.

Table 1 – Summary of Sewer Utility Revenue Requirements

Summary of Sewer Utility Revenue Requirements (\$000s)						
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Revenues						
Retail Rate Revenues	\$14,337	\$14,481	\$14,625	\$14,772	\$14,919	\$15,069
Other Revenues	138	872	804	782	688	719
Total Revenues	\$14,476	\$15,353	\$15,430	\$15,554	\$15,607	\$15,788
Expenses						
Collection O&M Expenses	\$3,895	\$4,021	\$4,148	\$4,280	\$4,418	\$4,561
Treatment O&M Expenses	3,625	3,496	4,090	4,270	4,470	4,670
Repair and Replacement						
Funding	3,000	5,000	5,200	5,500	6,000	6,400
I/I Capital Funding	650	668	686	705	724	744
Total Debt Service	2,500	2,503	2,498	2,501	2,501	2,497
Change in Working Capital +/-	805	244	1	142	29	181
Total Expenses	\$14,476	\$15,932	\$16,623	\$17,398	\$18,141	\$19,053
Balance/(Deficiency)	\$0	(\$579)	(\$1,193)	(\$1,844)	(\$2,534)	(\$3,265)
Cumulative as % of Rates	0.0%	4.0%	8.2%	12.5%	17.0%	21.7%
Proposed Rate Adjustment	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%

For illustrative purposes, Table 2 below shows how the present and proposed monthly sewer rates will change on a monthly bill assuming an average of eight Hundred Cubic Feet (HCF) multiplied by the Drought Regulation Adjustment (DRA).



Residential & Commercial Monthly Sewer Bill Comparison							
Monthly Consumption (per HCF)				2024-2025 Comparison			
				Present Rates	Proposed Rates	\$ Change	% Percent
<i>Adjustment Factor</i>							
Residential	<i>1.10</i>	<i>1.10</i>					
	0	0.00	0.00	\$54.75	\$56.94	\$2.19	4.0%
	8	8.80	8.80	135.36	140.77	5.41	4.0%
	10	11.00	11.00	155.51	161.73	6.22	4.0%
	15	16.50	16.50	205.89	214.13	8.24	4.0%
Commercial (LS)	0	0.00	0.00	\$54.75	\$56.94	\$2.19	4.0%
	20	22.00	22.00	256.27	266.52	10.25	4.0%
	40	44.00	44.00	457.79	476.10	18.31	4.0%
	110	121.00	121.00	1,163.11	1,209.63	46.52	4.0%
Commercial (HS)	0	0.00	0.00	\$54.75	\$56.94	\$2.19	4.0%
	30	33.00	33.00	642.48	668.18	25.70	4.0%
	60	66.00	66.00	1,230.21	1,279.42	49.21	4.0%
	110	121.00	121.00	2,209.76	2,298.15	88.39	4.0%
				2023-2024	2024-2025		
Base Charge				Present	Proposed		
Residential				\$54.75	\$56.94		
Commercial				54.75	56.94		
Flow Charge (per HCF)							
Low Strength				\$9.16	\$9.53		
High Strength				17.81	18.52		

Table 2 – Present and Proposed Rates with DRA

For this two-year rate period, the proposed rates include a 10% DRA. The City implemented the DRA in 2016 in order to adjust for the revenue shortfall as a result of water conservation impacts on the related fixed cost of the system and revenues received by the City through the consumption component of the City's sewer rate. It should also be noted that the majority of the City's collection costs are fixed and do not vary depending on the level of sewer flows. The one cost that would vary is the cost of treatment from the SVCW.

In 2026, the City will review the possibility of excluding the DRA in its rate calculation due to continual patterns in water consumption. The winter consumption data will be adjusted to "normal" levels assuming



a factor that represents the MPWD customer's actual on-going water usage in effect during the winter water period used for rate setting. In this way, the City will be able to maintain target revenues during extreme drought or wet cycle situation as well as normalizing the ongoing consumption patterns.

Table 3 below shows the side-by-side comparison of the present and proposed sewer rates for FY 2024-25 and 2025-26 rates. It is important to note that the City is not adopting the FY 2026-2028 rates as those rates are for illustrative purposes to forecast the operational costs for the outer years. Staff is recommending that the City Council set the maximum sewer rates with a drought regulation adjustment as noted below for FY 2024-25 and FY 2025-26.

Table 3 – Present and Proposed Sewer Rates

Present and Proposed Sewer Rates						
	Present Rates	Proposed Rates		Forecasted Rates		
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
COLLECTION						
<u>Residential</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge (\$/HCF)	\$6.13	\$6.38	\$6.63	\$6.90	\$7.17	\$7.46
<u>Commercial</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge Low Strength (\$/HCF)	\$6.13	\$6.38	\$6.63	\$6.90	\$7.17	\$7.46
Flow Charge High Strength (\$/HCF)	\$11.91	\$12.39	\$12.88	\$13.40	\$13.93	\$14.49
TREATMENT						
<u>Residential</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge (\$/HCF)	\$3.03	\$3.15	\$3.28	\$3.41	\$3.54	\$3.69
<u>Commercial</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge Low Strength (\$/HCF)	\$3.03	\$3.15	\$3.28	\$3.41	\$3.54	\$3.69
Flow Charge High Strength (\$/HCF)	\$5.90	\$6.14	\$6.38	\$6.64	\$6.90	\$7.18
COMBINED						
<u>Residential</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge (\$/HCF)	\$9.16	\$9.53	\$9.91	\$10.30	\$10.72	\$11.14
<u>Commercial</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge Low Strength (\$/HCF)	\$9.16	\$9.53	\$9.91	\$10.30	\$10.72	\$11.14
Flow Charge High Strength (\$/HCF)	\$17.81	\$18.52	\$19.26	\$20.03	\$20.84	\$21.67

Note: The present and proposed Drought Regulation Adjustment (DRA) is Hundred Cubic Feet (HCF) X 1.10 X \$/HCF

In developing the revenue requirement analysis, consideration was given to the financial planning considerations of the City. In particular, emphasis was placed on attempting to minimize rates, yet still have adequate funds to support the operational activities and capital projects throughout the projected time period.



Upon City Council review and direction on staff’s recommendation for the proposed adjustments in rates, staff is requesting Council direction to provide notice for setting a hearing date for consideration of the maximum rates per the Proposition 218 process as described below. Based on Council direction, staff will prepare a Notice for distribution to customers and an authorizing resolution stating the City’s intention to increase sewer rates effective FY 2024-25 and 2025-26, and schedule a public hearing on the proposed rate structure.

Proposition 218

Charges for sewer service are property-related charges subject to Proposition 218. These charges need not be submitted to an election of voters or property owners, but they are subject to a majority protest proceeding. That process is summarized as follows: (1) the City calculates a budget sufficient to cover the cost of service and determines how to spread that budget as rates across different kinds of customers (e.g., single-family, multi-family, non-residential), (2) the City provides 45 days mailed notice of a public hearing on the proposed new rates to every property owner or customer of record who will pay the new rates, (3) the City conducts the hearing and accepts written protests from property owners and customers of record, and (4) the City tallies the protests; if more than half of the affected property owners and customers of record protest the new rates in writing before the end of the hearing, the agency cannot impose the new rates; otherwise it may impose the rates at any level which does not exceed the rates stated in the notice. Majority protests under these rules are not common except when a very small number of ratepayers are involved.

Alternatives

- 1. Refer to Staff for additional information
- 2. Take no action

Attachments

- A. Resolution
- B. HDR Comprehensive Sewer Rate Study

Fiscal Impact

- ☐ No Fiscal Impact
- ☒ Funding Source Confirmed: Sewer rates are accounted for in the Sewer Collections Fund and incorporated into the budget development process.

Source:

Staff

Purpose:

Statutory/Contractual Requirement

Public Outreach:

Posting of Agenda

RESOLUTION NO. 2024 –

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE TAX YEAR 2024-25 AND 2025-26

WHEREAS, Belmont City Code Section 21.93 and California Health and Safety Code Section 5470 et seq. authorize the City of Belmont to levies charges for sewer services; and,

WHEREAS, the City Council desires to conduct a proceeding to revise the rate and methodology for the sewer charges, to be effective beginning the 2024-25 and 2025-26 tax years.

NOW, THEREFORE, the City Council of the City of Belmont resolves as follows:

SECTION 1. The City Council proposes the imposition of the sewer charges and rate methodology generally described in Exhibit “A” to this Resolution.

SECTION 2. The City Council will hold a public hearing under California Constitution Article XIID, Section 6, subdivision (a)(2) on June 11, 2024, at 7:00 PM or as soon thereafter as may be practicable in the City Council Chambers located at One Twin Pines Lane, Belmont, California to consider the proposed sewer charges and protests against the proposed charges.

SECTION 3. The City Council directs staff to give notice of the hearing in the manner required by law.

SECTION 4. The City will accept and tabulate protests against the proposed rate revision pursuant to the procedures set forth in Exhibit “B” to this Resolution.

* * *

ADOPTED April 9, 2024 by the City of Belmont City Council by the following vote:

Ayes:

Noes:

Absent:

Abstain:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

Proposed Sewer Charge Rate Schedule

Each parcel's sewer charge will be the sum of the base charges and flow charges for both collection and treatment.

	FY 2024-25	FY 2025-26
Collection		
Residential		
<i>Base Charge - Annual</i>	\$447.89	\$465.80
<i>Flow Charge (\$/HCF x 1.10 DRA)</i>	\$6.38	\$6.63
Commercial		
<i>Base Charge</i>	\$447.89	\$465.80
<i>Flow Charge (\$/HCF x 1.10 DRA)</i>	\$6.38	\$6.63
Low strength		
High Strength	\$12.39	\$12.88
Treatment		
Residential		
<i>Base Charge - Annual</i>	\$235.39	\$244.81
<i>Flow Charge (\$/HCF x 1.10 DRA)</i>	\$3.15	\$3.28
Commercial		
<i>Base Charge</i>	\$235.39	\$244.81
<i>Flow Charge (\$/HCF x 1.10 DRA)</i>	\$3.15	\$3.28
Low strength		
High Strength	\$6.14	\$6.38

DRA=Drought Regulation Adjustment

Standby Charge

For Non-metered parcels:

- \$245.40 per dwelling unit per year

Wastewater Discharge Fee

Wastewater discharge fee will be the sum of the Flow Charges for both Collection and Treatment for each user classification in the table above.

EXHIBIT B

GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

Submission of Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.
3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A charge protest proceeding is not an election.
7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

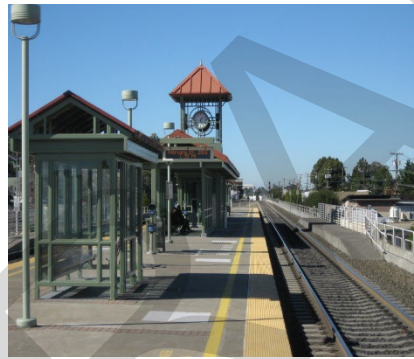
Tabulation of Protests

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following conditions exist:
 - a. The protest does not identify a property served by the City.
 - b. The protest does not bear an original signature of a record owner of the parcel identified on the protest.
 - c. The protest does not state its opposition to the proposed charges.

- d. The protest was not received by the City Clerk before the close of the public hearing on the proposed charges.
 - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed charges.
- 2. The City Clerk's decision that a protest is not valid or does not apply to a specific charge shall constitute a final action of the City and shall not be subject to any internal appeal.
- 3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed charge.
- 4. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the charge which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.



Draft Report



City of Belmont Comprehensive Sewer Rate Study

April 2024





April 9, 2024

Mr. Peter Brown
Director of Public Works
City of Belmont
One Twin Pines Lane
Belmont, California 94002

Subject: City of Belmont 2024 Comprehensive Sewer Rate Study Draft Report

Dear Mr. Brown:

HDR Engineering, Inc. (HDR) is pleased to present the Draft report for the comprehensive sewer rate study conducted for the City of Belmont (City). The overall objective in conducting the rate study was to establish cost-based rates that provide adequate and sustainable funding for the operational and capital needs of the sewer utility. This report outlines the approach, methodology, findings, and conclusions of the rate study process undertaken for the City's sewer utility.

This report was developed utilizing the City's specific accounting, operating, and historical customer billing records. HDR utilized this information to develop our analyses, which shaped our findings, conclusions, and recommendations. At the same time, this study was developed utilizing generally accepted rate setting principles as outlined in the Water Environment Federation Manual of Practice No. 27 rate setting manual to meet the proportionality requirements of Proposition 218. The conclusions and recommendations contained within this report provide the City with cost-based and proportional rates for its customers.

We appreciate the assistance provided by the City staff, management, and the City Council in the development of this study.

Sincerely yours,
HDR Engineering, Inc.

A handwritten signature in black ink, appearing to read 'Shawn Koorn', is written over a large, light gray 'DRAFT' watermark.

Shawn Koorn
Associate Vice President



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Technical Appendix

Proposition 218 Notice



Executive Summary

Introduction

HDR Engineering, Inc. (HDR) was retained by the City of Belmont (City) to perform a comprehensive sewer rate study, which is an update to the prior rate studies completed by HDR for the City. The latest study having been completed in 2022. The 2022 study set rates for the two-year period for Fiscal Years (FY) 2022-2023 and 2023-2024. The City's sewer treatment services are provided for the City through its participation in Silicon Valley Clean Water (SVCW), which owns and operates a sub-regional wastewater treatment plant and related conveyance facilities that serve the City of Belmont, as well as the cities of Redwood City, San Carlos, and the West Bay Sanitary District. SVCW allocates its costs between the agencies based on their capacity rights, average annual flow rates, and strength of the sewer generated by each member agency. The collection system component is based on the City's costs to operate and maintain the City's sewer system.

The City's sewer rate is comprised of two components, a collection system component and a treatment system component. The collection system component is based on the costs to operate the City's sewer collection system. The treatment costs are based on the current treatment costs projections and are adjusted as the City is notified of cost changes by SVCW. The City bills customers on the tax rolls. Each parcels' sewer charge is the sum of the base charge and flow charges for both collection and treatment.

The vast majority of the City's rate revenues are derived from residential customers. Currently, the City has two major classes of service: residential/non-residential low strength and high strength non-residential customers. The City's sewer rate structure includes a fixed component, as well as a flow based component based on the customers' winter water average consumption. Annually, the City requests the water consumption data from the Mid-Peninsula Water District to develop the proposed sewer rates, and resulting revenue forecast, for the next fiscal year. In the 2016 rate study, it was recommended that the City make adjustments to the winter water calculation that takes into account the mandated conservation on the City's sewer customers. This resulted in the City adopting a drought regulation adjustment on each customer's winter period consumption, or a multiplier, to develop the consumption for rate setting purposes. The consumption data from Mid-Peninsula Water District is reviewed and a determination made as to the level of the drought regulation adjustment. For this study, the adjustment factor was maintained at 10% as there were no significant changes in consumption levels from the prior study..

This study is based on the previous sewer rate study methodologies and analyses completed by HDR over the past 10 years. The prior studies provided recommendations, and proposed rates, to fund an adequate level of renewal and replacement and include funding of capital projects from prior years. This study reviews the adequacy of the existing sewer rates to meet identified system improvement needs and provides the basis for appropriate rate levels for each customer

classification. The projected rate adjustments allow the City to meet three key prudent financial criteria, these are:

- Meeting Debt Service Coverage Ratios (DSC) – DSC ratios are the measurement of a utility’s ability to repay outstanding debt. As noted in the City’s 2019 JPFA Sewer Revenue Bond issuance, a minimum debt service coverage ratio of 2.0 is targeted. The proposed rate adjustments in this study allow the City to maintain a debt service coverage ratio greater than 2.0.
- Adequate Renewal and Replacement Funding – The need to maintain the system is key to minimizing future capital needs. This study has continued with increasing the City’s annual renewal and replacement funding needs to prudent levels, which exceed depreciation over the rate planning period. This reflects the funding needs of past deferred capital improvements and necessary inflow and infiltration (I&I) capital improvement needs.
- Maintaining Prudent Reserve Fund Levels – The study has continued to provide ending reserve fund balances to be in line with industry best practices. Given that the City receives semi-annual revenue payments for services, it is important to have sufficient cash reserves on hand to fund operations between revenue payments.

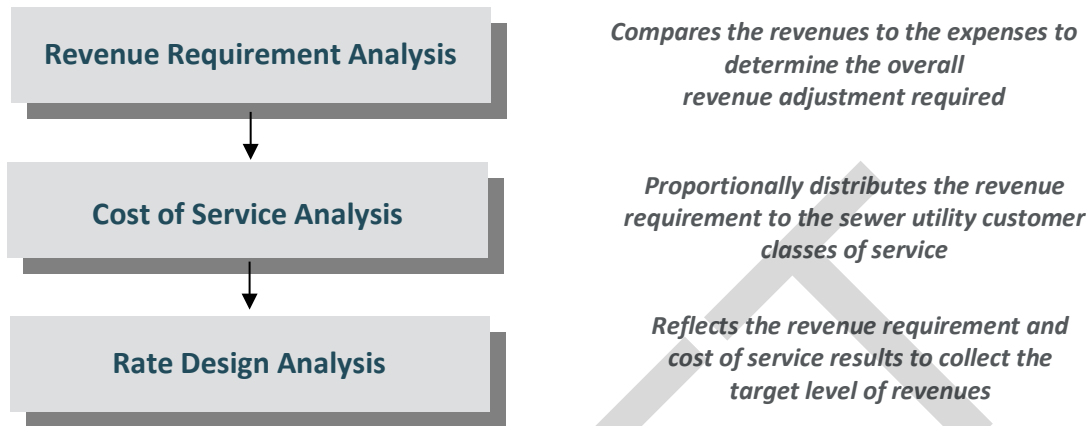
Meeting these three key criteria is critical to the City being able to fund, or finance future capital through the issuance of long-term debt. By adjusting rates, the City is demonstrating to the outside financial community its willingness and commitment to maintain a strong financial position. This willingness to address financial issues and adjust rates accordingly will be beneficial when issuing future long-term debt for the sewer system’s capital needs. As a point of reference, HDR is not acting as the City’s municipal advisor or calculating or verifying the debt service coverage ratios for the City for financial projections.

The development of this study examines the adequacy and proportionality of the current sewer rates for the City’s sewer utility and provides the cost-basis for recommended sewer rate revenue adjustments. This report describes the overall methodology used to analyze the City’s sewer rates along with the findings, conclusions, and recommendations.

Overview of the Rate Study Process

A comprehensive sewer rate study uses three interrelated analyses to address the adequacy and proportionality of a utility’s rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. These three analyses are illustrated below in Figure ES-1.

Figure ES – 1
Overview of the Comprehensive Rate Analyses



For the City’s sewer rate study, HDR completed each of the three analyses, a revenue requirement analysis, cost of service analysis, and rate design analysis. The results from each task of the rate study were used as the basis for establishing cost-based and proportional rates for the City’s customers.

Key Study Results

The sewer utility was financially evaluated on a stand-alone basis. By reviewing the sewer utility individually, the revenues required to adequately fund both O&M and capital infrastructure for the sewer utility must be balanced against the rate impacts to customers. Likewise, future rate impacts should be considered and evaluated as part of the study projections. For example, the delayed action to fund capital improvements in the current time period could result in higher future costs and in turn increased rate adjustments as well as risk associated with catastrophic system failures. It is challenging to balance the desire for least cost rates with the operating and capital needs required to provide a high-level service to customers.

Based on the technical analysis undertaken as part of this study, the following findings, conclusions, and recommendations were noted.

- The revenue requirement analysis for the sewer utility was developed for FY 2023-2024 – 2031-2032.
- The starting point for the revenue requirement analysis was the City’s FY 2023-2024 adopted sewer budget and the sewer utility capital improvement plan.
- Wastewater treatment is provided by Silicon Valley Clean Water (SVCW) and is included within the City’s operation and maintenance expenses. The SVCW FY 2023-2024 budget was escalated annually based on the projections provided by SVCW.
- The current flow adjustment factor has been maintained at 10% to reflect the minimal changes expected for the winter water averages for the two-year rate setting period.

- Escalation factors were developed to project operating expenses in future years. These factors ranged from 2% to 7% per year depending on the specific expense and reflect the inflationary increases experienced by the City in the past.
- A cost of service analysis was developed to review the proportionality of the existing rates. The results of the cost of service analysis indicated minimal cost differences between the customer classes of service. Given these results, it is recommended that no adjustments in the cost relationships between the classes of service be made at this time.
- Proposed rates were developed for consideration by the City Council for FY 2024-2025 and FY 2025-2026.
- Rate projections were developed for a 5-year period through FY 2028-2029, to provide the City Council with a projection of the rates necessary to meet future operating and capital needs.
- The proposed rate adjustments are necessary for the City to adequately fund its financial needs and maintain prudent financial measures and operating metrics
 - ✓ Maintain a healthy financial outlook for future long-term borrowing by targeting a 2.0 minimum debt service coverage ratio
 - ✓ Adequate funding of capital improvements from rates to prudently maintain the City's existing infrastructure (i.e., renewal and replacement programs) as well as I&I improvements
 - ✓ Maintain adequate minimum reserve levels for routine operating and capital needs as well as emergency situations

Provided below is the executive summary of the technical analyses undertaken for the City's study and the findings, conclusions, and recommendations of this study.

Overview of the Sewer Rate Study

The sewer rate study determines the overall adequacy of the existing sewer rates, on a financial stand-alone basis, at current rate levels. That is, no funding sources other than those generated by the sewer utility were used to fund sewer utility expenses. For the sewer rate study, a concerted effort was made to minimize rate impacts over the five-year review period while also maintaining the City's financial targets for debt service coverage ratio, capital improvement funding, and operating and capital cash reserve levels.

Summary of the Revenue Requirement Analysis

The development of the revenue requirement analysis is used to determine the overall adequacy of the sewer utility rates. The starting point of the sewer revenue requirement analysis was the City's FY 2023-2024 adopted sewer utility budget. HDR and City staff developed a projection of revenues and expenses for future years based on assumed escalation (inflationary) factors. The sewer study was developed to project future rate needs based on projected operating costs and identified capital needs over the multi-year period. However, the focus for purposes of rate setting was the next two-year period (FY 2024-2025 – 2025-2026). The summary of the sewer revenue requirement is shown below in Table ES-1. It indicates the need for rate adjustments in order to properly fund the sewer utility.

Table ES – 1
Summary of Sewer Revenue Requirement (\$000s)

	Budget 2023-24 ^[1]	2024-25	2025-26	Projected 2026-27	2027-28	2028-29
Revenues						
Retail Rate Revenues	\$14,337	\$14,481	\$14,625	\$14,772	\$14,919	\$15,069
Other Revenues	<u>138</u>	<u>872</u>	<u>804</u>	<u>782</u>	<u>688</u>	<u>719</u>
Total Revenues	\$14,476	\$15,353	\$15,430	\$15,554	\$15,607	\$15,788
Expenses						
Collection O&M Expenses	\$3,895	\$4,021	\$4,148	\$4,280	\$4,418	\$4,561
Treatment O&M Expenses	3,625	3,496	4,090	4,270	4,470	4,670
Repair & Replace. Funding	3,000	5,000	5,200	5,500	6,000	6,400
I/I Capital Funding	650	668	686	705	724	744
Total Debt Service	2,500	2,503	2,498	2,501	2,501	2,497
Change in Working Capital +/-	<u>805</u>	<u>244</u>	<u>1</u>	<u>142</u>	<u>29</u>	<u>181</u>
Total Expenses	\$14,476	\$15,932	\$16,623	\$17,398	\$18,141	\$19,053
Balance/(Deficiency) of Funds	\$0	(\$579)	(\$1,193)	(\$1,844)	(\$2,534)	(\$3,265)
Cumulative as a % of Rates	0.0%	4.0%	8.2%	12.5%	17.0%	21.7%
Proposed Rate Adjustments	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Service Coverage Ratio						
Before Rate Adjustment	2.73	3.08	2.82	2.74	2.63	2.57
After Rate Adjustment	2.73	3.31	3.30	3.48	3.64	3.88

[1] Note: FY 2023-24 includes the revenues at the adopted rate levels from the prior rate study. Therefore, no rate adjustment is included in FY 2023-24.

Table ES–1 shows the total deficiency of revenues, before the proposed sewer rate adjustments, ranges from \$579,000 in FY 2024-25 increasing to \$3.3 million by FY 2028-29. A 4.0% annual sewer revenue adjustment is proposed for the projected time period of FY 2024-2025 through FY 2028-2029. The projected rate adjustments allow the City to meet three key prudent financial metric criteria, these are:

- Meet Prudent Debt Service Coverage Ratios – Minimum DSC target of 2.0.
- Adequate Renewal and Replacement Funding – Annual renewal and replacement funding needs exceed depreciation over the 5-year plan as well as I&I capital funding needs.
- Maintain Prudent Reserve Fund Levels – Operating reserve target equal to annual minimum of 180 days of O&M; Capital project reserve target equal to two years of annual depreciation.

The revenue requirement developed in this sewer rate study will allow the City to develop cost-based rates that meet the City’s goals and objectives for maintaining the existing system and funding future capital needs. While the revenue requirement analysis projected operating and

capital needs over a five-year period, the focus of the proposed rates, for Proposition 218 purposes, is the next two fiscal years, FY 2024-2025 and FY 2025-2026.

Summary of Cost of Service Analysis

A cost of service analysis determines the proportional distribution of the previously developed revenue requirement to each of the customer classes of service. The objectives of the cost of service analysis are different from determining revenue requirement. A revenue requirement analysis determines the utility's overall financial needs, while the cost of service study determines the proportional manner to collect the revenue requirement from the customer classes of service (e.g., rate schedules). The City has two rate schedules, low strength and high strength. Low strength includes all residential customers, and the non-residential customers that have domestic strength wastewater. High strength is for non-residential customers that have wastewater strengths greater than domestic strength levels. Table ES-2 provides a summary of the cost of service analysis for the FY 2024-2025 test year.

Table ES – 2 Summary of the FY 2024-25 Sewer Cost of Service Analysis (\$'000's)				
Classes of Service	Present Rate Revenues	Distributed Costs	\$ Difference	% Difference
Low Strength				
Residential and Non-Residential	\$14,233	\$14,806	(\$574)	4.0%
High Strength				
Non-Residential	<u>248</u>	<u>254</u>	<u>(6)</u>	<u>3.9%</u>
Total	\$14,481	\$15,060	(\$579)	4.0%

The results of the cost of service analysis indicated very minimal cost differences between the customer classes of service. It should be noted that the cost of service analysis developed by HDR is not a simple fixed/variable analysis. Rather, the cost of service analysis distributes costs between the customer classes of service based on each customer class's proportional share of volume, strength, and customer-related costs. Given that, no adjustments to the cost relationships between the customer classes of service are recommended at this time.

Summary of the Rate Design Analysis

The final step of the comprehensive sewer rate study process is the design of sewer rates to collect the desired level of revenue, based on the results of the revenue requirement and cost of service analyses. The individual allocated totals were then distributed to each customer class. The distributed expenses were then aggregated to determine the overall responsibility of each customer class of service.

Developing proportional rates is of paramount importance in developing the proposed sewer rates. Given this, the City's proposed sewer rates have been developed with the intent of meeting the legal requirements of California Constitution Article XIII D, section 6 (Article XIII D), commonly

referred to as Proposition 218. A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally allocated among the customer classes of service. HDR would point out that there is no single methodology for proportionally assigning costs to the various customer groups. The Water Environment Federation (WEF) Manual of Practice No. 27 clearly delineates various methodologies which may be used to establish cost-based rates. Article XIII D does not prescribe a particular methodology for establishing rates. Consequently, HDR developed the City's proposed sewer rates based on the WEF MOP #27 methodology and the City's sewer system operating and customer characteristics, in order to provide an administrative record of the steps taken to establish the City's proposed sewer rates to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed rates comply with the legal requirements of Article XIII D. HDR reaches this conclusion based upon the following:

- **The revenue derived from sewer rates does not exceed the funds required to provide the property related service (i.e., sewer service).** The proposed rates are designed to collect the overall revenue requirement of the City's sewer utility.
- **The revenues derived from sewer rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the City's sewer rates are used exclusively to operate and maintain the City's sewer system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** The cost of service analysis was specifically developed to focus on the issue of the proportional assignment of costs.

The City's sewer rate is comprised of two components, a collection system component and a treatment system component. The collection system component is based on the costs to operate the City's sewer system, except for treatment costs. The treatment costs are based on the current treatment costs projections and is adjusted as the City is notified of cost changes by the wholesale provider (SVCW). Each parcels' sewer charge is the sum of the base charge and flow charges for both collection and treatment. The proposed sewer rate designs maintain their current rate structure.

For the five-year rate period, the rates have maintained the 10% flow adjustment factor that reflects the historical change in consumption given mandated and targeted conservation. Mid-Peninsula Water District consumption billing data was reviewed and utilized in the development of the study. As a result of there being no significant changes in consumption levels since the prior study, the adjustment factor was maintained at 10%. The flow adjustment factor will allow the City to maintain sufficient revenues during the proposed rate period of FY 2024-2025 and FY 2025-2026. The flow adjustment factor will be reviewed again during the next rate study and a determination made as to adjust the flow adjustment factor or to eliminate, and restart, the flow adjustment factor.

The same formula for this adjustment will remain as follows: (HCF = 100 cubic feet)

Formula: Actual Volume Usage x (1 + (flow adjustment factor)) = adjusted volume usage

Example: 8 HCF x (1+ .10) = 8.8 HCF adjusted volume usage

Table ES-3 provides the present and proposed rates for the residential and non-residential customers for the next five fiscal years.

Table ES – 3 Present and Proposed Sewer Rates (Annual)						
	Present Rates	Proposed Rates FY 2024-25	Proposed Rates FY 2025-26	Forecasted Rates FY 2026-27	Forecasted Rates FY 2027-28	Forecasted Rates FY 2028-29
COLLECTION						
<u>Residential</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge (\$/HCF) ^[1]	6.13	6.38	6.63	6.90	7.17	7.46
<u>Non-Residential</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge Low Strength (\$/HCF) ^[1]	6.13	6.38	6.63	6.90	7.17	7.46
Flow Charge High Strength (\$/HCF) ^[1]	11.91	12.39	12.88	13.40	13.93	14.49
TREATMENT						
<u>Residential</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge (\$/HCF) ^[1]	3.03	3.15	3.28	3.41	3.54	3.69
<u>Non-Residential</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge Low Strength (\$/HCF) ^[1]	3.03	3.15	3.28	3.41	3.54	3.69
Flow Charge High Strength (\$/HCF) ^[1]	5.90	6.14	6.38	6.64	6.90	7.18
COMBINED						
<u>Residential</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge (\$/HCF)	9.16	9.53	9.91	10.30	10.72	11.14
<u>Non-Residential</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge Low Strength (\$/HCF) ^[1]	9.16	9.53	9.91	10.30	10.72	11.14
Flow Charge High Strength (\$/HCF)	17.81	18.52	19.26	20.03	20.84	21.67

At present rates, a typical residential customer with 8 hundred cubic feet of winter water average would have a monthly bill of \$135.36 (8 HCF X 1.10 = 8.80 HCF). Under the proposed rates, with the flow adjustment factor remaining at 10%, the same customer would have a monthly bill of

\$140.77 in FY 2024-25. Table ES-4 shows the average residential bill for FY 2024-25 through FY 2028-29.

Table ES – 4 Present and Proposed Sewer Rates (Monthly)					
	Proposed FY 2024-25	Proposed FY 2025-26	Forecasted FY 2026-27	Forecasted FY 2027-28	Forecasted FY 2028-29
<i>Proposed Revenue Adjustment</i>	4.0%	4.0%	4.0%	4.0%	4.0%
Present Average Monthly Bill ^[1]	\$135.36				
After Proposed Rate Adj. ^[2]	\$140.77	\$146.41	\$152.26	\$158.35	\$164.68
Monthly Bill Difference	5.41	5.63	5.86	6.09	6.33
Cumulative Bill Difference	5.41	11.05	16.91	22.99	29.32
<i>% Change to Monthly Bill</i>	4.0%	4.0%	4.0%	4.0%	4.0%

[1] – Current average bill assumes 10% flow adjustment factor and 8 HCF monthly consumption

[2] –Proposed average bill assumes a 10% flow adjustment factor and 8 HCF monthly consumption

This report provides a more detailed discussion of the sewer rate study revenue requirement, cost of service, and rate design analyses undertaken for the City.

City Council Review

At the time of this report, the study results were anticipated to be presented to the City Council on April 9, 2024. If approved, and moved by the City Council, a public hearing will be set and the customer notification sent to the customers.

Summary

The adequacy and proportionality of the City’s sewer rates were reviewed by HDR through the development of a comprehensive sewer rate study. Based on the analyses developed herein, which included the budgeted operating and capital expenses, HDR has proposed a comprehensive set of revenue recommendations for the sewer utility. The following sections of the report provide a more detailed discussion of the technical analyses undertaken, along with the findings, conclusions, and recommendations of the study.



1.0 Overview of the Rate Setting Process

1.1 Introduction

HDR Engineering, Inc. (HDR) was retained by the City of Belmont (City) to conduct a comprehensive sewer rate study. The objective in conducting a comprehensive sewer rate study is to develop cost-based and proportional rates which adequately fund the City's operation and maintenance (O&M) needs, along with the necessary capital improvements (i.e., capital infrastructure) to provide service. This study determines the adequacy of the existing sewer rates and provides the analytical framework for any needed future adjustments.

1.2 Generally Accepted Rate Setting Principles

As a practical matter, utilities should consider setting their rates around generally accepted or global principles and guidelines. Utility rates should be:

- ✓ Cost-based, proportional, and set at a level that meets the utility's full revenue requirement
- ✓ Easy for the customer to understand and easy for the utility to administer
- ✓ Designed to conform with generally accepted rate setting techniques
- ✓ Stable in their ability to provide adequate revenues to meet the utility's financial, operating, capital infrastructure and regulatory requirements
- ✓ Established at a level that is, from the customer's perspective, stable from year-to-year

These general principles and guidelines have historically been used by the City to establish their current sewer rates. For this study, they were again applied in the rate analyses developed for the City.

1.3 Prudent Financial Planning

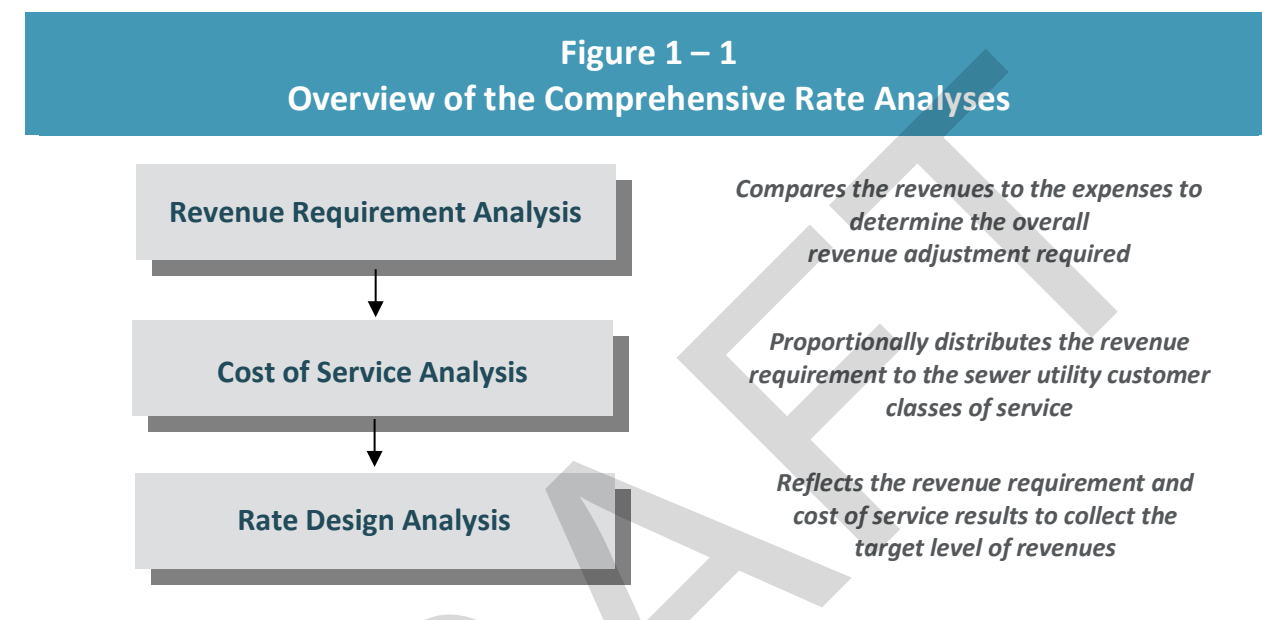
Financial rate-setting policies and guidelines are integral to the process of developing a utility rate study. Financial policies are intended to provide guidance in the financial planning and rate-setting process, and in the day-to-day financial management of the City's utilities. Adoption of financial policies provides a strong foundation for the long-term financial sustainability of the utility and provides the outside financial community with a better understanding of the City's commitment to managing the utility in a financially prudent manner. As a part of the City's previous rate studies, key financial and rate-setting policies/targets were developed and established. These key financial policies address issues such as maintaining minimum reserves for cash flow and capital improvement purposes, minimum debt service coverage (DSC) ratios, and consistent and adequate rate funding of capital

"Financial policies are intended to provide guidance in the financial planning and rate-setting process...Adoption of financial policies provides a strong foundation for the long-term financial sustainability of the utility..."

projects for the City. Each of the key financial planning and rate setting objectives were carried forward from the City’s prior sewer rate studies.

1.4 Overview of the Rate Study Process

A comprehensive study generally consists of three interrelated analyses performed for the sewer utility. Figure 1 - 1 provides an overview of these analyses.



In a comprehensive rate study, the revenue requirement analysis is concerned with the overall funding sources (revenues) and expenses (both operating and capital) of the utility. From this analysis, a determination can be made as to the overall *level* of adjustment to rate revenues. Next, a cost of service analysis is performed to proportionally distribute the revenue requirement to the various types of customers served (e.g., residential, commercial). Finally, given the overall level of revenues to be collected, along with the proportional distribution of those costs, the last step of the rate study process is the designing of rates to collect the appropriate level of revenues while considering the other rate design goals and objectives of the utility (e.g., revenue stability, conservation, ease of administration, customer understanding). However, a key component of the study is supporting the requirements of Proposition 218 for the proposed rates while considering rate design goals and objectives.

In the case of the City’s study, all three analyses (revenue requirement, cost of service, rate design) were conducted for the sewer utility. The results from each task of the rate study were used as the basis for establishing cost-based and proportional rates for the City’s customers.

In developing this study, HDR utilized generally accepted cost of service and rate setting techniques as well as industry best practices in the development of the City’s sewer rate study.

1.5 Determining the Revenue Requirement

Most public utilities use the “cash basis” methodology for establishing their revenue requirement and setting rates. This revenue requirement methodology conforms to most public utility budgetary requirements and the calculation is easy to understand. Under the cash basis revenue requirement methodology, a public utility:

- ✓ Adds operation and maintenance (O&M) expenses to applicable taxes or transfer payments to determine total operating expenses. Operation and maintenance expenses include the materials, electricity, labor, supplies, etc., needed to keep the utility functioning.
- ✓ Calculates capital costs by adding debt service payments (principal and interest) to capital improvements financed with rate revenues. In lieu of including capital improvements financed with rate revenues, a utility sometimes includes (i.e., substitutes) annual depreciation expense to stabilize the annual revenue requirement from year-to-year.

Note that the two portions of the capital expense component (debt service and capital improvements financed from rates) are necessary under the cash basis methodology because utilities generally cannot finance all their capital facilities with strictly rates or long-term debt.

Under the cash basis revenue requirement methodology, the sum of the operating expenses and capital costs equals the utility’s total revenue requirement during any period of time (see Table 1-1).

Table 1 – 1
Overview of the Sewer Utility Cash Basis Revenue Requirement

+	Sewer Operation and Maintenance Expenses
✓	Planning and Project Management
✓	Sanitary Sewer Operations
+	Repair and Replacement Funded from Rates
+	Debt Service (P + I) – Existing and Future
±	<u>Change in Working Capital</u>
=	Total Sewer Revenue Requirement
–	<u>Miscellaneous Revenues</u>
=	Net Revenue Requirement (Balance Required from Rates)

The analyses developed within this report utilized the cash basis methodology. This is consistent with past practices of the City’s utility rate-setting.

1.6 Analyzing the Sewer Cost of Service

After the total revenue requirement is determined, it is then distributed to the users (i.e., customers) receiving sewer service. The proportional distribution, as analyzed through a cost of service analysis, reflects the cost relationships for collecting and conveying wastewater along with the costs from SVWC to treat the wastewater. The approach for establishing the cost of

service analysis is based on the Water Environment Federation Manual of Practice No. 27 (WEF MOP #27). As discussed in the manual, a cost of service analysis requires three analytical steps, which are:

1. Costs are **functionalized** or grouped into the various cost categories related to providing service (e.g., for pumping; treatment, collection). This step is largely accomplished by the utility's accounting system
2. The functionalized costs are then **allocated** to the appropriate cost component(s). Allocation refers to the arrangement of the functionalized data into cost components. For example, sewer utility costs are typically allocated as volume, strength (BOD/TSS), customer-related, or a combination of the cost components
3. Once the costs are allocated to the cost components, they are proportionally **distributed** to the customer classes of service (e.g., residential/ low-strength non-residential, high-strength non-residential). The distribution is based on each customer class's relative contribution to the cost component (i.e., benefits received from and burdens placed on the system and its resources). For example, customer-related costs are distributed to each class of service based on the total number of customers in that class of service. Once costs are distributed, the revenues from each customer class of service required to achieve cost-based rates can be determined

At the conclusion of the cost of service study, two key pieces of information are provided. First, the cost of service provides an understanding of the total revenues to be collected from each class of service. In other words, the revenue requirement is, for example, \$10.0 million and the cost of service provides a proportional method to distribute that total cost of \$10.0 million between the sewer customer classes of service (e.g., residential/ low-strength non-residential, high-strength non-residential). The other important piece of information provided by the cost of service analysis is the average unit costs. Average unit costs are the distributed costs divided by the appropriate consumption (billing) units. This provides an understanding of the cost on a \$/customer/month and \$/hundred cubic feet (HCF) basis.

1.7 Designing Sewer Rates

The design of the proposed sewer rates for adoption by the City concludes the analytical or technical analysis portion of the rate study process. In designing proposed sewer rates, the results from both the revenue requirement and cost of service analyses are used to develop rates that achieve the overall goals and objectives of the City. These goals and objectives may include the consideration of cost-based rates, but may also consider items such as ability to pay, continuity of past rate philosophy, conservation (efficient use), encouragement of economic development, ease of customer understanding and billing administration, legal requirements, etc. It is important to understand that cost of service is only one goal or objective in designing final sewer rates. However, it is an important one, and necessary to meet the proportionality requirements of Proposition 218.

1.8 Summary

This section of the report has provided a brief introduction to the general principles, techniques, and economic theory used to set sewer utility rates. These principles and methodologies have been the basis for the City's past utility rate studies and continue to be the basis for the City's

current rate study. The next three sections of the report discuss the sewer utility rate study and the technical analyses undertaken.

DRAFT



2.0 Development of the Sewer Revenue Requirement

2.1 Introduction

This section of the City's rate study report discusses the development of the sewer revenue requirement analysis and proposed sewer rate revenue transition plan. The main objective of the revenue requirement is to develop cost-based sewer rates while attempting to minimize the impact to the utility's customers. Provided below is a detailed discussion of the revenue requirement, along with our findings, conclusions and recommendations.

2.2 Determining the Sewer Utility Revenue Requirement

The starting point of the sewer revenue requirement analysis was the FY 2023-24 adopted sewer budget. HDR and the City developed a projection of revenues and expenses for future years based on assumed escalation (inflationary) factors. The sewer study developed future rate needs based on operating and capital expenses over a five-year period, through FY 2028-2029. However, the focus for purposes of rate setting was the next two-year period (FY 2024-2025 and FY 2025-2026). A rate transition plan was developed to provide a smooth transition to fully funding the sewer utility over the long-term.

The sewer capital funding plan was developed based on the current sewer utility capital improvement plan (CIP). This plan does not assume additional issuances of long-term debt at this time, while continuing the transition of rate funded capital to strengthen the level of renewal and replacement and capital project funding over the 5-year planning period.

2.2.1 Determining the Time Period and Methodology

The first step in calculating the revenue requirement for the sewer utility was to establish a time frame for the revenue requirement analysis. For this study, the revenue requirement was developed for FY 2023-2024 through FY 2028-2029, with the focus for rate setting purposes on FY 2024-2025 and FY 2025-2026. Reviewing a multi-year time period is recommended in an attempt to identify significant expenses that may be on the horizon. By anticipating future financial requirements, the City can begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates.

The second step in determining the revenue requirement for the City was to determine the basis of accumulating costs. For the City's revenue requirement, the "cash basis" approach was utilized. The cash basis approach is the most commonly used methodology by municipal utilities to set their revenue requirement, and the method used in previous rate studies developed for the City by HDR. The actual revenue requirement developed for the City was customized to follow the City's system of accounts (budget documents). However, even with these modifications, the City's sewer revenue requirement still contains the basic cost components of the cash basis methodology. Table 2-1 provides a summary of the cash basis approach used to develop the City's sewer revenue requirement.

Table 2 – 1
Overview of the Cash Basis Revenue Requirement

+	Collection O&M Expenses
+	Treatment O&M Expenses
+	Repair & Replacement Funded from Rates
+	I/I Capital Funding
+	Debt Service (P + I) – Existing and Future
±	<u>Change in Working Capital</u>
=	Total Sewer Revenue Requirement
-	<u>Miscellaneous Revenues</u>
=	Net Revenue Requirement (Balance Required from Rates)

Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the revenues and expenses of the sewer utility.

The primary financial inputs in the development of the revenue requirement was the City's 2023-2024 adopted sewer budget, historical winter customer characteristics data (e.g., number of customers and average winter consumption), and current adopted rates. Presented below is a detailed discussion of the steps and key assumptions used in the development of the projections of the City's sewer revenues and expenses.

2.2.2 Flow Impacts on Calculating Revenues

The City has a sewer rate structure that includes a fixed component as well as a volumetric component based on the customers' winter water average consumption. Each year, the City requests the water consumption data from the Mid-Peninsula Water District to develop the proposed sewer rates, and resulting revenue forecast, for the next fiscal year. The City adopted a drought regulation factor during the 2016 rate study, which is now called the flow adjustment factor. This adjustment factor has been in place since that time. However, during the comprehensive rate study process, the factor is reviewed, and updated, if necessary, to reflect current and projected consumption levels.

As mentioned previously, this study has maintained the current flow adjustment factor of 10%. Based on the impact of the flow factor adjustment on the sewer billing units, the City will be projected to maintain target revenues during this next two-year period as customer winter water is impacted by conservation, possible drought conditions, and future conservation efforts by Mid-Peninsula Water District. The flow adjustment factor will be reviewed again during the next rate study and adjusted at that time, or depending on conditions, reset, with rates set at adequate levels assuming no flow adjustment factor. The same formula for this adjustment will remain as follows (HCF = 100 cubic feet):

Formula: Actual Volume Usage x (1 + (flow adjustment factor)) = adjusted volume usage

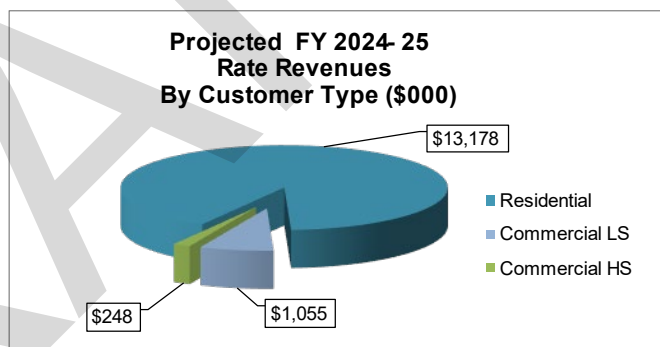
Example: 8 HCF x (1+ .10) = 8.80 HCF adjusted volume usage

It should also be noted that the majority of the City's costs are fixed and do not vary depending on the level of sewer flows. The one cost that can vary is the cost of treatment from Silicon Valley Clean Water (SVCW). The cost of treatment is flow based and would change as a result of decreased sewer flows. Given all of the above, a decline in annual winter water consumption, which is the basis for establishing sewer billing units and subsequent sewer rate revenues, will have an impact on the necessary rate adjustment to prudently fund the City's operating and capital expenses.

2.2.3 Projection of Sewer Revenues

Once the billing units were developed, based on the winter water data, the next step in developing the revenue requirement was to develop a projection of rate revenues, at present rate levels. In general, this process involved developing projected billing units for each customer group. The billing units for each customer group were then multiplied by the applicable current sewer rates. This method of independently calculating revenues assures the projected revenues used within the analysis tie to the projected billing units.

The vast majority of the City's rate revenues are derived from residential customers. Currently, the City has two major classes of service: Low strength customers, and high strength customers. Residential customers are low strength customers as are those non-residential customers that have domestic strength flow based on the customer type. The high strength customers reflect those customers



with higher strength wastewater flows given the type of business activity which impacts the costs of treatment. This is an important distinction as SVCW allocates costs, in part, between the member agencies on the strength of the wastewater flows. In total, and at currently adopted rate levels, the City is projected to receive approximately \$14.5 million in rate revenue in FY 2024-25. This is based on the projected winter water billing data, plus the flow adjustment factor of 10%. Future years are projected at an additional 1.0% annual customer growth.

In addition to rate revenues, the City also receives a variety of miscellaneous revenues, which include interest on investments, standby fees, and other miscellaneous revenues. The utility is projected to annually receive an average of approximately \$773,000 in miscellaneous revenues over the projected planning horizon.

On a combined basis, taking into account the rate revenues along with miscellaneous revenues, the City's total projected revenues are expected to be approximately \$15.4 million in FY 2024-25, increasing to approximately \$15.8 million in FY 2028-2029 prior to projected rate adjustments.

2.2.4 Projection of Sewer Operation and Maintenance Expenses

Operation and maintenance (O&M) expenses are incurred by the City to operate and maintain the existing collection and conveyance system as well as the treatment charges from SVCW. In general, O&M expenses are grouped into a number of different major functional categories (see Table 2-1). For each major functional category, the City maintains a number of subaccounts. To begin the process of projecting O&M expenses over the planning horizon, escalation factors were developed.

Escalation factors were developed for the basic types of expenses the City incurs: labor, benefits, materials and supplies, utilities, insurance, and miscellaneous expenses. The escalation factors used were in the range of two to seven percent per year, depending on the type of cost and recent inflationary trends. A major cost for the sewer utility is the cost of wastewater treatment from Silicon Valley Clean Water (SVCW). SVCW's costs have been increasing due to capital projects and operating costs associated with regulatory and utility cost increases. SVCW costs are allocated proportionally between the members based on their capacity rights, average annual flow rates and strength of the sewer generated by each member agency. Based on the SVCW budget for FY 2023-2024, Belmont's share of \$3.6 million in treatment costs were included in the study. The SVCW treatment costs were based on the SVCW planning document and are increasing at approximately 5.4% annually over the five-year period.

Provided below in Table 2-3 is a summary of the escalation factors used to develop the projected O&M expenses for FY 2024-2025 through FY 2028-2029.

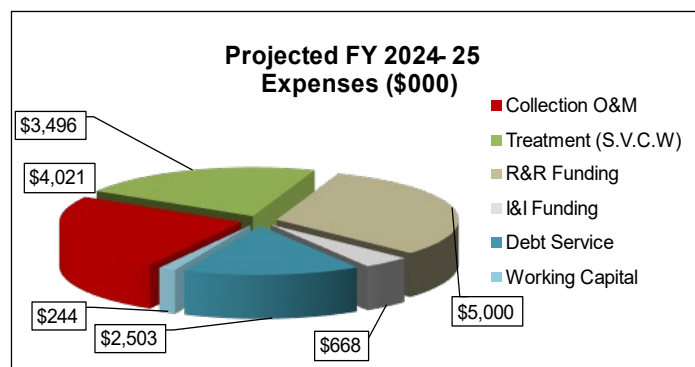
Table 2 – 3
Overview of the Sewer Utility Escalation Factors

	FY 2024-25 ^[1]	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Revenues					
Rate Revenues (Growth)	1.0%	1.0%	1.0%	1.0%	1.0%
Other Revenues	Flat	Flat	Flat	Flat	Flat
Expense					
Labor	2.0%	2.0%	2.0%	2.0%	2.0%
Professional/Contractual	2.0%	2.0%	2.0%	2.0%	2.0%
Data Processing	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits – Medical	7.0%	7.0%	7.0%	7.0%	7.0%
Benefits – Other	5.3%	5.3%	5.3%	5.3%	5.3%
Materials & Supplies	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment/Vehicles	3.0%	3.0%	3.0%	3.0%	3.0%
Education/Training	2.0%	2.0%	2.0%	2.0%	2.0%
Indirect Expense	3.0%	3.0%	3.0%	3.0%	3.0%
Miscellaneous	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
SVCW Treatment	-3.6%	17.0%	4.4%	4.7%	4.5%
Inflation Factor	2.7%	2.7%	2.7%	2.7%	2.7%

[1] Rate revenue for FY 2024/2025 was based on the projected billing units and current adopted sewer rates. Other revenues were calculated.

The development of the revenue requirement was based on the City's FY 2023-2024 adopted sewer budget. Using the escalation factors developed in Table 2 – 3, a forecast of future O&M expenses was developed. As noted, the SVCW treatment costs were based on the projections provided by SVCW. The revenue requirement maintained the overall functional nature of the City's system of accounts (i.e., salaries and wages, benefits, supplies). It should be noted that no other significant changes or extraordinary increases over the FY 2023-2024 budget levels for operating expenses were assumed.

Total operation and maintenance expenses for the City are projected to be approximately \$7.5 million in FY 2024-2025. Of this amount, approximately 47% or \$3.5 million is related to SVCW wastewater treatment costs. The SVCW wastewater treatment costs are purchased services and are thus not a "locally controlled" sewer cost. Over the



planning horizon, the O&M expenses are projected to increase to approximately \$9.2 million by FY 2028-2029.

2.2.5 Projection of Sewer Capital Improvement Projects and Funding

A key component in the development of the City's sewer revenue requirement was properly funding capital improvement needs. The sewer capital funding plan was developed from the City's current sewer capital improvement plan and ongoing master plan.

As noted in prior rate studies, and in this rate study, a key objective is setting proposed rates at a level that establishes a prudent funding level for renewal and replacement needs above annual depreciation expense. This study includes a transition to continue to strengthen the level of renewal and replacement and capital project funding over the 5-year planning period. Renewal and replacement funding is approximately \$5.0 million in FY 2024-2025, increasing to \$6.4 million in FY 2028-2029.

In addition to the sewer capital plan, additional capital improvements have been outlined to reduce inflow and infiltration (I&I) in the sewer system. I&I rate funded capital is \$668,000 in FY 2024-2025, increasing to \$744,000 in FY 2028-2029. Shown below in Table 2-4 is a summary of the sewer capital improvement plan and funding.

Table 2 - 4 Summary of the Sewer Capital Improvement Plan (\$000s)						
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Total Sewer Capital Projects	\$4,833	\$10,390	\$8,061	\$12,363	\$7,640	\$6,400
Less: Funding Sources						
Operating Fund Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Capital Fund Reserves	83	3,640	1,111	4,863	40	0
Connection Fee Reserves	1,750	1,750	1,750	2,000	1,600	0
Grants	0	0	0	0	0	0
Total Funding Sources	\$1,833	\$5,390	\$2,861	\$6,863	\$1,640	\$0
Sewer Capital from Rates	\$3,000	\$5,000	\$5,200	\$5,500	\$6,000	\$6,400
I&I Capital Funding	\$650	\$668	\$686	\$705	\$724	\$744

The City, based on the rate transition plan developed as part of this revenue requirement, is projected to have adequate resources to provide funding for these capital projects. Prior rate study capital funding analyses have included the periodic issuance of long-term debt to fund identified capital improvement needs. For this study, no new long-term debt is planned to be issued given the availability of existing reserves and rate funding available to fund the City's capital plan. Provided below is an overview of the funding sources the City has used, and will continue to use, to fund the planned improvements over the next five-year period.

Rate Funding – A general financial guideline states that, at a minimum, a utility should annually fund from rates an amount equal to or greater than annual depreciation expense for renewal and replacement funding. In this case, annual depreciation expense reflects the City’s current investment in sewer collection plant being depreciated or “losing” its useful life. Therefore, this portion of plant investment needs to be replaced to maintain the existing level of infrastructure. More importantly, for a sewer utility, failure to maintain the collection system infrastructure could lead to infiltration and inflow (I&I) issues. With increased flows, the City’s overall cost of wastewater treatment would, in turn, also increase. That being the case, it becomes very cost-effective to properly and adequately maintain the collection system in order to minimize I&I issues on the system. The City has taken a proactive approach in past studies and in this analysis to maintain capital funding equal to or greater than annual depreciation.

Capital Reserve Funding – The capital reserve can serve different purposes, but capital reserves are primarily a means to set aside funds for larger capital projects that may require funding greater than the annual rate funding component provides. Maintaining adequate capital reserves helps to smooth out the fluctuations in capital improvement spending, but it also provides the City with greater financial flexibility during the planning and construction of projects. As part of the current capital funding plan, there will be approximately \$44.9 million in capital projects over the five year period, with an annual average ending cash balance of \$21.6 million in capital reserves used as a funding source over the five-year rate setting period (FY 2024-25 – FY 2028-29). Over the planning horizon, close attention should be given to the capital reserve balance as to not reduce fund balances below minimum targets. The target minimum capital reserve amount is typically set equal to two-years of annual depreciation expense.

Long-Term Debt – Another funding source for capital projects is the issuance of long-term debt (e.g., low-interest loans, revenue bonds). While there are certain advantages and disadvantages with the issuance of long-term debt, it is important to weigh all of them when deciding whether to issue new debt or fund a project by other means. Long-term debt is often issued for major capital projects which have an immediate impact on rates while also being a financing mechanism to smoothly finance / fund the major capital project. For this analysis, the City is not anticipating issuing any additional long-term debt during the five-year planning period.

2.2.6 Projection of Debt Service

The final component of the City’s revenue requirement is annual debt service payments. The City currently has three outstanding debt obligations; the 2016 Refunding, and the 2016 and 2019 revenue bonds, amounting to a total annual debt service of approximately \$2.5 million for FY 2024-2025. As mentioned previously, the City is not anticipating issuing additional long-term debt at this time. As a result, the three outstanding debt issuances will comprise the debt service payments for the planning period.

2.2.7 Reserve Funding

This study has used reserve funding, or transfers to and from sewer reserve funds, to smooth and mitigate the rate adjustments in any particular year. Funds can be drawn down to mitigate the need for a rate adjustment or increased to replenish reserves if they have been drawn down in prior years. In this analysis, change in working capital is primarily used to balance the revenue requirement to the proposed rate adjustments. From year-to-year, the use of these reserves, or change in working capital, is very minimal.

2.2.8 Summary of the Sewer Revenue Requirement

Given the above projections of revenues and expenses, a summary of the revenue requirement for the sewer utility can be developed. In developing the final revenue requirement, consideration was given to the financial planning objectives of the City. In particular, emphasis was placed on attempting to minimize rates, yet still have adequate funds to support the operational and capital expenses as well as meet the City's target financial metrics throughout the projected time period. Presented below in Table 2-5 is a summary of the sewer revenue requirement. A detailed analysis of the sewer revenue requirement can be found in the Technical Appendix.

Table 2 – 5 Summary of Sewer Revenue Requirement (\$000s)						
	Budget 2023-24^[1]	2024-25	2025-26	Projected 2026-27	2027-28	2028-29
Revenues						
Retail Rate Revenues	\$14,337	\$14,481	\$14,625	\$14,772	\$14,919	\$15,069
Other Revenues	138	872	804	782	688	719
Total Revenues	\$14,476	\$15,353	\$15,430	\$15,554	\$15,607	\$15,788
Expenses						
Collection O&M Expenses	\$3,895	\$4,021	\$4,148	\$4,280	\$4,418	\$4,561
Treatment O&M Expenses	3,625	3,496	4,090	4,270	4,470	4,670
Repair & Replace. Funding	3,000	5,000	5,200	5,500	6,000	6,400
I/I Capital Funding	650	668	686	705	724	744
Total Debt Service	2,500	2,503	2,498	2,501	2,501	2,497
Change in Working Capital +/-	805	244	1	142	29	181
Total Expenses	\$14,476	\$15,932	\$16,623	\$17,398	\$18,141	\$19,053
Balance/(Deficiency) of Funds	\$0	(\$579)	(\$1,193)	(\$1,844)	(\$2,534)	(\$3,265)
Cumulative as a % of Rates	0.0%	4.0%	8.2%	12.5%	17.0%	21.7%
Proposed Rate Adjustments	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Service Coverage Ratio						
Before Rate Adjustment	2.73	3.08	2.82	2.74	2.63	2.57
After Rate Adjustment	2.73	3.31	3.30	3.48	3.64	3.88

[1] Note: FY 2023-24 includes the revenues at the adopted rate levels from the prior rate study. Therefore, no rate adjustment is included in FY 2023-24.

It is important to note that the “Balance/(Deficiency) of Funds” row in Table 2-5 is cumulative. That is, any adjustments in the initial years will reduce the deficiency in later years. Rates need to be adjusted approximately 21.7% in order to adequately fund annual O&M expenses, annual repair and replacement funding, and the system’s capital needs over the five-year period. The size and timing of the adjustments is critical as it is proposed that the City set rates for a two year period. This is important as the rate transition plan, or proposed rate adjustments, have been developed for a 5-year period. Any adjustments to the proposed rate adjustments shown in the initial years will result in the need to adjust rates, more or less, in the later years depending on the adjustments made in the initial years. The graph above illustrates the projected revenues, expenses, and reserve funds.

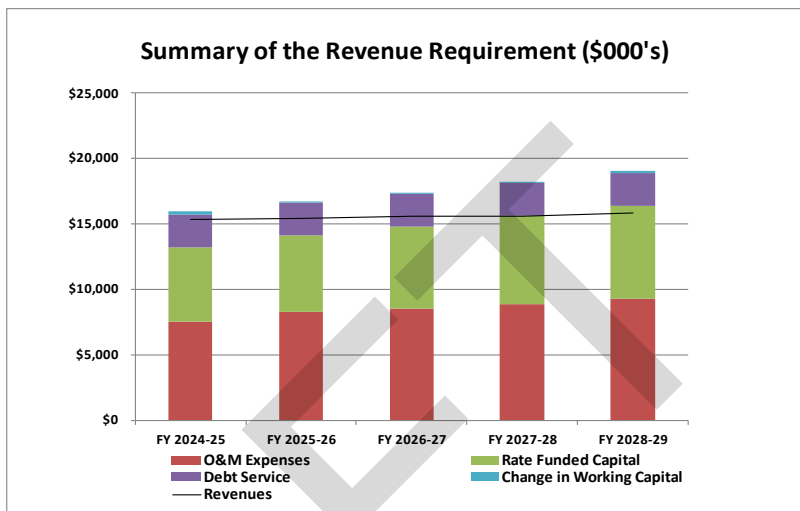


Table 2 – 5 shows the total deficiency of revenues before any sewer rate adjustments ranges from \$579,000 in FY 2024-2025 to \$3.3 million by FY 2028-2029. A 4.0% sewer revenue adjustment is proposed annually for each of the five years of the projected time period. As noted, this study is focused on the proposed rates for FY 2024-2025 and FY 2025-2026. The projected rate adjustments allow the City to meet three key prudent financial criteria, these are:

- Debt Service Coverage Ratios – DSC target of 2.0
- Adequate Renewal and Replacement Funding – Annual renewal and replacement funding exceed depreciation over the 5-year plan
- Maintain Prudent Reserve Fund Levels – Operating reserve target equal to annual minimum of 180 days of O&M; Capital reserve target equal to two years of annual depreciation expense

Meeting these three key criteria are critical to the City being able to fund/finance capital projects with long-term debt in the future. By adjusting rates, the City is demonstrating to the outside financial community its willingness and commitment to maintain a strong financial position.

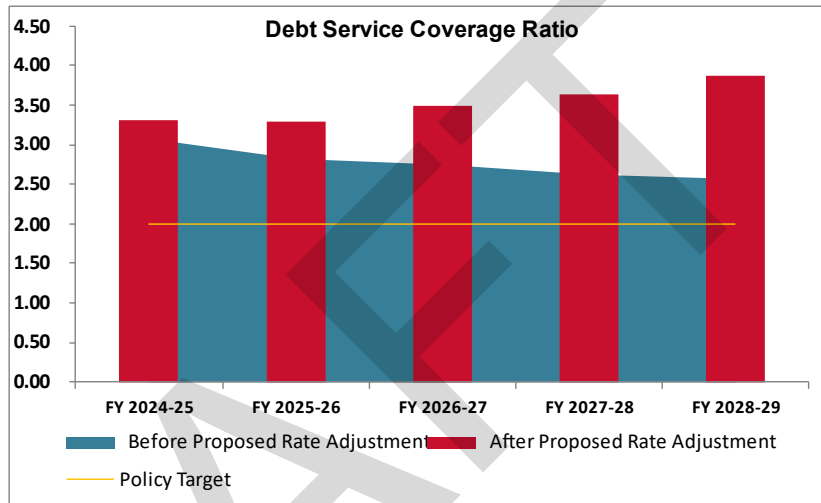
The revenue requirement developed in this sewer rate study will allow the City to develop cost-based rates that meet the City’s goals and objectives for maintaining the existing system and funding past deferred capital projects. The rate transition plan provides smooth increases in rates over a 5-year period.

2.2.9 Debt Service Coverage Ratios

Generally, revenue bonds contain covenants requiring rates to be set at an adequate level to assure repayment of the annual principal and interest debt obligations. The financial measure of rate adequacy is typically determined using a debt service coverage ratio (DSC). The DSC ratio is a financial measure of the utility's ability to repay the debt. Based on the City's approach, the DSC ratio is set at a level such that revenues less operating expenses will be 2.0 times greater than the maximum annual debt service on the outstanding debt. That is, rates will be sufficient to pay projected O&M and have an additional annual debt service payment.

As noted above, the City has established a target of maintaining a 2.0 DSC ratio. At present rate levels, the sewer utility is meeting the policy minimum.

While the City is not planning on issuing additional long-term debt at this time, the DSC ratio decreases before the proposed rate adjustments due to O&M costs increasing while revenue



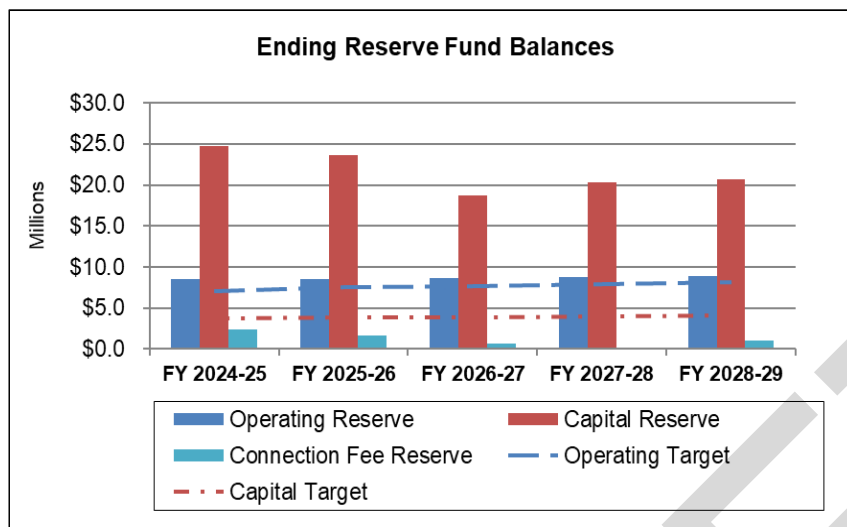
remains relatively flat. Due to this, the proposed rate adjustments are necessary in order to maintain strong coverage ratios and remain above the target of a 2.0 DSC ratio.¹ This is an important financial target as planning around the absolute minimum level (e.g., 1.25 bond requirement) can result in a technical default on the bonds if unplanned expenditures occur or revenues are lower than anticipated in a given year. Planning a minimum DSC target of 2.0 was recommended by the City's financial advisors during the most recent bond issues. A higher DSC ratio can result in a higher bond rating and lower interest rates and bond costs. As noted, for purposes of the rate study, HDR is not acting as a municipal advisor to the City, or calculating DSC ratios for reporting or verification purposes.

2.2.10 Review of the Sewer Reserve Levels

There can be many different purposes for reserves, and they can also be a good indicator of the long-term financial health of the utility. The City's sewer utility currently has one reserve fund, however, for rate setting purposes, it was split into three reserve funds: an operating reserve fund, capital reserve fund, and connection fee reserve fund. The operating fund reserve has a minimum ending fund balance target of 180 days of O&M expenses plus an emergency reserve

¹ A debt service coverage (DSC) ratio is an indicator of the amount of funds available to pay debt service after O&M expenses and other pre-debt obligations have been met. A DSC ratio of 1.25 means the utility has 25% more funds available to pay debt service than the amount of the debt service payment(s). For example, assuming a utility has a \$1.0 million debt service payment, a DSC of 1.25 means that the utility has \$1.25 million available to pay debt service (i.e. $\$1.25 \text{ million} \div \$1.0 \text{ million} = 1.25 \text{ DSC}$).

of \$2.0 million, which is approximately \$7.1 million for FY 2024-2025. The capital fund reserve has a target minimum of approximately two years of annual depreciation expense, or approximately \$3.7 million for FY 2024-2025. The connection fee reserve does not have a specific



target minimum as connection fees may only be used for system expansion, or debt service issued for expansion of the system. Combined, the City's target minimum reserve is approximately \$10.8 million for FY 2024-2025, increasing to \$12.2 million by FY 2028-2029. Over this planning period, the City is projected to maintain adequate operating and capital

reserves and not fall below these recommended minimum reserve levels. The annual cash flow and ending reserve balances should be reviewed each year to make sure that the uses of funds do not place the reserve balance below the minimum level. Additionally, as the sewer reserves approach the minimums, the need for rate adjustments should be evaluated in order to avoid future, large rate adjustments for customers. It should also be noted that the funding source for the capital reserve is through current and future long-term debt issuances which are placed in the capital reserve fund.

2.2.11 Consultant's Conclusions

Based on the City's revenue requirement analysis, the overall sewer rate adjustment should be adjusted annually by 4.0% over the projected five year period. These proposed rate adjustments are needed to fully fund the projected operating costs of the sewer utility and the annual capital improvement needs. HDR has reached this conclusion for the following reasons:

- Rate adjustments are necessary to continue to fund the City's annual renewal and replacement needs.
- Rate adjustments are necessary to maintain prudent financial metrics for debt service coverage ratio and reserve levels.
- The proposed rate adjustments maintain the City's sewer system strong financial health, which is important as the City continues to maintain the existing system.

The rate transition plan presented in this study provides the City with the ability to meet the goals and objectives for the sewer system.

2.3 Summary

This section of the report has provided a discussion of the City's revenue requirement analysis. The revenue requirement analysis developed a financial plan to support the City's operating and

capital needs for the sewer utility. The next section will discuss the cost of service analysis developed for the City.

DRAFT



3.0 Development of the Sewer Cost of Service Analysis

3.1 Introduction

The purpose of a cost of service analysis is to proportionally distribute the total revenue requirement to the sewer customer classes of service. For the City's study, the customer classes of service are low strength (residential and commercial low) and high strength commercial. The previously developed revenue requirement for FY 2024-2025 was utilized in the development of the cost of service analysis.

In order to determine the proportional distribution of costs to each customer class of service on the sewer system, a cost of service analysis is conducted. As outlined in the WEF MOP #27, and to meet the requirements of Proposition 218, the cost of service functionalizes, allocates, and distributes the sewer revenue requirement to each class of service in a proportional manner. In recent years, increasing emphasis has been placed on cost of service studies by government agencies, customers, utility regulatory commissions, and other parties. This interest has been generated in part by continued inflationary trends, increased operating and capital expenditures, as well as concerns of equity in rates among customers. Following the generally-accepted guidelines and principles of a cost of service analysis will inherently lead to rates which are equitable, cost-based, and not viewed as arbitrary or capricious in nature. Provided below is a detailed discussion of the cost of service analysis for the sewer utility.

3.2 Objectives of a Cost of Service Study

There are two primary objectives in conducting a cost of service study:

- Proportionally distribute the allocated revenue requirement to the customer classes of service
- Derive average unit costs for subsequent rate designs

The objectives of a cost of service analysis are different from determining the revenue requirement. As noted previously, a revenue requirement analysis determines the utility's overall financial (revenue) needs, while the cost of service study determines the proportional manner to collect the revenue requirement.

The second rationale for conducting a cost of service analysis is to design the rates such that they properly reflect the costs incurred by the City to provide sewer service. For example, the City may incur costs related to flow or total volume, the strength of wastewater flow, and customer cost components. Each of these types of costs may be collected in a slightly different manner to allow for the development of a rate that collects costs in the same manner as they are incurred.

In order to determine the cost to serve each customer class on a system, three basic analytical tasks are completed: functionalization, allocation, and distribution of the FY 2024-2025 revenue requirement. Each of these steps in the cost of service analysis is discussed in detail below.

3.3 Determining the Customer Classes of Service

One of the first tasks of a cost of service analysis is to determine the classes of service for the analysis. In determining classes of service, the objective is to group customers together into similar or homogeneous groups based upon wastewater flow and strength characteristics and/or sewer facility requirements. Based on the current rate schedules, the classes of service used within the sewer study are:

- Low Strength
 - ✓ Residential
 - ✓ Non-Residential – Low
- High Strength
 - ✓ Non-Residential – High

In this case, low strength represents domestic level wastewater for residential customers and commercial customers with domestic strength wastewater flow. High strength represents commercial customers with higher strength wastewater, which is more costly to treat. Furthermore, the City is billed by SVCW based on the strength of the wastewater. In developing these customer classes of service, the costs of treatment can be distributed proportionately to reflect the impacts placed on the system.

3.4 General Cost of Service Procedures

In order to determine the cost to serve each customer class of service on the City's system, a cost of service analysis is conducted. A cost of service study utilizes a three-step approach to review costs, and take the form of functionalization, allocation, and distribution. Provided below is a detailed discussion of the sewer cost of service study conducted for the City, and the specific steps taken within the analysis.

3.4.1 Functionalization of Costs

The first analytical step of the sewer cost of service study is called functionalization. Functionalization is the arrangement of sewer expenses and asset (infrastructure) data by major operating functions. This is generally accomplished through the utility's system of accounts. In this study, the City's system of accounts was used to functionalize sewer plant assets and operating expenses.

Terminology of a Cost of Service Analysis

Functionalization – The arrangement of the cost data by functional category (e.g. treatment, collection, etc.).

Allocation – The assignment of functionalized costs to cost components (e.g. volume, strength, and customer related).

Distribution – Distributing the allocated costs to each customer class based on the proportional contribution to that specific cost component.

Volume Costs – Costs that are classified as volume related vary with the total flow of sewer (e.g. chemical use at the treatment facility).

Strength Costs – Costs classified as strength related refer to the wastewater treatment function. Typically, strength-related costs are further defined as biochemical oxygen demand (BOD) and suspended solids (SS). Customers with higher wastewater strength characteristics cost more to treat. Facilities are often designed and sized around meeting these costs.

Direct Assignment – Costs that can be clearly identified as belonging to a specific customer class.

3.4.2 Allocation of Costs

The second analytical task performed is the allocation of the functionalized expenses to cost components. This task reviews each cost and attempts to determine why the sewer cost was incurred and what type of need was being met (e.g. volume, strength, customer etc.). The cost classifiers used for the sewer utility cost of service study are as follows:

- **Volume Related Costs:** Volume-related costs are those that tend to vary according to the quantity of wastewater collected and treated. An example of a volume related cost is electricity used for pumping wastewater.
- **Strength Related Costs:** Strength related costs are those costs associated with the additional handling and treatment of high “strength” wastewater. Wastewater strength is typically measured in biochemical oxygen demand (BOD) and total suspended solids (SS). Increased levels of BOD or SS generally equate to increased treatment costs. Pre-treatment is generally required if the discharge is known to regularly exceed the typical (i.e., domestic level) waste strength.
- **Customer Related Costs:** Customer-related costs vary with the addition or deletion of a customer. Customer related costs typically include the costs of billing, collecting, and accounting. Customer-related costs may also be further categorized as actual or weighted.
- **Revenue Related:** Some costs associated with the sewer utility may vary with the amount of revenue received by the utility. An example of a revenue related cost would be a utility tax, which is based on gross utility revenue.
- **Direct Assignment:** Certain costs associated with operating the utility may be directly traced to a specific sewer customer or class of service. These costs are then directly assigned to that specific class of service. It should be noted that there were not any costs that were directly assigned during the development of the City’s cost of service analysis.

Once the costs have been allocated, the next step is to distribute the costs proportionally between the customer classes of service. Provided in the next section is a summary of the development of the distribution factors.

3.4.3 Development of Distribution Factors

Once the allocation process is complete, and the customer groups have been defined, the allocated costs are distributed to the customer classes of service. The City’s allocated costs were distributed using the following distribution factors:

- **Volume Distribution Factor:** Volume-related costs are distributed on the basis of contribution to wastewater flows. In order to develop this distribution factor, some knowledge of the contribution to flows must be determined. The assumed wastewater contribution by customer class for FY 2024-2025 was the basis for the development of the volume allocation factor. Sewer flows were projected based on historical winter water billing for residential customers, and average water consumption for commercial customers.

- **Strength Distribution Factor:** Strength-related costs are allocated between biochemical oxygen demand (BOD) and suspended solids (SS). Both of these types of costs are distributed to the various classes of service based upon the relative estimated strengths that each class of service contributed to the overall flow at the plant. Strength factors for the low strength and high strength customers were based on industry standard data.
- **Customer Distribution Factor:** Customer costs within the cost of service study are distributed to the various customer classes of service based upon their respective customer counts. Two types of customer distribution factors were developed, actual and weighted. The actual customer distribution factor was based on the actual number of accounts for each customer class. The weighted customer factor reflects the disproportionate costs associated with serving different types of customers. for purposes of the City’s study, no cost differences were determined for the weighted customer factor.
- **Revenue Related Distribution Factor:** The revenue related distribution factor was developed from the projected rate revenues for FY 2024-2025 for each customer group. As a point of reference, no costs were allocated to the revenue component and therefore the revenue distribution factor was not used.

The development of distribution factors is based on generally accepted principles as developed in the WEF MOP #27 to meet the proportionality requirements of Proposition 218. Given the development of the distribution factors, the final step in the cost of service study is to distribute the allocated costs to the various customer classes of service.

3.4.4 Functionalization and Allocation of Sewer Plant in Service

The next step of the cost of service is the functionalization and allocation of sewer plant in service. In performing the functionalization of plant in service, HDR utilized the City’s historical plant records. The allocation process included reviewing each group of assets and determining which cost classifiers the assets were related to. For example, the City’s assets were allocated as: volume-related, strength-related, customer-related, or revenue-related. Provided below is a brief discussion of the allocation process used.

The City’s system assets are mostly collection related in nature. In this study, the collection plant was classified as 65% volume and 35% actual customer to reflect a portion of the assets being in place to simply move wastewater from the customer to the treatment system as well as a portion being related to providing service based on the number of customers on the system. Table 3-1 shows the detail of the classification for the City’s sewer plant in service. A more detailed exhibit of the City’s functionalization and classification of plant investment can be found in the Sewer Technical Appendix.

Table 3 - 1
Summary of the Allocation of Sewer Plant in Service

Category	Volume Related	BOD Related	SS Related	Actual Customer	Direct Assign
Improvements	65.0%	0%	0%	35.0%	0%
Machinery & Equipment	100.0%	0%	0%	0%	0%

3.4.5 Functionalization and Allocation of Operating Expenses

Operating expenses are generally functionalized and allocated in a manner similar to the corresponding plant account. For example, maintenance of collection lines is typically allocated in the same manner (allocation percentages) as the plant account for collection lines. This approach to the allocation of operating expenses was used for this analysis.

Table 3 - 2
Summary of the Allocation of Sewer Expenses

Category	Volume Related	BOD Related	SS Related	Actual Customer	Weighted Customer
SVCW Treatment	39.6%	29.5%	30.9%	0%	0%
Planning and Project Management, Sewer Operations, (Overall)	56.9%	7.0%	7.3%	24.7%	4.1%
Computer, Administrative Charge	0%	0%	0%	0%	100%

For the City's study, the revenue requirement for FY 2024-2025 was functionalized, allocated, and distributed. As noted earlier, the City utilized a cash basis revenue requirement, which was comprised of operation and maintenance expenses, debt service, and capital additions funded from rates. The SVCW treatment costs were allocated based on the SVCW wholesale contract for billing. A more detailed review of the allocation of the revenue requirement can be found in the Technical Appendix.

3.4.6 Major Assumptions of the Cost of Service Study

A number of key assumptions were used within the City's cost of service study. Below is a brief discussion of the major assumptions used.

- The methodology used within the sewer cost of service study was based on generally accepted industry standard approaches and is consistent with the methodology used in the City's prior sewer comprehensive rate studies

- The test period used for the sewer cost of service analysis was FY 2024-2025. The revenue and expense data were previously developed within the revenue requirement analysis
- The cash basis approach was utilized, which conforms to generally accepted sewer cost of service approaches and methodologies
- The allocation of plant in service was developed based on generally accepted cost allocation techniques and the City's specific asset data
- Customer volumes used within this study were provided for each class of service by the City through Mid Peninsula's average winter billing data
- Strength distribution factors were based on overall strength levels at the treatment plant within the City's records.

3.5 Summary of the Cost of Service Analysis

Given the allocation and distribution of the FY 2024-2025 revenue requirement, a summary of the distributed costs as compared to the current revenues can be developed. Provided in Table 3-2 is a summary of the cost of service analysis.

Table 3 – 2 Summary of the FY 2024-25 Sewer Cost of Service Analysis (\$000's)				
Classes of Service	Present Rate Revenues	Distributed Costs	\$ Difference	% Difference
Low Strength Residential and Non-Residential	\$14,233	\$14,806	(\$574)	4.0%
High Strength Non-Residential	<u>248</u>	<u>254</u>	<u>(6)</u>	<u>3.9%</u>
Total	\$14,481	\$15,060	(\$579)	4.0%

The results of the cost of service analysis indicate very minimal cost differences between the customer classes of service. It should be noted that the cost of service analysis developed by HDR is not a simple fixed/variable analysis. Rather, the cost of service analysis distributes costs between the customer classes of service based on each customer class's proportional share of volume, strength, and customer-related costs. As the City continues to monitor rates and cost of service results through future studies, cost of service adjustments may be made as the results are driven by customer consumption. Given that, no adjustments in the cost relationships between the customer classes of service are recommended at this time.

3.6 Consultant's Conclusions and Recommendations

The overall allocation of costs between low strength customers (e.g., residential and low strength non-residential) and high strength customers reflects the overall system average increase. In addition, it was noted that customers have been adjusting their water consumption habits and consumptive use has changed over the last several years, which has a direct impact on the rates charged in future years. As the City continues to monitor rates and cost of service results through future studies, cost of service adjustments may be made as the results are driven by customer

consumption. Given these results, no adjustments in the cost relationships between the customer classes of service are recommended at this time. As a result, the overall proposed revenue/rate adjustments will be applied equally across all customers and rate components.

3.7 Summary

This section of the report has provided a summary of the cost of service analysis developed for the City. This analysis was prepared using generally accepted cost of service techniques and principles. The next section of the study will review the present and proposed sewer rates for the City.

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4.0 Development of the Sewer Rate Design

4.1 Introduction

The final step of the City's comprehensive sewer rate study is the designing of sewer rates to collect the desired levels of revenues, based on the results of the revenue requirement and cost of service analyses. In reviewing sewer rate designs, consideration is given to the level of the rates and the structure of the rates.

4.2 Rate Design Goals and Objectives

Prudent rate administration dictates that several criteria must be considered when setting utility rates. Some of these rate design criteria are listed below:

- ✓ Rates which are easy to understand from the customer's perspective
- ✓ Rates which are easy for the utility to administer
- ✓ Consideration of the customer's ability to pay
- ✓ Continuity, over time, of the rate making philosophy
- ✓ Policy considerations (encourage efficient use, economic development, etc.)
- ✓ Provide revenue stability from month to month and year to year
- ✓ Promote efficient allocation of the resource
- ✓ Equitable and non-discriminatory (cost-based)

Many industry experts and regulatory agencies recognize that the last consideration, equitable and cost-based rates, should be of paramount importance and provide the primary guidance to utilities on rate structure and policy. It is important that the City provide its customers with a proper price signal as to what their consumption or usage is costing. This goal may be approached through rate level and structure. When developing the proposed rate designs, all of the above listed criteria can be taken into consideration. However, it should be noted that it is difficult, if not impossible, to design a rate that meets all the goals and objectives listed above. For example, it may be difficult to design a rate that takes into consideration the customer's ability to pay, and one which is cost-based. In designing rates, there are always trade-offs between these various goals and objectives.

4.3 Development of Cost Based Sewer Rates

As mentioned, developing cost-based and proportional rates is of paramount importance in developing proposed sewer rates. While it is always a key consideration in developing rates, meeting the legal requirements and documenting the steps taken to meet the requirements, has been in the forefront with the recent legal challenges in the State of California on utility rates. Given this, the City's proposed sewer rates have been developed to meet the requirements of California Constitution Article XIII D, Section 6 (Article XIII D). A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally distributed between the various customer classes of service. HDR would point out that there is no single methodology for proportionally assigning costs to the customer classes of service. The Water Environment Federation Manual of Practice No. 27 provides various methodologies which

may be used to establish cost-based rates. Unfortunately, Article XIII D is not prescriptive and does not provide a specific methodology for establishing rates. Given that, HDR developed the City's proposed sewer rates based on generally accepted rate setting methodologies to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed rates meet the legal requirements of Article XIII D. HDR reached this conclusion based upon the following:

- **The revenue derived from sewer rates does not exceed the funds required to provide the property related service (i.e., sewer service).** The proposed rates are designed to collect the overall revenue requirement of the City's sewer system as identified in this study.
- **The revenues derived from sewer rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the City's sewer rates are used exclusively to operate and maintain the City's sewer system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** The cost of service analysis focused exclusively on the issue of proportional assignment of costs to customer classes of service. The proposed rates have appropriately grouped customers into customer classes of service (low strength and high strength) that reflect the varying wastewater volumes and system requirements (i.e., the benefits they receive from and burdens they place on the system) of each customer class of service. The grouping of customers and rates into these classes of service creates the proportionality expected under Proposition 218 by having differing rates by customer classes of service, which reflect both the level of revenue to be collected by the utility, and the manner in which these costs are incurred. As a result, these costs are assigned to customer classes of service based upon their proportional impacts.

4.4 Present and Proposed Sewer Rates

The City's sewer rate is comprised of two components, a collection system component and a treatment system component. The collection system component is based on the costs to operate the City's sewer system, excluding treatment costs. The treatment costs are based on the current treatment costs projections from SVCW and can be adjusted as the City is notified of cost changes by the wholesale provider. Each parcel's sewer charge is the sum of the base charge and flow charges for both collection and treatment. The proposed sewer rate designs maintain their current rate structure and only the level of the rates is adjusted given the results of the revenue requirement and cost of service analyses.

For the five year planning period, the rates maintain the 10% flow adjustment factor that was established in the prior rate study. Recent Mid-Peninsula Water District consumption billing data was reviewed and based on that data, the recommendation is to maintain the flow adjustment factor at 10% for the two year rate setting period. The flow adjustment factor will allow the City to maintain sufficient revenues during the proposed rate period of FY 2024-2025 and FY 2025-2026. The flow adjustment factor will be reviewed again during the next rate study and a determination made as to adjust the flow adjustment factor or to eliminate, and restart, the flow adjustment factor.

The same formula for this adjustment will remain as follows: (HCF = 100 cubic feet)

Formula: Actual Volume Usage x (1 + (flow adjustment factor)) = adjusted volume usage

Example: 8 HCF x (1+ .10) = 8.8 HCF adjusted volume usage

Table 4-1 provides the present and proposed rates for the residential and non-residential customers for the next five fiscal years.

Table 4 – 1 Present and Proposed Sewer Rates (Annual)						
	Present Rates	Proposed Rates FY 2024-25	Proposed Rates FY 2025-26	Forecasted Rates FY 2026-27	Forecasted Rates FY 2027-28	Forecasted Rates FY 2028-29
COLLECTION						
<u>Residential</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge (\$/HCF) ^[1]	6.13	6.38	6.63	6.90	7.17	7.46
<u>Non-Residential</u>						
Base Charge	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
Flow Charge Low Strength (\$/HCF) ^[1]	6.13	6.38	6.63	6.90	7.17	7.46
Flow Charge High Strength (\$/HCF) ^[1]	11.91	12.39	12.88	13.40	13.93	14.49
TREATMENT						
<u>Residential</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge (\$/HCF) ^[1]	3.03	3.15	3.28	3.41	3.54	3.69
<u>Non-Residential</u>						
Base Charge	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
Flow Charge Low Strength (\$/HCF) ^[1]	3.03	3.15	3.28	3.41	3.54	3.69
Flow Charge High Strength (\$/HCF) ^[1]	5.90	6.14	6.38	6.64	6.90	7.18
COMBINED						
<u>Residential</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge (\$/HCF)	9.16	9.53	9.91	10.30	10.72	11.14
<u>Non-Residential</u>						
Base Charge	\$657.00	\$683.28	\$710.61	\$739.04	\$768.60	\$799.34
Flow Charge Low Strength (\$/HCF) ^[1]	9.16	9.53	9.91	10.30	10.72	11.14
Flow Charge High Strength (\$/HCF)	17.81	18.52	19.26	20.03	20.84	21.67

The above rates are based on the rate transition plan developed in the revenue requirement analysis and the proportional distribution of costs in the cost of service analysis. As noted above, the rate is split between collection and treatment to allow the City to pass-through any increases in the wholesale treatment costs. Each component of the rate structure – fixed and variable – are proposed to be increased to meet the target revenue levels based on the rate transition plan.

At present rates, a typical residential customer with 8 hundred cubic feet of winter water average usage would have a monthly bill of \$135.36 (8 HCF X 1.10 = 8.80 HCF). Under the proposed rates, the same customer would have a monthly bill of \$140.77 in FY 2024-25. Table 4-2 shows the average residential bill for FY 2024-25 through FY 2028-29.

Table 4 – 2 Present and Proposed Sewer Rates (Monthly)					
	Proposed FY 2024-25	Proposed FY 2025-26	Forecasted FY 2026-27	Forecasted FY 2027-28	Forecasted FY 2028-29
<i>Proposed Revenue Adjustment</i>	4.0%	4.0%	4.0%	4.0%	4.0%
Present Average Monthly Bill ^[1]	\$135.36				
After Proposed Rate Adj. ^[2]	\$140.77	\$146.41	\$152.26	\$158.35	\$164.68
Monthly Bill Difference	5.41	5.63	5.86	6.09	6.33
Cumulative Bill Difference	5.41	11.05	16.91	22.99	29.32
<i>% Change to Monthly Bill</i>	4.0%	4.0%	4.0%	4.0%	4.0%

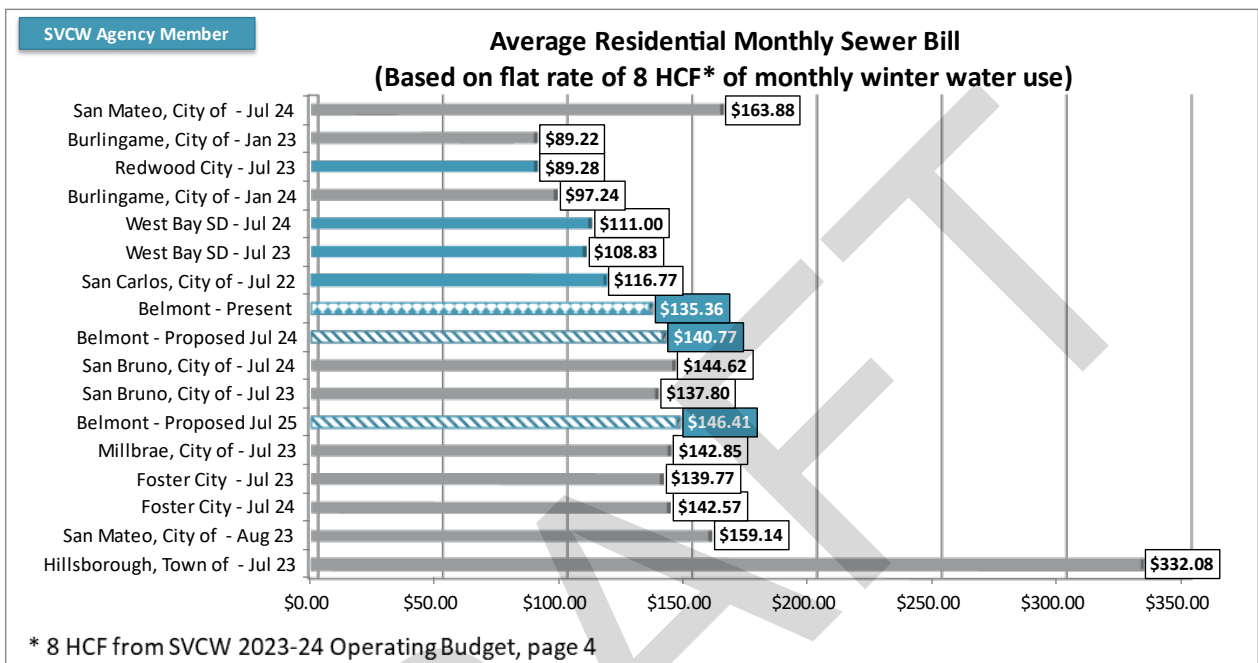
[1] – Current average bill assumes 10% flow adjustment factor and 8 HCF monthly consumption

[2] –Proposed average bill assumes a 10% flow adjustment factor and 8 HCF monthly consumption

As a point of reference, the proposed rates for FY 2024-2025 and FY 2025-2026 are the focus of this study and the only rates proposed. The forecasted rates are for information only to provide the City with the expected future rates for planning purposes based on the assumptions of this study. Proposed rates for future periods will be developed as part of future comprehensive sewer rate studies and may be revised based on the study assumptions at that time.

4.5 Average Residential Local Bill Comparison

A comparison of the City’s current average residential rate to other local surrounding sewer utilities has been developed. Provided in the chart below is a comparison of the City’s current and proposed rates compared to other SVCW member agencies and other local utilities.



As can be seen in the above graph, with the potential adjustments, the City’s sewer rates remain very competitive while funding O&M, increased renewal and replacements, and deferred capital costs.

4.6 City Council Review

At the time of this report, the study results were anticipated to be presented to the City Council on April 9, 2024. If approved, and moved by the City Council, a public hearing will be set and the customer notification sent to the customers.

4.7 Summary of the Sewer Rate Study

This completes the analysis for the City’s sewer rate study. The proposed sewer rates were developed using generally accepted rate making methods and principles and the City’s system specific customer data and information. The proposed sewer rate adjustments for FY 2024-2025 and FY 2025-2026 are needed to adequately support the operating and capital needs of the City’s sewer system. Adoption of the proposed sewer rates for FY 2024-2025 and FY 2025-2026 are projected to provide adequate funding for the sewer utility over the two-year period, while financially positioning the utility for anticipated future capital and operation needs. Even with these proposed annual adjustments, it is prudent for the City to annually revisit the sewer rates to confirm their ability to cover expenses and maintain the identified financial metrics (e.g., reserve targets, debt service coverage ratios, etc.).



Technical Appendix

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City of Belmont
Sewer Cost of Service Study - Rate Transition Plan
Summary of Revenue Requirement
Exhibit 1

	Budget	Projected							
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Sources of Funds									
Operating Revenues	\$14,337,171	\$14,480,542	\$14,625,348	\$14,771,601	\$14,919,317	\$15,068,510	\$15,219,195	\$15,371,387	\$15,525,101
Other Revenue	138,406	872,198	804,264	782,063	687,643	719,411	729,025	436,843	437,126
Total Sources of Funds	\$14,475,576	\$15,352,740	\$15,429,611	\$15,553,664	\$15,606,960	\$15,787,921	\$15,948,220	\$15,808,230	\$15,962,227
Applications of Funds									
Collection O&M Expense	\$3,894,949	\$4,021,143	\$4,147,857	\$4,279,897	\$4,417,527	\$4,561,027	\$4,710,693	\$4,866,837	\$5,029,787
Treatment O&M Expenses	3,625,358	3,496,047	4,090,000	4,270,000	4,470,000	4,670,000	4,880,000	5,100,000	5,320,000
Repair and Replacement Funding	3,000,000	5,000,000	5,200,000	5,500,000	6,000,000	6,400,000	7,250,000	7,400,000	7,600,000
I/I Capital Funding	650,000	668,000	686,000	705,000	724,000	744,000	764,000	785,000	806,000
Total Debt Service	2,500,446	2,503,071	2,498,196	2,501,071	2,501,071	2,496,846	2,496,446	2,498,531	2,493,831
Change in Working Capital +/-	804,823	243,700	987	142,137	28,535	180,684	(114,978)	14,172	434,681
Total Revenue Requirements	\$14,475,576	\$15,931,961	\$16,623,040	\$17,398,105	\$18,141,133	\$19,052,558	\$19,986,162	\$20,664,540	\$21,684,299
Total Balance/(Deficiency)	\$0	(\$579,221)	(\$1,193,429)	(\$1,844,441)	(\$2,534,173)	(\$3,264,637)	(\$4,037,942)	(\$4,856,310)	(\$5,722,072)
Cumulative Balance as a % of Rate Revenues	0.0%	4.0%	8.2%	12.5%	17.0%	21.7%	26.5%	31.6%	36.9%
Proposed Rate Adjustment	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Additional Revenue from Adjustment	\$0	\$579,222	\$1,193,428	\$1,844,441	\$2,534,174	\$3,264,636	\$4,037,942	\$4,856,310	\$5,722,072
Total Balance/(Deficiency)	\$0	\$0	(\$0)	\$0	\$0	(\$0)	\$0	(\$0)	(\$0)
Additional Rate Adjustment Required	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential Bill Comparison (8 HCF X Adjustment Factor)									
Monthly									
After Proposed Rate Adjustment	\$135.36	\$140.77	\$146.41	\$152.26	\$158.35	\$164.68	\$171.27	\$178.12	\$185.24
Monthly Bill Difference		\$5.41	\$5.63	\$5.86	\$6.09	\$6.33	\$6.59	\$6.85	\$7.12
Cumulative Bill Difference		\$5.41	\$11.05	\$16.91	\$22.99	\$29.32	\$35.91	\$42.76	\$49.89
Debt Service Coverage Ratio (Revenue Bonds Only)									
Before Proposed Rate Adjustment	2.73	3.08	2.82	2.74	2.63	2.57	2.49	2.28	2.20
After Proposed Rate Adjustment	2.73	3.31	3.30	3.48	3.64	3.88	4.11	4.23	4.49
Ending Reserve Balances	\$36,689,592	\$33,292,891	\$32,182,866	\$27,461,863	\$29,050,250	\$29,530,934	\$14,921,826	\$14,935,998	\$15,370,679
Target Minimum (Operating + Capital)	\$10,732,000	\$10,845,000	\$11,320,000	\$11,586,000	\$11,884,000	\$12,173,000	\$12,484,000	\$12,807,000	\$13,131,000

City of Belmont
Sewer Cost of Service Study
Exhibit 2
Data Assumptions

	Budget		Projected						
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Escalation Factors									
Revenues									
Rate Revenue	Estimated	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Revenues	Budget	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Interest	0.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses									
Labor	Budget	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Profess/Contractual	Budget	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Data Processing	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits - Medical	Budget	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Benefits - Other	Budget	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Materials & Supplies	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment/Vehicles	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Education/Training	Budget	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Indirect Expense	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Miscellaneous	Budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	Budget	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
SVCW Treatment	Budget	-3.6%	17.0%	4.4%	4.7%	4.5%	4.5%	4.5%	4.3%
Inflation	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Revenue Bond Issue									
Term in Years	30	30	30	30	30	30	30	30	30
Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

		Budget				Projected					
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	Notes
REVENUES											
Operating Revenues											
6805	Sewer Use Fees - Rate Revenues	\$14,337,171	\$14,480,542	\$14,625,348	\$14,771,601	\$14,919,317	\$15,068,510	\$15,219,195	\$15,371,387	\$15,525,101	As Rate Revenue
Total Rate Revenues		\$14,337,171	\$14,480,542	\$14,625,348	\$14,771,601	\$14,919,317	\$15,068,510	\$15,219,195	\$15,371,387	\$15,525,101	
Miscellaneous Revenues											
6705	Public Works Service Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Flat
6706	City CIP Chargeback	0	0	0	0	0	0	0	0	0	As Flat
6850	Sewer Lateral Certificate Fee	0	0	0	0	0	0	0	0	0	As Flat
7111	Interest Earnings - Investments	0	733,792	665,858	643,657	549,237	581,005	590,619	298,437	298,720	As Interest
7112	Other Interest Earnings	0	0	0	0	0	0	0	0	0	As Flat
7113	Interest Revenue - Change	0	0	0	0	0	0	0	0	0	As Flat
7252	Reimbursements	0	0	0	0	0	0	0	0	0	As Flat
	Standby Charges	138,406	138,406	138,406	138,406	138,406	138,406	138,406	138,406	138,406	As Flat
Total Miscellaneous Revenues		\$138,406	\$872,198	\$804,264	\$782,063	\$687,643	\$719,411	\$729,025	\$436,843	\$437,126	
TOTAL REVENUES		\$14,475,576	\$15,352,740	\$15,429,611	\$15,553,664	\$15,606,960	\$15,787,921	\$15,948,220	\$15,808,230	\$15,962,227	
EXPENSES											
Planning and Project Management (701)											
Personnel											
8101	Regular Salaries	\$479,542	\$488,945	\$498,532	\$508,307	\$518,274	\$528,436	\$538,798	\$549,362	\$560,134	As Labor
8102	Permanent Part-Time	0	0	0	0	0	0	0	0	0	As Labor
8103	Temporary Part-Time	3,500	\$3,569	3,639	3,710	3,783	3,857	3,932	4,010	4,088	As Labor
8111	Overtime	0	0	0	0	0	0	0	0	0	As Labor
8112	Standby/Unscheduled	974	993	1,013	1,032	1,053	1,073	1,094	1,116	1,138	As Labor
8114	Acting Pay	0	0	0	0	0	0	0	0	0	As Labor
8119	Termination Pay	0	0	0	0	0	0	0	0	0	As Labor
8211	P.E.R.S. Retirement	110,606	116,468	122,641	129,141	135,985	143,193	150,782	158,773	167,188	As Benefits - Other
8221	F.I.C.A Social Security	217	229	241	253	267	281	296	312	328	As Benefits - Other
8231	Health Insurance	0	0	0	0	0	0	0	0	0	As Benefits - Medical
8232	Medicare	6,504	6,959	7,446	7,968	8,525	9,122	9,761	10,444	11,175	As Benefits - Medical
8233	Life & Disability Insurance	2,042	2,185	2,338	2,501	2,677	2,864	3,064	3,279	3,508	As Benefits - Medical
8235	State Unemployment Insurance	0	0	0	0	0	0	0	0	0	As Benefits - Other
8241	Dental Plan	2,824	3,022	3,233	3,459	3,701	3,961	4,238	4,534	4,852	As Benefits - Medical
8242	Vision Plan	813	870	931	996	1,066	1,141	1,221	1,306	1,398	As Benefits - Medical
8253	Allowances	1,050	1,106	1,164	1,226	1,291	1,359	1,431	1,507	1,587	As Benefits - Other
8259	Deferred Compensation	12,625	13,294	13,999	14,741	15,522	16,345	17,211	18,123	19,084	As Benefits - Other
8271	SEC 125 Benefits	69,343	74,197	79,390	84,948	90,894	97,257	104,065	111,349	119,144	As Benefits - Medical
8281	Benefit Prefunding	33,971	35,772	37,667	39,664	41,766	43,980	46,311	48,765	51,350	As Benefits - Other
8283	GASB 68 Pension Expense	0	0	0	0	0	0	0	0	0	As Benefits - Other
8284	GASB 75 OPEB Expense	0	0	0	0	0	0	0	0	0	As Benefits - Other
8285	Workers' Compensation	12,305	12,957	13,644	14,367	15,128	15,930	16,774	17,663	18,600	As Benefits - Other
Total Personnel		\$736,316	\$760,564	\$785,878	\$812,314	\$839,932	\$868,798	\$898,978	\$930,544	\$963,573	
Supplies & Services											
8314	Equipment Allocation - IT Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Equipment/Vehicles
8351	Other Professional/Technical	5,000	5,098	5,198	5,300	5,404	5,510	5,618	5,728	5,840	As Profess/Contractual
8356	EOC - Disaster Preparedness	0	0	0	0	0	0	0	0	0	As Education/Training
8359	Computer Software License	0	0	0	0	0	0	0	0	0	As Materials & Supplies
8442	Equipment/Vehicle Rental	0	0	0	0	0	0	0	0	0	As Equipment/Vehicles
8522	Liability Insurance Charge	8,481	8,735	8,997	9,267	9,545	9,832	10,127	10,431	10,743	As Miscellaneous
8531	Postage/Delivery Service	0	0	0	0	0	0	0	0	0	As Materials & Supplies
8532	Telephone	0	0	0	0	0	0	0	0	0	As Utilities
8550	Printing & Binding	0	0	0	0	0	0	0	0	0	As Materials & Supplies
8580	Travel & Training	1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	As Education/Training
8591	Membership & Dues	4,800	4,896	4,994	5,094	5,196	5,300	5,406	5,514	5,624	As Education/Training
8599	Miscellaneous	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	As Miscellaneous
8610	General Supplies	300	309	318	328	338	348	358	369	380	As Materials & Supplies
8612	Small Tools	0	0	0	0	0	0	0	0	0	As Miscellaneous
8680	Books/Manuals/Subscriptions	0	0	0	0	0	0	0	0	0	As Miscellaneous
Total Supplies & Services		\$23,081	\$23,658	\$24,251	\$24,859	\$25,483	\$26,123	\$26,780	\$27,454	\$28,146	

		Budget		Projected							Notes
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	
Administrative & Other											
8307	Vehicle Usage Charge	\$9,862	\$10,158	\$10,463	\$10,776	\$11,100	\$11,433	\$11,776	\$12,129	\$12,493	As Equipment/Vehicles
8308	Computer Usage Charge	52,615	54,193	55,819	57,494	59,219	60,995	62,825	64,710	66,651	As Data Processing
8309	Building Maintenance Charge	31,704	32,655	33,635	34,644	35,683	36,754	37,856	38,992	40,162	As Miscellaneous
8310	Administrative Support	118,682	122,242	125,910	129,687	133,578	137,585	141,713	145,964	150,343	As Miscellaneous
Total Administrative & Other		\$212,863	\$219,249	\$225,826	\$232,601	\$239,579	\$246,767	\$254,170	\$261,795	\$269,648	
Total Planning and Project Management (701)		\$972,260	\$1,003,472	\$1,035,955	\$1,069,774	\$1,104,994	\$1,141,687	\$1,179,927	\$1,219,793	\$1,261,367	
Sanitary Sewer Operations (710)											
Personnel											
8101	Regular Salaries	\$737,697	\$752,162	\$766,910	\$781,948	\$797,280	\$812,913	\$828,852	\$845,104	\$861,675	As Labor
8103	Temporary Part-Time	0	0	0	0	0	0	0	0	0	As Labor
8111	Overtime	10,000	10,196	10,396	10,600	10,808	11,020	11,236	11,456	11,681	As Labor
8112	Standby/Unscheduled	18,918	19,289	19,667	20,053	20,446	20,847	21,256	21,673	22,098	As Labor
8114	Acting Pay	0	0	0	0	0	0	0	0	0	As Labor
8119	Termination Pay	0	0	0	0	0	0	0	0	0	As Labor
8211	P.E.R.S. Retirement	176,101	185,435	195,263	205,612	216,509	227,984	240,067	252,791	266,189	As Benefits - Other
8221	F.I.C.A. Social Security	0	0	0	0	0	0	0	0	0	As Benefits - Other
8231	Health Insurance	0	0	0	0	0	0	0	0	0	As Benefits - Medical
8232	Medicare	11,501	12,306	13,167	14,089	15,075	16,131	17,260	18,468	19,761	As Benefits - Medical
8233	Life & Disability Insurance	3,462	3,704	3,963	4,241	4,538	4,855	5,195	5,559	5,948	As Benefits - Medical
8235	State Unemployment Insurance	0	0	0	0	0	0	0	0	0	As Benefits - Other
8241	Dental Plan	8,773	9,387	10,044	10,747	11,499	12,304	13,166	14,087	15,073	As Benefits - Medical
8242	Vision Plan	2,021	2,163	2,314	2,476	2,649	2,835	3,033	3,246	3,473	As Benefits - Medical
8251	Uniform Allowance	0	0	0	0	0	0	0	0	0	As Benefits - Other
8253	Allowances	420	442	466	490	516	544	573	603	635	As Benefits - Other
8259	Deferred Compensation	25,020	26,346	27,742	29,213	30,761	32,391	34,108	35,916	37,819	As Benefits - Other
8271	SEC 125 Benefits	195,084	208,740	223,352	238,987	255,716	273,616	292,769	313,263	335,191	As Benefits - Medical
8281	Benefit Prefunding	61,293	64,542	67,963	71,565	75,358	79,352	83,557	87,986	92,649	As Benefits - Other
8282	Compensated Absences	0	0	0	0	0	0	0	0	0	As Labor
8285	Workers' Compensation	85,938	90,493	90,493	90,493	90,493	90,493	90,493	90,493	90,493	As Benefits - Other
Total Personnel		\$1,336,229	\$1,385,204	\$1,431,740	\$1,480,512	\$1,531,648	\$1,585,283	\$1,641,564	\$1,700,643	\$1,762,683	
Supplies & Services											
8305	After Hours Dispatch Service	\$10,000	\$10,196	\$10,396	\$10,600	\$10,808	\$11,020	\$11,236	\$11,456	\$11,681	As Profess/Contractual
8311	Property Tax Admin Fee	55,000	55,550	56,106	56,667	57,233	57,806	58,384	58,967	59,557	As Rate Revenue
8314	Equipment Allocation - IT Charge	0	0	0	0	0	0	0	0	0	As Equipment/Vehicles
8351	Other Professional/Tech	94,000	95,843	97,722	99,639	101,592	103,584	105,615	107,686	109,798	As Profess/Contractual
8359	Computer Software License	0	0	0	0	0	0	0	0	0	As Materials & Supplies
8411	Water	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071	14,775	As Utilities
8417	Other Waste Water Treatment	250,000	262,500	275,625	289,406	303,877	319,070	335,024	351,775	369,364	As Utilities
8418	S.V.C.W. Sewer Treatment	3,625,358	3,496,047	4,090,000	4,270,000	4,470,000	4,670,000	4,880,000	5,100,000	5,320,000	As SVCW Treatment
8430	Repair & Maintenance Service	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	As Miscellaneous
8441	Land/Building Rentals	0	0	0	0	0	0	0	0	0	As Miscellaneous
8442	Equipment/Vehicle Rental	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	As Equipment/Vehicles
8522	Liability Insurance Charge	50,320	51,830	53,384	54,986	56,636	58,335	60,085	61,887	63,744	As Equipment/Vehicles
8530	Communications	9,000	9,270	9,548	9,835	10,130	10,433	10,746	11,069	11,401	As Materials & Supplies
8532	Telephone	0	0	0	0	0	0	0	0	0	As Materials & Supplies
8580	Travel And Training	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	As Education/Training
8590	Street Access Fee	204,204	204,204	204,204	204,204	204,204	204,204	204,204	204,204	204,204	As Flat
8591	Memberships & Dues	7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	As Education/Training
8599	Miscellaneous	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	As Miscellaneous
8610	General Supplies	6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	As Materials & Supplies
8612	Small Tools	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	As Materials & Supplies
8613	Safety Equipment	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	As Miscellaneous
8632	Natural Gas & Electricity	55,000	57,750	60,638	63,669	66,853	70,195	73,705	77,391	81,260	As Utilities
8639	Gasoline	27,000	28,350	29,768	31,256	32,819	34,460	36,183	37,992	39,891	As Utilities
8641	Repair & Maintenance Supplies	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671	As Miscellaneous
8680	Books/Manuals/Subscriptions	0	0	0	0	0	0	0	0	0	As Materials & Supplies
Total Supplies & Services		\$4,498,882	\$4,394,190	\$5,013,808	\$5,220,566	\$5,448,469	\$5,677,568	\$5,917,919	\$6,169,580	\$6,422,611	

		Budget		Projected							
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	Notes
Administrative & Other											
8307	Vehicle Usage Charge	\$248,131	\$255,575	\$263,242	\$271,139	\$279,274	\$287,652	\$296,281	\$305,170	\$314,325	As Equipment/Vehicles
8308	Computer Usage Charge	143,114	147,407	151,830	156,385	161,076	165,908	170,886	176,012	181,293	As Data Processing
8309	Building Maintenance Charge	90,672	93,392	96,194	99,080	102,052	105,114	108,267	111,515	114,861	As Miscellaneous
8310	Administrative Support	165,819	170,794	175,917	181,195	186,631	192,230	197,997	203,936	210,055	As Miscellaneous
Total Administrative & Other		\$647,736	\$667,168	\$687,183	\$707,799	\$729,033	\$750,904	\$773,431	\$796,634	\$820,533	
Total Sanitary Sewer Operations (710)		\$6,482,847	\$6,446,562	\$7,132,731	\$7,408,877	\$7,709,149	\$8,013,755	\$8,332,914	\$8,666,856	\$9,005,826	
Sanitary Sewer Capital Operations (730)											
Supplies & Services											
8331	Engineering/Architecture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
8351	Other Professional/Tech	8,400	8,652	8,912	9,179	9,454	9,738	10,030	10,331	10,641	As Miscellaneous
8354	Bond Issuance Costs	0	0	0	0	0	0	0	0	0	As Miscellaneous
8361	Bond Amortization Expense	0	0	0	0	0	0	0	0	0	As Miscellaneous
8368	City Project Management & Services	0	0	0	0	0	0	0	0	0	As Miscellaneous
8531	Postage/Delivery Service	0	0	0	0	0	0	0	0	0	As Miscellaneous
8550	Printing and Binding	0	0	0	0	0	0	0	0	0	As Miscellaneous
8599	Miscellaneous	0	0	0	0	0	0	0	0	0	As Miscellaneous
8610	General Supplies	0	0	0	0	0	0	0	0	0	As Miscellaneous
Total Supplies & Services		\$8,400	\$8,652	\$8,912	\$9,179	\$9,454	\$9,738	\$10,030	\$10,331	\$10,641	
Administrative & Other											
8310	Administrative Support	\$56,800	\$58,504	\$60,259	\$62,067	\$63,929	\$65,847	\$67,822	\$69,857	\$71,953	As Miscellaneous
Total Administrative & Other		\$56,800	\$58,504	\$60,259	\$62,067	\$63,929	\$65,847	\$67,822	\$69,857	\$71,953	
Capital Outlay											
9030	Improvement Other Than Building	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Miscellaneous
Total Capital Outlay		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Sanitary Sewer Capital Operations (730)		\$65,200	\$67,156	\$69,171	\$71,246	\$73,383	\$75,585	\$77,852	\$80,188	\$82,593	
Total Operating & Maintenance Expense		\$7,520,307	\$7,517,190	\$8,237,857	\$8,549,897	\$8,887,527	\$9,231,027	\$9,590,693	\$9,966,837	\$10,349,787	
Repair and Replacement Funding		\$3,000,000	\$5,000,000	\$5,200,000	\$5,500,000	\$6,000,000	\$6,400,000	\$7,250,000	\$7,400,000	\$7,600,000	FY 2022-23 Approx. Depr. \$1,703,958
I/I Capital Funding Transfer		\$650,000	\$668,000	\$686,000	\$705,000	\$724,000	\$744,000	\$764,000	\$785,000	\$806,000	
Deferred Capital Funding (Debt Service)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Service											
	2016 Sewer Revenue Refunding	\$767,505	\$771,255	\$768,505	\$764,505	\$769,255	\$771,455	\$773,355	\$773,950	\$771,550	Debt Schedule
	2016 Sewer Revenue	621,941	621,191	620,191	628,941	621,941	619,141	616,341	618,331	617,531	Debt Schedule
	2019 Sewer Revenue	1,111,000	1,110,625	1,109,500	1,107,625	1,109,875	1,106,250	1,106,750	1,106,250	1,104,750	Debt Schedule
	New Low Interest Loan	0	0	0	0	0	0	0	0	0	
	New Revenue Bond 2024/2025	0	0	0	0	0	0	0	0	0	
	New Revenue Bond 2027/2028	0	0	0	0	0	0	0	0	0	
Total Debt Service		\$2,500,446	\$2,503,071	\$2,498,196	\$2,501,071	\$2,501,071	\$2,496,846	\$2,496,446	\$2,498,531	\$2,493,831	

	Budget		Projected							Notes
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	
Change in Working Capital +/-										
Operating (Cash) Reserve Transfer	\$804,823	\$243,700	\$987	\$142,137	\$28,535	\$180,684	(\$114,978)	\$14,172	\$434,681	
Capital Reserve Transfer	0	0	0	0	0	0	0	0	0	
Connection Fee Transfer	0	0	0	0	0	0	0	0	0	
Change in Working Capital +/-	\$804,823	\$243,700	\$987	\$142,137	\$28,535	\$180,684	(\$114,978)	\$14,172	\$434,681	
TOTAL REVENUE REQUIREMENT	\$14,475,576	\$15,931,961	\$16,623,040	\$17,398,105	\$18,141,133	\$19,052,558	\$19,986,162	\$20,664,540	\$21,684,299	
Total Balance/(Deficiency) of Funds	\$0	(\$579,221)	(\$1,193,429)	(\$1,844,441)	(\$2,534,173)	(\$3,264,637)	(\$4,037,942)	(\$4,856,310)	(\$5,722,072)	
Total Incr. as a % of Current Rates	0.0%	4.0%	8.2%	12.5%	17.0%	21.7%	26.5%	31.6%	36.9%	
Proposed Rate Adjustment	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Additional Revenue from Rate Increase	\$0	\$579,222	\$1,193,428	\$1,844,441	\$2,534,174	\$3,264,636	\$4,037,942	\$4,856,310	\$5,722,072	
Balance/(Deficiency) of Funds	\$0	\$0	(\$0)	\$0	\$0	(\$0)	\$0	(\$0)	(\$0)	
Deficiency as a % of Retail Rate Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Residential Bill Comparison (8 HCF X Adjustment Factor)										
Monthly										
After Proposed Rate Adjustment	\$135.36	\$140.77	\$146.41	\$152.26	\$158.35	\$164.68	\$171.27	\$178.12	\$185.24	
Monthly Bill Difference	\$5.41	\$5.63	\$5.86	\$6.09	\$6.33	\$6.59	\$6.85	\$7.12	\$7.39	
Cumulative Bill Difference	\$5.41	\$11.05	\$16.91	\$22.99	\$29.32	\$35.91	\$42.76	\$49.89	\$57.28	
Percentage Overall Change	4.0%	7.8%	11.5%	15.1%	18.5%	21.8%	25.0%	28.0%	31.1%	
Debt Service Coverage Ratio (Revenue Bonds Only)										
Before Proposed Rate Adjustment	2.73	3.08	2.82	2.74	2.63	2.57	2.49	2.28	2.20	Minimum 1.0/Min Target 1.25
After Proposed Rate Adjustment	2.73	3.31	3.30	3.48	3.64	3.88	4.11	4.23	4.49	Minimum 1.0/Min Target 1.25
Reserve Balances	39,855,067									
Operating (Cash) Reserve										
Beginning Reserve Balance	\$7,500,000	\$8,304,823	\$8,548,524	\$8,549,510	\$8,691,647	\$8,720,183	\$8,900,867	\$8,785,889	\$8,800,061	
Plus: To Reserves	804,823	243,700	987	142,137	28,535	180,684	0	14,172	434,681	
Less: Transfers to Capital Reserve	0	0	0	0	0	0	0	0	0	Needs to be (-)
Less: Other Uses of Funds	0	0	(0)	0	0	(0)	(114,978)	(0)	(0)	
Ending Reserve Balance	\$8,304,823	\$8,548,524	\$8,549,510	\$8,691,647	\$8,720,183	\$8,900,867	\$8,785,889	\$8,800,061	\$9,234,742	
Target Minimum = 180 Days of O&M	\$5,060,000	\$5,100,000	\$5,500,000	\$5,690,000	\$5,910,000	\$6,120,000	\$6,350,000	\$6,590,000	\$6,830,000	
Emergency/Litigation Reserve	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	
Target Minimum	\$7,060,000	\$7,100,000	\$7,500,000	\$7,690,000	\$7,910,000	\$8,120,000	\$8,350,000	\$8,590,000	\$8,830,000	
Capital Project Reserve										
Beginning Reserve Balance	\$28,467,526	\$28,384,769	\$24,744,367	\$23,633,356	\$18,770,216	\$20,330,067	\$20,630,067	\$6,135,937	\$6,135,937	
Plus: To Reserves	0	0	0	0	0	0	0	0	0	Input from City Projections
Plus: Bond Funds Year 1	0	0	0	0	0	0	0	0	0	
Plus: Bond Funds Year 2	0	0	0	0	0	0	0	0	0	
Plus: Transfers from Operating Reserve	0	0	0	0	0	0	0	0	0	
Plus: From CIP	0	0	0	0	1,600,000	300,000	0	0	0	
Less: CIP	(82,757)	(3,640,402)	(1,111,011)	(4,863,140)	(40,149)	0	(14,494,130)	0	0	
Less: Other Uses of Funds	0	0	0	0	0	0	0	0	0	
Ending Reserve Balance	\$28,384,769	\$24,744,367	\$23,633,356	\$18,770,216	\$20,330,067	\$20,630,067	\$6,135,937	\$6,135,937	\$6,135,937	
Target Minimum = 2 Yr's of Ann Depr Exp	\$3,672,000	\$3,745,000	\$3,820,000	\$3,896,000	\$3,974,000	\$4,053,000	\$4,134,000	\$4,217,000	\$4,301,000	FY 2022-23 Approx. Depr. \$1,703,958 X 2
Connection Fee Reserve (Restricted)										
Beginning Reserve Balance	\$3,887,541	\$3,137,541	\$2,387,541	\$1,637,541	\$637,541	\$37,541	\$1,037,541	\$287,541	\$1,287,541	
Plus: To Reserves	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Less: Use of Funds	(1,750,000)	(1,750,000)	(1,750,000)	(2,000,000)	(1,600,000)	0	(1,750,000)	0	0	
Ending Reserve Balance	\$3,137,541	\$2,387,541	\$1,637,541	\$637,541	\$37,541	\$1,037,541	\$287,541	\$1,287,541	\$2,287,541	
Ending Reserve Balances	\$36,689,592	\$33,292,891	\$32,182,866	\$27,461,863	\$29,050,250	\$29,530,934	\$14,921,826	\$14,935,998	\$15,370,679	
Target Minimum (Operating + Capital)	\$10,732,000	\$10,845,000	\$11,320,000	\$11,586,000	\$11,884,000	\$12,173,000	\$12,484,000	\$12,807,000	\$13,131,000	
	\$25,957,592	\$22,447,891	\$20,862,866	\$15,875,863	\$17,166,250	\$17,357,934	\$2,437,826	\$2,128,998	\$2,239,679	

City of Belmont
Sewer Cost of Service Study
Exhibit 4
Capital Improvement Projects

Capital Improvement Projects	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	Total	Notes
Capacity Related Projects (Fund 503)											
San Juan LS	\$1,500,000	\$1,750,000	\$1,750,000	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000,000	
CCIP 1	115,515	269,535	0	0	0	0	0	0	0	385,050	
CCIP 2	632,388	1,475,572	0	0	0	0	0	0	0	2,107,960	
CCIP 3	0	59,922	139,818	0	0	0	0	0	0	199,740	
CCIP 6	0	0	0	321,120	749,280	0	0	0	0	1,070,400	
CCIP 7	0	0	0	77,760	181,440	0	0	0	0	259,200	
CCIP 8	0	0	0	0	710,829	0	4,278,630	0	0	4,989,459	
CCIP 4	0	0	0	0	0	0	391,200	0	0	391,200	
CCIP 5	0	0	0	0	0	0	1,486,300	0	0	1,486,300	
CCIP 9	0	0	0	0	0	0	1,869,920	0	0	1,869,920	
CCIP 12	0	0	0	0	0	0	203,830	0	0	203,830	
Sewer System Capacity Study Update	200,000	0	0	0	0	0	0	0	0	200,000	
HIA Cost of Sewer Service Annexation	30,000	0	0	0	0	0	0	0	0	30,000	
HIA Cost of Sewer Service Annexation / CIP-1	0	0	0	5,354,000	0	0	0	0	0	5,354,000	
HIA Cost of Sewer Service Annexation / CIP-2	0	0	0	1,341,000	0	0	0	0	0	1,341,000	
HIA Cost of Sewer Service Annexation / CIP-3	0	0	0	199,820	0	0	0	0	0	199,820	
Total Sewer Capacity Improvement Projects	\$2,477,903	\$3,555,029	\$1,889,818	\$7,293,700	\$1,641,549	\$0	\$8,229,880	\$0	\$0	\$25,087,879	
Condition Related Projects (Fund 501)											
Sewer Rehabilitation - Annual	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$900,000	
San Juan FM	878,274	1,024,653	1,024,653	0	0	0	0	0	0	2,927,580	
Hiller LS	567,000	1,323,000	0	0	0	0	0	0	0	1,890,000	
HIA Cost of Sewer Service Annexation / CIP-3	0	0	0	257,500	0	0	0	0	0	257,500	
HIA Cost of Sewer Service Annexation / CIP-5	0	0	0	420,000	0	0	0	0	0	420,000	
Island Park LS and FM	0	1,321,560	1,541,820	1,541,820	0	0	0	0	0	4,405,200	
Sports Complex FM	0	44,160	51,520	51,520	0	0	0	0	0	147,200	
Hiller FM	0	323,400	754,600	0	0	0	0	0	0	1,078,000	
Ralston Ranch LS	0	0	0	0	0	0	1,320,000	0	0	1,320,000	
CIP-4	0	0	0	0	0	0	26,000	0	0	26,000	
CIP-6	0	0	0	0	0	0	227,000	0	0	227,000	
Pipeline Rehab Batch 1 / Residential Gravity Replacement	809,580	1,889,020	0	0	0	0	13,591,250	0	0	16,289,850	
Pipeline Rehab Batch 2 / Residential Gravity Replacement	0	809,580	1,889,020	0	0	0	0	0	0	2,698,600	
Pipeline Rehab Batch 3 / Residential Gravity Replacement	0	0	809,580	1,889,020	0	0	0	0	0	2,698,600	
Pipeline Rehab Batch 4 / Residential Gravity Replacement	0	0	0	809,580	1,889,020	0	0	0	0	2,698,600	
Pipeline Rehab Batch 5 / Residential Gravity Replacement	0	0	0	0	809,580	0	0	0	0	809,580	
Total Condition Related Projects	\$2,354,854	\$6,835,373	\$6,171,193	\$5,069,440	\$2,798,600	\$100,000	\$15,264,250	\$100,000	\$100,000	\$38,793,710	
Total Capital Improvement Projects	\$4,832,757	\$10,390,402	\$8,061,011	\$12,363,140	\$4,440,149	\$100,000	\$23,494,130	\$100,000	\$100,000	\$63,881,589	
Future Unidentified Capital Needs	\$0	\$0	\$0	\$0	\$1,600,000	\$6,000,000	\$0	\$7,300,000	\$7,500,000	\$22,400,000	
To Capital Reserve Fund	\$0	\$0	\$0	\$0	\$1,600,000	\$300,000	\$0	\$0	\$0	\$1,900,000	
Total Sewer Capital	\$4,832,757	\$10,390,402	\$8,061,011	\$12,363,140	\$7,640,149	\$6,400,000	\$23,494,130	\$7,400,000	\$7,600,000	\$88,181,589	
Less: Funding Sources											
Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Reserve	82,757	3,640,402	1,111,011	4,863,140	40,149	0	14,494,130	0	0	24,231,589	
Connection Fee Reserve	1,750,000	1,750,000	1,750,000	2,000,000	1,600,000	0	1,750,000	0	0	10,600,000	
Additional Long-Term Debt	0	0	0	0	0	0	0	0	0	0	
Total Funding Sources	\$1,832,757	\$5,390,402	\$2,861,011	\$6,863,140	\$1,640,149	\$0	\$16,244,130	\$0	\$0	\$34,831,589	
Total Capital Improvement Funded Through Rates	\$3,000,000	\$5,000,000	\$5,200,000	\$5,500,000	\$6,000,000	\$6,400,000	\$7,250,000	\$7,400,000	\$7,600,000	\$53,350,000	FY 2022-23 Approx. Depr. \$1,703,958
I/I Capital Funding	\$650,000	\$668,000	\$686,000	\$705,000	\$724,000	\$744,000	\$764,000	\$785,000	\$806,000	\$6,532,000	

City of Belmont
Sewer Cost of Service Study
Exhibit 5E
Projected Revenue At Present Rates for 2023-2024

Use Description	Billing Units	0.10	Rate Per Billing Unit	Total
Standby Charge	533		\$245.40	\$130,798.20
Residential Collection				
Base Charge \$/Unit	10,748		\$430.66	\$4,628,651.83
Flow Charge \$/HCF	588,130	653,478	\$6.13	4,005,817.53
Total		660,643		\$8,634,469.36
Treatment				
Base Charge \$/Unit	10,748		\$226.34	\$2,432,659.30
Flow Charge \$/HCF	588,130	653,478	\$3.03	1,980,037.05
Total				\$4,412,696.35
Total Residential Revenue				\$13,047,165.71
Commercial Collection				
LS - Base Charge \$/Unit	208		\$430.66	\$89,574.80
HS - Base Charge \$/Unit	19		\$430.66	8,182.54
Low Strength Flow Charge \$/HCF	89,206	99,118	\$6.13	607,593.80
High Strength Flow Charge \$/HCF	11,772	13,080	\$11.91	155,778.29
Total	689,108	765,675		\$861,129.42
Treatment				
LS - Base Charge \$/Unit	208		\$226.34	\$47,077.42
HS - Base Charge \$/Unit	19		\$226.34	4,300.46
Low Strength Flow Charge \$/HCF	89,206	99,118	\$3.03	300,327.77
High Strength Flow Charge \$/HCF	11,772	13,080	\$5.90	77,169.76
Total				\$428,875.41
Total Commercial Revenue				\$1,290,004.83
Summary of Revenues at Present Rates				
Total Number of Billing Units				
Standby				533
Residential				10,748
LS Commercial				208
HS Commercial				19
Total				11,508
Total Annual Flow				
Residential				588,130
LS Commercial				89,206
HS Commercial				11,772
Total				689,108
Total Revenue				
Standby Charge Revenue				\$130,798
Residential Revenue				\$13,047,166
LS Commercial				1,044,574
HS Commercial				245,431
Total				\$14,337,171
Total Revenue				\$14,467,969

	2020-21	2021-22	2022-23	Average	2023-24
Billed HCF	722,463	807,524	722,463	750,817	689,108
% Adjustment Factor	0.09	0.09	0.10		0.100
Total HCF	787,485	880,202	794,710	820,799	765,675

City of Belmont
Sewer Cost of Service Study
Exhibit 6
Development of the Volume Distribution Factor

	FY 2024-25 Annual Wastewater Flow (CCF) [1]	11.0% Inflow and Infiltration [2] [3]	Total Annual Flow at Plant (CCF)	Avg. Daily Flow At Plant (MGD) [4]	% of Total
Residential	588,130	64,694	652,824	1.34	85.3%
Commercial	89,206	9,813	99,019	0.20	12.9%
Commercial High S.	11,772	1,295	13,067	0.03	1.7%
	-----	-----	-----	-----	-----
Total Consumption	689,108	75,802	764,910	1.57	100.0%

Estimated Plant Flow [4]

1.94

Distribution Factor

(VOL)

Note:

[1] Based on 2022/23 customer's winter period consumption, plus estimated growth for FY 23/24

[2] Calculated based on billing report versus total plant flow.

- Inflow represents external groundwater that can enter the sewer at service connections where the pipe is broken, at defective joints, at connections to manholes, etc.
- Infiltration is water discharged to sewer from sources such as roof leaders, cellar, yard and drains from springs and other wet areas, storm sewers, catch basins, surface water runoff, etc

[3] Total I&I allocated to each class of service based on flow.

[4] City provided total flow for FY 2022/23 plus one year growth.

City of Belmont
Sewer Cost of Service Study
Exhibit 7
Development of the Customer Distribution Factor

	Actual Customer	
	Number of Units	% of Total
Residential	10,748	97.9%
Commercial	208	1.9%
Commercial High S.	19	0.2%
	-----	-----
Total Customers	10,975	100.0%

Customer Service & Accounting				
	Number of Bills [1]	Weighting Factor	Weighted Customer	% of Total
	10,748	1.0	10,748	97.9%
	208	1.0	208	1.9%
	19	1.0	19	0.2%
	-----		-----	-----
	10,975		10,975	100.0%

Distribution Factor

(AC)

(WCA)

Note:

[1] Number of Residential bills from billing records.

City of Belmont
Sewer Cost of Service Study
Exhibit 8
Development of the Strength Distribution Factor

	Annual Flow (CCF)	Biochemical Oxygen Demand			Suspended Solids		
		Avg. Factor (mg/l) [1]	Calculated Pounds [2]	% of Total	Avg. Factor (mg/l) [1]	Calculated Pounds [2]	% of Total
Residential	652,824	250	1,018,742	82.8%	220	896,493	82.8%
Commercial	99,019	250	154,521	12.6%	220	135,978	12.6%
Commercial High S.	13,067	700	57,093	4.6%	616	50,242	4.6%
	-----		-----	-----		-----	-----
Total Strength	764,910		1,230,356	100.0%		1,082,713	100.0%
Distribution Factor				(BOD)			(SS)

Note:

[1] Average BOD and SS strength factors based on typical residential customer from similar studies. High strength based on 2.8 times residential based on WA State Dept Health, Rule Development Committee Issue Research Report, Wastewater Quality/Strength/Content, page 6 of 18.

[2] Calculated pounds equals (annual flow (x) 748 (x) strength factor mg/l (x) 8.34 /1,000,000)

City of Belmont
Sewer Cost of Service Study
Exhibit 9
Development of the Revenue Related Distribution Factor

	Projected Year FY 2024-25	% of Total
Residential	\$13,177,637	91.0%
Commercial	1,055,020	7.3%
Commercial High S.	247,885	1.7%
	-----	-----
Total Rate Revenues	\$14,480,542	100.0%
Distribution Factor		(RR)

City of Belmont
Sewer Cost of Service Study
Exhibit 10
Functionalization and Allocation of Plant in Service

	Total Plant FY 2021	Operating Volume (VOL)	Biochemical Oxygen Demand (BOD)	Suspended Solids (SS)	Customer Related		Revenue (RR)	Direct (DA)	Basis of Allocation	
					Weighted for:					
					Actual Customer (AC)	Customer Acct/Svcs (WCA)				
Sewer Operations (501)										
Land	\$14,793	\$9,615	\$0	\$0	\$5,178	\$0	\$0	\$0	65.0% VOL	35% AC
Improvements	8,442,998	5,487,949	0	0	2,955,049	0	0	0	65.0% VOL	35% AC
Machinery and Equipment	261,761	261,761	0	0	0	0	0	0	100.0% VOL	
Total Sewer Operations (501)	\$8,719,552	\$5,759,325	\$0	\$0	\$2,960,227	\$0	\$0	\$0		
Sewer Capital (503)										
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	65.0% VOL	35% AC
Construction in Progress	5,254,615	3,415,500	0	0	1,839,115	0	0	0	65.0% VOL	35% AC
Improvements	33,530,504	21,794,828	0	0	11,735,676	0	0	0	65.0% VOL	35% AC
Machinery and Equipment	9,098	9,098	0	0	0	0	0	0	100.0% VOL	
Total Sewer Capital (503)	\$38,794,217	\$25,219,425	\$0	\$0	\$13,574,792	\$0	\$0	\$0		
TOTAL PLANT IN SERVICE	\$47,513,769	\$30,978,751	\$0	\$0	\$16,535,019	\$0	\$0	\$0		
Less: Accumulated Depreciation										
Improvements										
Sewer Operations (501)	(\$6,754,397)	(\$4,390,358)	\$0	\$0	(\$2,364,039)	\$0	\$0	\$0	As Sewer Operations (501)	
Sewer Capital (503)	(10,343,235)	(6,723,103)	0	0	(3,620,132)	0	0	0	As Sewer Capital (503)	
Total Accum Depr Imprv.	(\$17,097,632)	(\$11,113,461)	\$0	\$0	(\$5,984,171)	\$0	\$0	\$0		
Machinery and Equipment										
Sewer Operations (501)	(\$251,179)	(\$251,179)	\$0	\$0	\$0	\$0	\$0	\$0	As Sewer Operations (501)	
Sewer Capital (503)	(9,098)	(5,914)	0	0	(3,184)	0	0	0	As Sewer Capital (503)	
Total Accum Depr Mach & Equip	(\$260,277)	(\$257,093)	\$0	\$0	(\$3,184)	\$0	\$0	\$0		
Total Accumulated Depreciation	(\$17,357,909)	(\$11,370,554)	\$0	\$0	(\$5,987,356)	\$0	\$0	\$0		
Net Plant in Service	\$30,155,860	\$19,608,197	\$0	\$0	\$10,547,663	\$0	\$0	\$0		

	Total FY 2024-25	Strength Related			Weighted for:		Revenue (RR)	Direct (DA)	Basis of Allocation
		Volume (VOL)	Biochemical Oxygen Demand (BOD)	Suspended Solids (SS)	Actual Customer (AC)	Customer Acct/Svcs (WCA)			
EXPENSES									
Planning and Project Management (701)									
Personnel									
Regular Salaries	\$488,945	\$317,926	\$0	\$0	\$171,019	\$0	\$0	\$0	As Net Plant In Svc
Permanent Part-Time	0	0	0	0	0	0	0	0	As Net Plant In Svc
Temporary Part-Time	3,569	2,320	0	0	1,248	0	0	0	As Net Plant In Svc
Overtime	0	0	0	0	0	0	0	0	As Net Plant In Svc
Standby/Unscheduled	993	646	0	0	347	0	0	0	As Net Plant In Svc
Acting Pay	0	0	0	0	0	0	0	0	As Net Plant In Svc
Termination Pay	0	0	0	0	0	0	0	0	As Net Plant In Svc
P.E.R.S. Retirement	116,468	75,731	0	0	40,737	0	0	0	As Net Plant In Svc
F.I.C.A Social Security	229	149	0	0	80	0	0	0	As Net Plant In Svc
Health Insurance	0	0	0	0	0	0	0	0	As Net Plant In Svc
Medicare	6,959	4,525	0	0	2,434	0	0	0	As Net Plant In Svc
Life & Disability Insurance	2,185	1,421	0	0	764	0	0	0	As Net Plant In Svc
State Unemployment Insurance	0	0	0	0	0	0	0	0	As Net Plant In Svc
Dental Plan	3,022	1,965	0	0	1,057	0	0	0	As Net Plant In Svc
Vision Plan	870	566	0	0	304	0	0	0	As Net Plant In Svc
Allowances	1,106	719	0	0	387	0	0	0	As Net Plant In Svc
Deferred Compensation	13,294	8,644	0	0	4,650	0	0	0	As Net Plant In Svc
SEC 125 Benefits	74,197	48,245	0	0	25,952	0	0	0	As Net Plant In Svc
Benefit Prefunding	35,772	23,260	0	0	12,512	0	0	0	As Net Plant In Svc
GASB 68 Pension Expense	0	0	0	0	0	0	0	0	As Net Plant In Svc
GASB 75 OPEB Expense	0	0	0	0	0	0	0	0	As Net Plant In Svc
Workers' Compensation	12,957	8,425	0	0	4,532	0	0	0	As Net Plant In Svc
Total Personnel	\$760,564	\$494,541	\$0	\$0	\$266,024	\$0	\$0	\$0	
Supplies & Services									
Equipment Allocation - IT Charge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Net Plant In Svc
Other Professional/Technical	5,098	3,315	0	0	1,783	0	0	0	As Net Plant In Svc
EOC - Disaster Preparedness	0	0	0	0	0	0	0	0	As Net Plant In Svc
Computer Software License	0	0	0	0	0	0	0	0	As Net Plant In Svc
Equipment/Vehicle Rental	0	0	0	0	0	0	0	0	As Net Plant In Svc
Liability Insurance Charge	8,735	5,680	0	0	3,055	0	0	0	As Net Plant In Svc
Postage/Delivery Service	0	0	0	0	0	0	0	0	As Net Plant In Svc
Telephone	0	0	0	0	0	0	0	0	As Net Plant In Svc
Printing & Binding	0	0	0	0	0	0	0	0	As Net Plant In Svc
Travel & Training	1,530	995	0	0	535	0	0	0	As Net Plant In Svc
Membership & Dues	4,896	3,184	0	0	1,712	0	0	0	As Net Plant In Svc
Miscellaneous	3,090	2,009	0	0	1,081	0	0	0	As Net Plant In Svc
General Supplies	309	201	0	0	108	0	0	0	As Net Plant In Svc
Small Tools	0	0	0	0	0	0	0	0	As Net Plant In Svc
Books/Manuals/Subscriptions	0	0	0	0	0	0	0	0	As Net Plant In Svc
Total Supplies & Services	\$23,658	\$15,383	\$0	\$0	\$8,275	\$0	\$0	\$0	
Administrative & Other									
Vehicle Usage Charge	\$10,158	\$6,605	\$0	\$0	\$3,553	\$0	\$0	\$0	As Net Plant In Svc
Computer Usage Charge	54,193	0	0	0	0	54,193	0	0	100% WCA
Building Maintenance Charge	32,655	21,233	0	0	11,422	0	0	0	As Net Plant In Svc
Administrative Support	122,242	0	0	0	0	122,242	0	0	100% WCA
Total Administrative & Other	\$219,249	\$27,838	\$0	\$0	\$14,975	\$176,436	\$0	\$0	
Total Planning and Project Management (701)	\$1,003,472	\$537,762	\$0	\$0	\$289,274	\$176,436	\$0	\$0	

	Total FY 2024-25	Strength Related			Weighted for:		Revenue (RR)	Direct (DA)	Basis of Allocation
		Volume (VOL)	Biochemical Oxygen Demand (BOD)	Suspended Solids (SS)	Actual Customer (AC)	Customer Acct/Svcs (WCA)			
Sanitary Sewer Operations (710)									
Personnel									
Regular Salaries	\$752,162	\$489,077	\$0	\$0	\$263,085	\$0	\$0	\$0	As Net Plant In Svc
Temporary Part-Time	0	0	0	0	0	0	0	0	As Net Plant In Svc
Overtime	10,196	6,630	0	0	3,566	0	0	0	As Net Plant In Svc
Standby/Unscheduled	19,289	12,542	0	0	6,747	0	0	0	As Net Plant In Svc
Acting Pay	0	0	0	0	0	0	0	0	As Net Plant In Svc
Termination Pay	0	0	0	0	0	0	0	0	As Net Plant In Svc
P.E.R.S. Retirement	185,435	120,575	0	0	64,860	0	0	0	As Net Plant In Svc
F.I.C.A. Social Security	0	0	0	0	0	0	0	0	As Net Plant In Svc
Health Insurance	0	0	0	0	0	0	0	0	As Net Plant In Svc
Medicare	12,306	8,002	0	0	4,304	0	0	0	As Net Plant In Svc
Life & Disability Insurance	3,704	2,408	0	0	1,296	0	0	0	As Net Plant In Svc
State Unemployment Insurance	0	0	0	0	0	0	0	0	As Net Plant In Svc
Dental Plan	9,387	6,104	0	0	3,283	0	0	0	As Net Plant In Svc
Vision Plan	2,163	1,406	0	0	756	0	0	0	As Net Plant In Svc
Uniform Allowance	0	0	0	0	0	0	0	0	As Net Plant In Svc
Allowances	442	288	0	0	155	0	0	0	As Net Plant In Svc
Deferred Compensation	26,346	17,131	0	0	9,215	0	0	0	As Net Plant In Svc
SEC 125 Benefits	208,740	135,729	0	0	73,011	0	0	0	As Net Plant In Svc
Benefit Prefunding	64,542	41,967	0	0	22,575	0	0	0	As Net Plant In Svc
Compensated Absences	0	0	0	0	0	0	0	0	As Net Plant In Svc
Workers' Compensation	90,493	58,841	0	0	31,652	0	0	0	As Net Plant In Svc
Total Personnel	\$1,385,204	\$900,699	\$0	\$0	\$484,505	\$0	\$0	\$0	
Supplies & Services									
After Hours Dispatch Service	\$10,196	\$6,630	\$0	\$0	\$3,566	\$0	\$0	\$0	As Net Plant In Svc
Property Tax Admin Fee	55,550	36,120	0	0	19,430	0	0	0	As Net Plant In Svc
Equipment Allocation - IT Charge	0	0	0	0	0	0	0	0	As Net Plant In Svc
Other Professional/Tech	95,843	0	0	0	0	95,843	0	0	100% WCA
Computer Software License	0	0	0	0	0	0	0	0	As Net Plant In Svc
Water	10,500	6,827	0	0	3,673	0	0	0	As Net Plant In Svc
Other Waste Water Treatment	262,500	103,981	77,487	81,031	0	0	0	0	40% VOL 30% BOD 31% SS
S.V.C.W. Sewer Treatment	3,496,047	1,384,849	1,031,999	1,079,199	0	0	0	0	40% VOL 30% BOD 31% SS
Repair & Maintenance Service	20,600	13,395	0	0	7,205	0	0	0	As Net Plant In Svc
Land/Building Rentals	0	0	0	0	0	0	0	0	As Net Plant In Svc
Equipment/Vehicle Rental	1,030	670	0	0	360	0	0	0	As Net Plant In Svc
Liability Insurance Charge	51,830	33,701	0	0	18,129	0	0	0	As Net Plant In Svc
Communications	9,270	6,028	0	0	3,242	0	0	0	As Net Plant In Svc
Telephone	0	0	0	0	0	0	0	0	100% WCA
Travel And Training	5,100	3,316	0	0	1,784	0	0	0	As Net Plant In Svc
Street Access Fee	204,204	204,204	0	0	0	0	0	0	100% VOL
Memberships & Dues	7,140	4,643	0	0	2,497	0	0	0	As Net Plant In Svc
Miscellaneous	2,575	1,674	0	0	901	0	0	0	As Net Plant In Svc
General Supplies	6,695	4,353	0	0	2,342	0	0	0	As Net Plant In Svc
Small Tools	12,360	8,037	0	0	4,323	0	0	0	As Net Plant In Svc
Safety Equipment	15,450	10,046	0	0	5,404	0	0	0	As Net Plant In Svc
Natural Gas & Electricity	57,750	57,750	0	0	0	0	0	0	100.0% VOL
Gasoline	28,350	18,434	0	0	9,916	0	0	0	As Net Plant In Svc
Repair & Maintenance Supplies	41,200	26,789	0	0	14,411	0	0	0	As Net Plant In Svc
Books/Manuals/Subscriptions	0	0	0	0	0	0	0	0	As Net Plant In Svc
Total Supplies & Services	\$4,394,190	\$1,931,447	\$1,109,486	\$1,160,231	\$97,183	\$95,843	\$0	\$0	
Administrative & Other									
Vehicle Usage Charge	\$255,575	\$166,182	\$0	\$0	\$89,393	\$0	\$0	\$0	As Net Plant In Svc
Computer Usage Charge	147,407	0	0	0	0	147,407	0	0	100% WCA
Building Maintenance Charge	93,392	60,726	0	0	32,666	0	0	0	As Net Plant In Svc
Administrative Support	170,794	0	0	0	0	170,794	0	0	100% WCA
Total Administrative & Other	\$667,168	\$226,908	\$0	\$0	\$122,059	\$318,201	\$0	\$0	
Total Sanitary Sewer Operations (710)	\$6,446,562	\$3,059,055	\$1,109,486	\$1,160,231	\$703,746	\$414,044	\$0	\$0	

	Total FY 2024-25	Strength Related			Weighted for:		Revenue (RR)	Direct (DA)	Basis of Allocation
		Volume (VOL)	Biochemical Oxygen Demand (BOD)	Suspended Solids (SS)	Actual Customer (AC)	Customer Acct/Svcs (WCA)			
Sanitary Sewer Capital Operations (730)									
<i>Supplies & Services</i>									
Engineering/Architecture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Net Plant In Svc
Other Professional/Tech	8,652	0	0	0	0	8,652	0	0	100% WCA
Bond Issuance Costs	0	0	0	0	0	0	0	0	As Net Plant In Svc
Bond Amortization Expense	0	0	0	0	0	0	0	0	As Net Plant In Svc
City Project Management & Services	0	0	0	0	0	0	0	0	As Net Plant In Svc
Postage/Delivery Service	0	0	0	0	0	0	0	0	As Net Plant In Svc
Printing and Binding	0	0	0	0	0	0	0	0	As Net Plant In Svc
Miscellaneous	0	0	0	0	0	0	0	0	As Net Plant In Svc
General Supplies	0	0	0	0	0	0	0	0	As Net Plant In Svc
Total Supplies & Services	\$8,652	\$0	\$0	\$0	\$0	\$8,652	\$0	\$0	
Administrative & Other									
<i>Administrative Support</i>									
Administrative Support	\$58,504	0	0	0	0	58,504	0	0	100% WCA
Total Administrative & Other	\$58,504	\$0	\$0	\$0	\$0	\$58,504	\$0	\$0	
<i>Capital Outlay</i>									
Improvement Other Than Building	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Net Plant In Svc
Total Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Sanitary Sewer Capital Operations (730)	\$67,156	\$0	\$0	\$0	\$0	\$67,156	\$0	\$0	
Total Operating & Maintenance Expense	\$7,517,190	\$3,596,817	\$1,109,486	\$1,160,231	\$993,020	\$657,636	\$0	\$0	
Net Capital Funded Through Rates	\$5,668,000	\$3,685,495	\$0	\$0	\$1,982,505	\$0	\$0	\$0	As Net Plant In Svc
Deferred Capital Funding (Debt Service)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Net Plant In Svc
Debt Service									
2016 Sewer Revenue Refunding	\$771,255	\$501,492	\$0	\$0	\$269,763	\$0	\$0	\$0	As Net Plant In Svc
2016 Sewer Revenue	621,191	403,916	0	0	217,275	0	0	0	As Net Plant In Svc
2019 Sewer Revenue	1,110,625	722,160	0	0	388,465	0	0	0	As Net Plant In Svc
New Low Interest Loan	0	0	0	0	0	0	0	0	As Net Plant In Svc
New Revenue Bond 2024/2025	0	0	0	0	0	0	0	0	As Net Plant In Svc
Total Debt Service	\$2,503,071	\$1,627,568	\$0	\$0	\$875,503	\$0	\$0	\$0	
Change in Working Capital +/-	\$243,700	\$158,461	\$0	\$0	\$85,239	\$0	\$0	\$0	As Net Plant In Svc
TOTAL REVENUE REQUIREMENTS	\$15,931,961	\$9,068,340	\$1,109,486	\$1,160,231	\$3,936,268	\$657,636	\$0	\$0	
Less: Miscellaneous Revenue									
Public Works Service Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Net Plant In Svc
City CIP Chargeback	0	0	0	0	0	0	0	0	As Net Plant In Svc
Sewer Lateral Certificate Fee	0	0	0	0	0	0	0	0	100% Vol
Interest Earnings - Investments	733,792	417,668	51,101	53,438	181,296	30,289	0	0	As Total Rev. Req.
Other Interest Earnings	0	0	0	0	0	0	0	0	As Total Rev. Req.
Interest Revenue - Change	0	0	0	0	0	0	0	0	As Total Rev. Req.
Reimbursements	0	0	0	0	0	0	0	0	As Total Rev. Req.
Standby Charges	138,406	78,779	9,638	10,079	34,196	5,713	0	0	As Total Rev. Req.
Total Miscellaneous Revenues	\$872,198	\$496,448	\$60,739	\$63,517	\$215,492	\$36,002	\$0	\$0	
NET REVENUE REQUIREMENTS FROM RATES	\$15,059,763	\$8,571,893	\$1,048,747	\$1,096,714	\$3,720,776	\$621,634	\$0	\$0	
% Net Revenue Requirement	100.0%	56.9%	7.0%	7.3%	24.7%	4.1%	0.0%	0.0%	

City of Belmont
Sewer Cost of Service Study
Exhibit 12
Allocation of Revenue Requirements

Allocation Components	Net Revenue Requirement	Residential	Commercial		Distribution Factor
			Low Strength	High Strength	
Volume Related	\$8,571,893	\$7,315,816	\$1,109,647	\$146,429	(VOL)
Strength Related					
Bio-oxygen Demand	\$1,048,747	\$868,369	\$131,712	\$48,666	(BOD)
Suspended Solids	1,096,714	908,085	137,736	50,892	(SS)
Total Strength Related	\$2,145,461	\$1,776,454	\$269,449	\$99,558	
Customer Related					
Actual Customer	\$3,720,776	\$3,643,819	\$70,516	\$6,442	(AC)
Weighted Customer	621,634	608,776	11,781	1,076	(WCA)
Total Customer Related	\$4,342,410	\$4,252,595	\$82,297	\$7,518	
Revenue Related	\$0	\$0	\$0	\$0	(RR)
Direct Assignment	\$0	\$0	\$0	\$0	(DA)
NET REVENUE REQUIREMENT	\$15,059,763	\$13,344,865	\$1,461,393	\$253,505	

City of Belmont
Sewer Cost of Service Study
Exhibit 13
Summary of the Cost of Service Analysis

	FY 2024-25 Expenses	Residential	Commercial	
			Low Strength	High Strength
Revenues at Present Rates	\$14,480,542	\$13,177,637	\$1,055,020	\$247,885
Distributed Revenue Requirement	\$15,059,763	\$13,344,865	\$1,461,393	\$253,505
Balance/(Deficiency) of Funds	(\$579,221)	(\$167,228)	(\$406,374)	(\$5,620)
Required % Change in Rates	4.0%	1.3%	38.5%	2.3%
Last Study	7.0%	5.8%	23.2%	-2.7%
Proposed Rate Adjustment	4.0%			
Additional Revenue from Rate Adjustment	\$579,222	\$513,264	\$56,207	\$9,750
Proposed Adjustment Based on COSA	4.0%	3.9%	5.3%	3.9%
Last Study	7.0%	6.9%	8.1%	6.4%

City of Belmont
Sewer Cost of Service Study
Exhibit 14
Average Unit Cost

	Total	Residential	Commercial Low Strength	Commercial High Strength
Volume - \$/100 cf [1]	\$10.79	\$11.45	\$8.07	\$8.07
Strength - \$/100 cf	\$2.70	\$2.78	\$1.96	\$5.49
Revenue/Direct - \$/100 cf	\$0.00	\$0.00	\$0.00	\$0.00
	-----	-----	-----	-----
Total \$/100 cf	\$13.49	\$14.23	\$10.03	\$13.56
Customer Costs - \$/account/annual	\$395.67	\$395.67	\$395.67	\$395.67
Average Total Cost \$/100 cf	\$18.95	\$20.88	\$10.63	\$13.97
Average Current Revenue \$/100 cf	\$18.22	\$20.62	\$7.67	\$13.66
Notes: [1] Volume per 100 cubic feet is based on annualized average monthly winter water usage values.				
Annual Cost - \$/account/year	\$1,372.21	\$1,241.64	\$7,026.12	\$13,342.36
Annual Revenue - \$/account/year	\$1,319.44	\$1,226.08	\$5,072.35	\$13,046.60
Basic Data:				
Annual Volume(/100 cf)	794,710	639,065	137,500	18,145
Number of Accounts	10,975	10,748	208	19

**City of Belmont
Sewer Utility
Proposed Rate Adjustments - 5 Year Rate Transition Plan**

<i>Demand Adjustment Factor</i>	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<i>Revenue Adjustment July 1 each year</i>		4.0%	4.0%	4.0%	4.0%	4.0%
	Present	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Collection						
Residential						
<i>Base Charge - Annual</i>	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
<i>Flow Charge (S/HCF)</i>	\$6.13	\$6.38	\$6.63	\$6.90	\$7.17	\$7.46
Non-Residential						
<i>Base Charge</i>	\$430.66	\$447.89	\$465.80	\$484.43	\$503.81	\$523.96
<i>Flow Charge (S/HCF)</i>						
Low strength	\$6.13	\$6.38	\$6.63	\$6.90	\$7.17	\$7.46
High Strength	\$11.91	\$12.39	\$12.88	\$13.40	\$13.93	\$14.49
Treatment						
Residential						
<i>Base Charge - Annual</i>	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
<i>Flow Charge (S/HCF)</i>	\$3.03	\$3.15	\$3.28	\$3.41	\$3.54	\$3.69
Non-Residential						
<i>Base Charge</i>	\$226.34	\$235.39	\$244.81	\$254.60	\$264.79	\$275.38
<i>Flow Charge (S/HCF)</i>						
Low strength	\$3.03	\$3.15	\$3.28	\$3.41	\$3.54	\$3.69
High Strength	\$5.90	\$6.14	\$6.38	\$6.64	\$6.90	\$7.18



DRAFT



STAFF REPORT

Meeting Date: April 9, 2024
Agency: City of Belmont
Staff Contact: Kathy Kleinbaum, Assistant City Manager, kkleinbaum@belmont.gov
Laura Russell, Deputy Community Development Director, lrussell@belmont.gov
Agenda Title: Housing Element Annual Progress Report 2023 and Housing Successor Annual Report FY 2022-23
Agenda Action: For Information Only

Recommendation

Review the Housing Element Annual Progress Report 2023 and the Housing Successor Annual Report FY 2023, and direct transmittal to the California Governor's Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD).

Strategic Focus Area

Economic Development and Housing

Background

Housing Element Annual Progress Report 2023

Government Code 65400 requires each governing body to prepare an annual report on the status and progress of implementing the jurisdiction's Housing Element of the General Plan. Housing Element Annual Progress Reports (APR), using forms and definitions adopted by HCD, are due annually in April, covering the previous calendar year. Therefore, this year's report evaluates the progress made towards housing production during the time period between January 2023 and December 2023. The Housing Element Annual Progress Report 2023 is included as Attachment A.

Housing Successor Annual Report Fiscal Year 2022-23

Housing Successor entities must provide an Annual Report that details compliance with the expenditure limitations detailed in Senate Bill 341 (H&SC 34176.1(f)) during each five-year compliance period. The information should be reported at the same time as the Housing Element Annual Report due in April of each calendar year. The current reporting period is fiscal year 2022-23, covering July 1, 2022 through June 30, 2023. The Housing Successor Annual Report FY 2022-23 is included as Attachment B.

Analysis

Housing Element Annual Progress Report 2023

The Regional Housing Needs Assessment (RHNA) 6th cycle covers the years 2023 through 2031, making 2023 the first year of the planning period. Although Belmont's Housing Element is not yet certified by HCD, the City is required to report on progress towards meeting the Regional Housing Needs Allocation (RHNA) and Housing Element Programs. The report format is set by HCD and cannot be altered. The City reports on projects that have received completed entitlements, building permits issued, and building permits finalized. Only projects with building permits issued in the reporting year count towards RHNA.



Because this is the first year in the 6th cycle and the nuances of State law, some units count from 2022 in this 2023 report; these units are captured in the first column in the table below. In 2023, the City issued building permits for 21 Accessory Dwelling Units (ADUs) and four single family homes. There were no building permits issued for larger housing projects in 2023; those types of projects do not happen every year but when they do they increase the housing production numbers significantly. RHNA progress is shown in the table below.

INCOME LEVEL	RHNA	6/30/2022-1/30/2023	2023 (remainder of year)	TOTAL UNITS	RHNA NEED
Very Low	488		6	6	482
Low	281		6	6	275
Moderate	283	12	7	19	264
Above Mod	733	16	6	22	711
Total Units	1,785	28	25	53	1,732

In addition to the permitted units summarized above, the City of Belmont has approved entitlements in 2023 for an additional 140 units, 53 of which are affordable.

Housing Successor Annual Report

The Housing Successor Annual Report for the Low Moderate Income Housing Asset Fund (Belmont Affordable Housing Fund 275) has been prepared pursuant to CA Health and Safety Code Section 34176.1(f) and is included as Attachment B. The financial data contained in this report is based on the Belmont Annual Comprehensive Financial Report (audit) prepared by Maze and Associates for fiscal year 2022-23. The report includes summaries of the deposits to, ending balance of, and expenditures from the Belmont Affordable Housing Fund. The report also includes a description of the Housing Successor Agency's Assets, including real property and loans receivable. Based on the information provided in the attached report, the Belmont Housing Successor remains in compliance with all applicable sections of the Health and Safety Code.

Alternatives

1. Direct staff to make amendments to the Annual Housing Reports.

Attachments

- A. Housing Element Annual Progress Report 2023
- B. Housing Successor Annual Report FY 2022-23

Fiscal Impact

- ☒ No Fiscal Impact
- ☐ Funding Source Confirmed:

Source:

Staff

Purpose:

Statutory/Contractual Requirement

Public Outreach:

Posting of Agenda

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units															
Project Identifier					Unit Types		Affordability by Household Incomes - Completed Entitlement								
1					2	3	4							5	6
Prior APN ⁺	Current APN	Street Address	Project Name ⁺	Local Jurisdiction Tracking ID	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Very Low- Income Deed Restricted	Very Low- Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate- Income Deed Restricted	Moderate- Income Non Deed Restricted	Above Moderate- Income	Entitlement <u>Date Approved</u>	# of Units issued Entitlements
Row: Start Data Entry Below							22	6	30	6	0	5	89		158
	045163070	900 EL CAMINO REAL	LINC HOUSING	PA2018-0074	5+	R	22		14				1	2/17/2023	37
	044091350	1744 TERRACE DR		B2022-0142	ADU	R							1	4/7/2023	1
	045202250	1401 ARDEN LN		B2022-0316	ADU	R						1		2/3/2023	1
	044082100	2042 FOREST AVE		B2022-0407	ADU	R						1		2/3/2023	1
	043221330	3301 HASKINS DRIVE		B2022-0410	ADU	R						1		11/6/2023	1
	44124140	1714 NOTRE DAME AVE		B2022-0460	ADU	R						1		2/27/2023	1
	044351040	1513 FOLGER DR		B2022-0498	ADU	R						1		4/26/2023	1
	043290480	2713 MONSERAT AVE		B2022-0503	ADU	R				1				7/25/2023	1
	044123230	1586 WINDING WAY		B2022-0508	ADU	R				1				3/3/2023	1
	043062290	3806 NAUGHTON AVE		B2023-0001	ADU	R		1						7/13/2023	1
	044322070	1730 FRANCIS CT		B2023-0020	ADU	R		1						6/13/2023	1
	044273220	2227 PULLMAN AVE		B2023-0062	ADU	R		1						7/28/2023	1
	044043530	2203 CORONET BLVD		B2023-0064	ADU	R		1						5/18/2023	1
	044271330	2423 CORONET BLVD		B2023-0075	ADU	R		1						5/31/2023	1
	040343100	1170 KEDITH ST		B2023-0077	ADU	R		1						10/3/2023	1
	044232030	2424 CORONET BLVD		B2023-0103	ADU	R				1				10/3/2023	1
	043322530	2839 SAN JUAN BLVD		B2023-0143	ADU	R				1				7/6/2023	1
	044013260	2107 LYON AVE		B2023-0196	ADU	R				1				10/5/2023	1
	040281020	503 CHESTERTON AVE		B2023-0206	ADU	R				1				9/25/2023	1
	044351040	1513 FOLGER DR		B2021-0534	SFD	O									0
	044024100	2244 SEMERIA AVE		B2022-0150	SFD	O									0
	043221210	3288 OAK COURT		B2022-0232	SFD	O									0
	043191290	3041 SAN JUAN BLVD		B2022-0234	SFD	O									0
	044093160	709 ALAMEDA DE LAS PULGAS		B2022-0181	ADU	R									0
	043171140	2723 BARCLAY WAY		B2022-0254	ADU	R									0
	043390020	3850 W NAUGHTON AVE		B2022-0270	ADU	R									0
	045111190	1724 FERNWOOD WAY		B2018-0288	ADU	R									0
	040381100	228 OXFORD WAY		B2020-0153	ADU	R									0
	044283330	813 COVINGTON RD		B2020-0333	ADU	R									0
	045372140	1015 CONTINENTALS WAY		B2021-0033	ADU	R									0
	045372140	1015 CONTINENTALS WAY		B2021-0034	ADU	R									0
	045372140	1015 CONTINENTALS WAY		B2021-0035	ADU	R									0
	044112310	1520 WILLIAMS ST		B2021-0365	ADU	R									0
	045462060	2551 SOMERSET DR		B2021-0408	ADU	R									0
	045151090	926 SOUTH RD		B2021-0435	ADU	R									0
	045152090	860 LAUREL AVE		B2021-0479	ADU	R									0
	044312070	912 AVON ST		B2021-0492	ADU	R									0
	043322020	2504 RALSTON AVE		B2022-0029	ADU	R									0
	044142110	917 RUTH AVE		B2022-0048	ADU	R									0
	044053080	2014 MONROE AVE		B2022-0256	ADU	R									0
	044271320	2427 CORONET BLVD #A		B2022-0260	ADU	R									0
	044342410	1506 PINE KNOLL DR		B2022-0331	ADU	R									0
	043021710	2011 BISHOP ROAD		B2018-0042	SFD	O									0
	044260160	2280 RALSTON AVE		B2019-0239	SFD	O									0
	043122430	3213 UPPER LOCK AVE		B2019-0397	SFD	O									0
	044281130	816 COVINGTON RD		B2020-0393	SFD	O									0
	046032030, 046032040, 046032080 & 046032090	604, 608, & 610 HARBOR BLVD		PA2020-0011	5+	R			16				87	6/26/2023	103

Table A2											
Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units											
Project Identifier			Affordability by Household Incomes - Building Permits								
			7							8	9
Current APN	Street Address	Project Name ⁺	Very Low- Income Deed Restricted	Very Low- Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate- Income Deed Restricted	Moderate- Income Non Deed Restricted	Above Moderate- Income	Building Permits <u>Date Issued</u>	# of Units Issued Building Permits
			0	6	0	6	0	7	6		25
045163070	900 EL CAMINO REAL	LINC HOUSING									0
044091350	1744 TERRACE DR								1	10/17/2023	1
045202250	1401 ARDEN LN							1		2/9/2023	1
044082100	2042 FOREST AVE							1		2/8/2023	1
043221330	3301 HASKINS DRIVE							1		11/13/2023	1
44124140	1714 NOTRE DAME AVE							1		4/27/2023	1
044351040	1513 FOLGER DR							1		5/18/2023	1
043290480	2713 MONSERAT AVE					1				8/11/2023	1
044123230	1586 WINDING WAY					1				5/8/2023	1
043062290	3806 NAUGHTON AVE			1						8/1/2023	1
044322070	1730 FRANCIS CT			1						6/13/2023	1
044273220	2227 PULLMAN AVE			1						9/26/2023	1
044043530	2203 CORONET BLVD			1						6/1/2023	1
044271330	2423 CORONET BLVD			1						7/18/2023	1
040343100	1170 KEDITH ST			1						10/27/2023	1
044232030	2424 CORONET BLVD					1				10/12/2023	1
043322530	2839 SAN JUAN BLVD					1				7/7/2023	1
044013260	2107 LYON AVE					1				10/13/2023	1
040281020	503 CHESTERTON AVE					1				10/4/2023	1
044351040	1513 FOLGER DR								1	5/18/2023	1
044024100	2244 SEMERIA AVE								1	10/26/2023	1
043221210	3288 OAK COURT								1	10/6/2023	1
043191290	3041 SAN JUAN BLVD								1	10/3/2023	1
044093160	709 ALAMEDA DE LAS PULGAS								1	3/16/2023	1
043171140	2723 BARCLAY WAY							1		4/27/2023	1
043390020	3850 W NAUGHTON AVE							1		1/9/2023	1
045111190	1724 FERNWOOD WAY										0
040381100	228 OXFORD WAY										0
044283330	813 COVINGTON RD										0
045372140	1015 CONTINENTALS WAY										0
045372140	1015 CONTINENTALS WAY										0
045372140	1015 CONTINENTALS WAY										0
044112310	1520 WILLIAMS ST										0
045462060	2551 SOMERSET DR										0
045151090	926 SOUTH RD										0
045152090	860 LAUREL AVE										0
044312070	912 AVON ST										0
043322020	2504 RALSTON AVE										0
044142110	917 RUTH AVE										0
044053080	2014 MONROE AVE										0
044271320	2427 CORONET BLVD #A										0
044342410	1506 PINE KNOLL DR										0
043021710	2011 BISHOP ROAD										0
044260160	2280 RALSTON AVE										0
043122430	3213 UPPER LOCK AVE										0
044281130	816 COVINGTON RD										0
046032030, 046032040, 046032080 & 046032090	604, 608, & 610 HARBOR BLVD										0

Table A2											
Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units											
Project Identifier			Affordability by Household Incomes - Certificates of Occupancy								
			10							11	12
Current APN	Street Address	Project Name ⁺	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Certificates of Occupancy or other forms of readiness (see instructions) <u>Date Issued</u>	# of Units issued Certificates of Occupancy or other forms of readiness
			0	0	0	0	0	16	4		20
045163070	900 EL CAMINO REAL	LINC HOUSING									0
044091350	1744 TERRACE DR										0
045202250	1401 ARDEN LN										0
044082100	2042 FOREST AVE										0
043221330	3301 HASKINS DRIVE										0
44124140	1714 NOTRE DAME AVE										0
044351040	1513 FOLGER DR										0
043290480	2713 MONSERAT AVE										0
044123230	1586 WINDING WAY										0
043062290	3806 NAUGHTON AVE										0
044322070	1730 FRANCIS CT										0
044273220	2227 PULLMAN AVE										0
044043530	2203 CORONET BLVD										0
044271330	2423 CORONET BLVD										0
040343100	1170 KEDITH ST										0
044232030	2424 CORONET BLVD										0
043322530	2839 SAN JUAN BLVD										0
044013260	2107 LYON AVE										0
040281020	503 CHESTERTON AVE										0
044351040	1513 FOLGER DR										0
044024100	2244 SEMERIA AVE										0
043221210	3288 OAK COURT										0
043191290	3041 SAN JUAN BLVD										0
044093160	709 ALAMEDA DE LAS PULGAS										0
043171140	2723 BARCLAY WAY										0
043390020	3850 W NAUGHTON AVE										0
045111190	1724 FERNWOOD WAY							1		2/28/2023	1
040381100	228 OXFORD WAY							1		2/17/2023	1
044283330	813 COVINGTON RD							1		2/28/2023	1
045372140	1015 CONTINENTALS WAY							1		4/5/2023	1
045372140	1015 CONTINENTALS WAY							1		4/5/2023	1
045372140	1015 CONTINENTALS WAY							1		1/20/2023	1
044112310	1520 WILLIAMS ST							1		7/28/2023	1
045462060	2551 SOMERSET DR							1		4/3/2023	1
045151090	926 SOUTH RD							1		5/31/2023	1
045152090	860 LAUREL AVE							1		3/8/2023	1
044312070	912 AVON ST							1		4/25/2023	1
043322020	2504 RALSTON AVE							1		3/20/2023	1
044142110	917 RUTH AVE							1		8/16/2023	1
044053080	2014 MONROE AVE							1		11/22/2023	1
044271320	2427 CORONET BLVD #A							1		9/1/2023	1
044342410	1506 PINE KNOLL DR							1		5/10/2023	1
043021710	2011 BISHOP ROAD								1	11/17/2023	1
044260160	2280 RALSTON AVE								1	7/11/2023	1
043122430	3213 UPPER LOCK AVE								1	6/5/2023	1
044281130	816 COVINGTON RD								1	7/24/2023	1
046032030, 046032040, 046032080 & 046032090	604, 608, & 610 HARBOR BLVD										0

Table A2																
Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units																
Project Identifier				Streamlining	Infill	Housing with Financial Assistance and/or Deed Restrictions		Housing without Financial Assistance or Deed Restrictions	Term of Affordability or Deed Restriction	Demolished/Destroyed Units			Density Bonus			
			13	14	15	16	17	18	19	20			21	22	23	24
Current APN	Street Address	Project Name*	How many of the units were Extremely Low Income?	Please select the streamlining provision the project was APPROVED pursuant to. (may select multiple).	Infill Units? Y/N*	Assistance Programs for Each Development (may select multiple - see instructions)	Deed Restriction Type (may select multiple - see instructions)	Please select the streamlining provision the project was APPROVED pursuant to. (may select multiple).	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units	Demolished or Destroyed Units	Demolished/Destroyed Units Owner or Renter	Total Density Bonus Applied to the Project (Percentage Increase in Total Allowable Units or Total Maximum Allowable Residential Gross Floor Area)	Number of Other Incentives, Concessions, Waivers, or Other Modifications Given to the Project (Excluding Parking Waivers or Parking	List the incentives, concessions, waivers, and modifications (Excluding Parking Waivers or Parking	Did the project receive a reduction or waiver of parking standards? (Y/N)
			22							0						
045163070	900 EL CAMINO REAL	LINC HOUSING	22	SB 35 (2017)	Y	RDA	DB		55				61.0%	9	Development Standards Modification	Yes
044091350	1744 TERRACE DR			NONE	Y			ABAG ADU Affordability Methodology								
045202250	1401 ARDEN LN			NONE	Y			ABAG ADU Affordability Methodology								
044082100	2042 FOREST AVE			NONE	Y			ABAG ADU Affordability Methodology								
043221330	3301 HASKINS DRIVE			NONE	Y			ABAG ADU Affordability Methodology								
44124140	1714 NOTRE DAME AVE			NONE	Y			ABAG ADU Affordability Methodology								
044351040	1513 FOLGER DR			NONE	Y			ABAG ADU Affordability Methodology								
043290480	2713 MONSERAT AVE			NONE	Y			ABAG ADU Affordability Methodology								
044123230	1586 WINDING WAY			NONE	Y			ABAG ADU Affordability Methodology								
043062290	3806 NAUGHTON AVE		0	NONE	Y			ABAG ADU Affordability Methodology								
044322070	1730 FRANCIS CT		0	NONE	Y			ABAG ADU Affordability Methodology								
044273220	2227 PULLMAN AVE		0	NONE	Y			ABAG ADU Affordability Methodology								
044043530	2203 CORONET BLVD		0	NONE	Y			ABAG ADU Affordability Methodology								
044271330	2423 CORONET BLVD		0	NONE	Y			ABAG ADU Affordability Methodology								
040343100	1170 KEDITH ST		0	NONE	Y			ABAG ADU Affordability Methodology								
044232030	2424 CORONET BLVD			NONE	Y			ABAG ADU Affordability Methodology								
043322530	2839 SAN JUAN BLVD			NONE	Y			ABAG ADU Affordability Methodology								
044013260	2107 LYON AVE			NONE	Y			ABAG ADU Affordability Methodology								
040281020	503 CHESTERTON AVE			NONE	Y			ABAG ADU Affordability Methodology								
044351040	1513 FOLGER DR			NONE	Y											
044024100	2244 SEMERIA AVE			NONE	Y											
043221210	3288 OAK COURT			NONE	Y											
043191290	3041 SAN JUAN BLVD			NONE	Y											
044093160	709 ALAMEDA DE LAS PULGAS			NONE	Y											
043171140	2723 BARCLAY WAY			NONE	Y			ABAG ADU Affordability Methodology								
043390020	3850 W NAUGHTON AVE			NONE	Y			ABAG ADU Affordability Methodology								
045111190	1724 FERNWOOD WAY			NONE	Y			Housing Element 2nd Dwelling Unit Study								
040381100	228 OXFORD WAY			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044283330	813 COVINGTON RD			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045372140	1015 CONTINENTALS WAY			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045372140	1015 CONTINENTALS WAY			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045372140	1015 CONTINENTALS WAY			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044112310	1520 WILLIAMS ST			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045462060	2551 SOMERSET DR			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045151090	926 SOUTH RD			NONE	Y			Housing Element 2nd Dwelling Unit Study								
045152090	860 LAUREL AVE			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044312070	912 AVON ST			NONE	Y			Housing Element 2nd Dwelling Unit Study								
043322020	2504 RALSTON AVE			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044142110	917 RUTH AVE			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044053080	2014 MONROE AVE			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044271320	2427 CORONET BLVD #A			NONE	Y			Housing Element 2nd Dwelling Unit Study								
044342410	1506 PINE KNOLL DR			NONE	Y			Housing Element 2nd Dwelling Unit Study								
043021710	2011 BISHOP ROAD			NONE	Y											
044260160	2280 RALSTON AVE			NONE	Y											
043122430	3213 UPPER LOCK AVE			NONE	Y											
044281130	816 COVINGTON RD			NONE	Y											
046032030, 046032040, 046032080 & 046032090	604, 608, & 610 HARBOR BLVD			NONE	Y		INC, DB		99				0.0%	1	Other	No

Table B														
Regional Housing Needs Allocation Progress														
Permitted Units Issued by Affordability														
		1		2									3	4
Income Level		RHNA Allocation by Income Level	Projection Period - 06/30/2022-01/30/2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	488	-	-	-	-	-	-	-	-	-	-	-	-
	Non-Deed Restricted		-	6	-	-	-	-	-	-	-	-	6	482
Low	Deed Restricted	281	-	-	-	-	-	-	-	-	-	-	6	275
	Non-Deed Restricted		-	6	-	-	-	-	-	-	-	-	-	-
Moderate	Deed Restricted	283	-	-	-	-	-	-	-	-	-	-	18	265
	Non-Deed Restricted		12	6	-	-	-	-	-	-	-	-	-	-
Above Moderate		733	16	6	-	-	-	-	-	-	-	-	22	711
Total RHNA		1,785												
Total Units			28	24	-	-	-	-	-	-	-	-	52	1,733
Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).														
		5											6	7
		Extremely Low-Income Need		2023	2024	2025	2026	2027	2028	2029	2030	2031	Total Units to Date	Total Units Remaining
Extremely Low-Income Units*		244	-	-	-	-	-	-	-	-	-	-	-	244

Table D			
Program Implementation Status pursuant to GC Section 65583			
Housing Programs Progress Report Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.			
1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
n/a	n/a	n/a	The City is continuing to actively pursue certification of the 2023-2031 Housing Element. In response to HCD comments and in an attempt to make our Programs more understandable, we are actively rewriting them at the time of preparation of this APR. The reporting below is based on key programs that we are actively working on or completed even though the Housing Element is not certified.
Zoning Amendments to increase development capacity in key districts	Increase FAR and eliminate density maximum in Corridor Mixed Use District. Increase FAR in Village Station Core District	Q1 2024	Completed in January 2024
Zoning Amendments to allow by right processing for sites carried over from past Housing Elements per State law	Amend Zoning Ordinance	Q1 2024	Completed in January 2024
Zoning Amendments to remove constraints and ensure consistency with State law.	Update code related to supportive housing, mobile home parks, farmworker housing, residential care facilities, emergency shelters, and definition of family.	Q1 2024	Consultant retained with public meetings expected in summer 2024.
Use public funding to support affordable housing developments	Add more City supported housing with affordability restrictions	Ongoing	City Council approved increase in City contribution for an 100% affordable housing project a 803 Belmont Avenue. Staff is working closely with developer to finalize documents. Close of escrow anticipated in early April 2024.
Support ADU production	Implement a program to encourage ADU production including technical assistance, pre-approved plans, and financial support for affordable ADUs.	Various beginning in 2025	City is joining Countywide ADU Resource center that will provide these services to Belmont. Initial work product expected summer 2024 with programs coming online through 2025.

SENATE BILL 341 ANNUAL HOUSING SUCCESSOR REPORT
CITY OF BELMONT LOW MODERATE INCOME HOUSING ASSET FUND
Fiscal Year July 1, 2022 – June 30, 2023
Per H&SC 34176.1

<u>Item #</u>		<u>FY 2023</u>
1	The amount the city, county, or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.	\$0
2	The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) of paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for other items listed on the Recognized Obligation Payment Schedule, and other amounts deposited.	
	<u>LMIHAF Revenues:</u>	
	Sale of Capital Assets (LMI Property)	\$ 2,940,000
	Rental/lease income	\$ 83,547
	Interest Income	\$ 227,547
	Loan Interest	\$ -
	LEAP Housing Element Grant Reimbursement	\$ 150,000
	Miscellaneous	\$ 15,373
	TOTAL:	<u>\$ 3,416,467</u>
3	Statement of Fund Balance @ 6/30/23 Year End (Source: FY2023 ACFR)	\$ 9,531,128
4	Description of expenditures from LMIHAF	
	<u>LMIHAF Expenditures:</u>	
	Occupied Affordable Rental Housing Operations:	
	<i>Expenditures on Low Income</i>	\$ 56,241
	<i>Expenditures on Very Low Income</i>	\$ 18,747
	<i>Expenditures on Extremely Low Income</i>	\$ 18,747
	Administrative Costs	\$ 77,537
	Housing Successor Owned LMI Property Tax	\$ 18,559
	Housing Element Update and EIR	\$ 230,047
		<u>\$ 419,878</u>
5	Statutory Value of Real Property, the value of loans/grants receivable, and the sum of these two amounts.	
	<u>Loans Receivable (Notes)</u>	<u>\$ 4,425,127</u>
	<u>Total Real Property Plus Loans Receivable</u>	<u>\$ 8,483,422</u>
6	Description of Transfers:	
	Description of transfer made, if any, to another housing successor agency pursuant to H&SC 34176.1(c)(2), including whether the funds are encumbered and the status of projects, if any, for which the transferred LMIHAF will be used.	No Transfer Made Per H&SC 34176.1(C)(2)

7 Project Descriptions:

A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.

The Housing Successor does not receive or hold property tax revenue; the Belmont Successor Agency fully dissolved in June 2022 and Recognized Obligation Payment Schedules are no longer prepared.

8 Status of Compliance with Section 33334.16:

For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.

Real Property Owned by Housing Successor Agency	Date Acquired	DOF Transfer Approved	Deadline to Initiate Activity	Status of Compliance with 33334.16 (All properties compliant FY2022)
APN 045-244-150, 1365 Fifth Avenue	12/31/1996	8/30/2012	8/31/2017	Firehouse Square Phase 2 Disposition and Development Agreement (DDA) Executed 10/31/19; Property sold June 2022.
APN 044-222-140, 730 El Camino Real	8/30/1994	8/30/2012	8/31/2017	Occupied, low-income special needs group home (Kainos)
APN 040-261-060, 503 Crestview	5/5/1997	8/30/2012	8/31/2017	Occupied, very-low income special needs group home
APN 045-261-010/020/030, 1000 O'Neill Ave #1 & #2	8/2/1994	8/30/2012	8/31/2017	Occupied, 2-units moderate-income
APN 040-500-170, 30 Oxford Place	9/5/2007	8/30/2012	8/31/2017	Property sold FY 2023
APN 106-190-070, 300 Davey Glen Rd #3507	2/19/2009	8/30/2012	8/31/2017	Property sold FY 2023
APN 106-270-060, 400 Davey Glen Rd #4606	1/30/2009	8/30/2012	8/31/2017	Property sold FY 2023
APN 044-222-180, 780 El Camino Real	9/25/2008	8/30/2012	8/31/2017	RFP for development of affordable housing issued June 2017; rezoned via General Plan Phase I Zoning November 2017.
APN 045-162-070, 868, 870, 876 El Camino Real	4/2/2009	8/30/2012	8/31/2017	Rezoned via Belmont Village Specific Plan (November 2017); Affordable Housing Project ENA with LINC Housing (July 2021)
APN 045-244-160, 875 O'Neill Avenue	12/31/1996	8/30/2012	8/31/2017	Firehouse Square Phase 1 Affordable Housing Project; long term lease executed August 2020, construction of 65 affordable units completed in May 2023.
APN 045-162-080, 884 El Camino Real, 810 Hill Street	3/10/2010	8/30/2012	8/31/2017	DDLA with Linc Housing approved by City Council in February 2023.
APN 045-162-090, 898 El Camino Real, 800 Hill Street	3/10/2010	8/30/2012	8/31/2017	DDLA with Linc Housing approved by City Council in February 2023.
APN 045-163-070, 900 El Camino Real	8/20/2010	8/30/2012	8/31/2017	DDLA with Linc Housing approved by City Council in February 2023.
APN 045-182-220, 1085 Sixth Avenue	3/20/1996	8/30/2012	8/31/2017	Rezoned via Belmont Village Specific Plan, adopted November 2017. In discussions with adjacent property owner for future redevelopment.
APN 045-182-260, 843 Ralston Avenue	10/20/1998	8/30/2012	8/31/2017	Rezoned via Belmont Village Specific Plan, adopted November 2017; Developed with interim use open space plaza.
APN 045-244-010, 1300 El Camino Real	3/14/2011	8/30/2012	8/31/2017	Firehouse Square Phase 1 Affordable Housing Project; long term lease executed August 2020, project construction completed in May 2023.

9 Outstanding Obligations Per 33413

A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet

The Belmont Housing Successor does not have any obligations to fulfill under Section 33413.

10 Income Restrictions:

After expenditures allowed for monitoring and preserving the long-term affordability of units, the housing successor shall expend all funds remaining in the Low and Moderate Income Housing Asset Fund for the development of housing affordable to and occupied by households earning 80 percent or less of the area median income, with at least 30 percent of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income and no more than 20 percent of these remaining funds expended for the development of housing affordable to and occupied by households earning between 60 percent and 80 percent of the area median income. A housing successor shall demonstrate in the annual report described in subdivision (f), for 2019, and every five years thereafter, that the housing successor's expenditures from January 1, 2014, through the end of the latest fiscal year covered in the report comply with the requirements of this subparagraph.

5% of Real Property Assets & Loans Receivable (Notes): \$ 424,171.12

Total Expenditures per CAFR:	Total	
	Expenditures	Expenditures In Excess of 5% Cap
FY 2014	\$ 46,970.12	\$ -
FY 2015	\$ 105,896.00	\$ -
FY 2016	\$ 135,031.00	\$ -
FY 2017	\$ 244,126.56	\$ -
FY 2018	\$ 157,155.40	\$ -
FY 2019	\$ 124,547.52	\$ -
FY 2020	\$ 468,573.00	\$ 56,730.02
FY 2021	\$ 215,889.00	\$ -
FY 2022	\$ 447,453.00	\$ 23,281.88
FY 2023	\$ 419,878.00	\$ -
Total	\$ 2,365,519.60	\$ 80,011.90

11 Senior Housing Restrictions:

The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.

<u>Unit Category</u>	
Assisted Senior Rental Units	0
Total Assisted Rental Units	312
Percentage Senior Rental Housing	0%

12 Excess Surplus:

The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus. "Excess surplus" is defined as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the housing successor's preceding four fiscal years, whichever is greater (H&SC 34176.1(d)).

	LMIHF Deposits
FY 2023	\$ (3,416,467)
FY 2022	\$ (4,140,958)
FY 2021	\$ (285,230)
FY 2020	\$ (94,253)
FY 2019	\$ (124,285)
FY 2018	\$ (130,861)
FY 2017	\$ (126,233)
FY 2016	\$ (354,097)
FY 2015	\$ (122,871)

Use of Excess Surplus:

In FY 2023, total revenues deposited into the LMIHF Affordable Housing Fund was \$3,416,467. This included sale of three properties acquired with LMI funds by the former Belmont Redevelopment Agency which netted \$2,940,000 as well as a \$150,000 grant reimbursement from the State for Housing Element expenditures. All proceeds have been deposited into the LMIHF funds (275). The City Council has approved two Affordable Housing loans to support entitled 100% affordable projects that meet the affordability restrictions. The first is a loan up to \$2.5 million to ROEM Development Corporation for development of 125 affordable units at El Camino Real and Belmont Avenue. The second is a loan up to \$1 million to Linc Housing Corporation for development of 37 affordable units at Hill Street and El Camino Real. These loans are expected to be paid out in FY 2024. The City anticipates using the remaining surplus funds to provide loans to other pending affordable multifamily developments.

13 Homeownership Unit Inventory:

An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

(A) The Number of those Units.

(A) 19

(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

(B) 3 units were sold from the portfolio during fiscal year 2023 to raise funds to support affordable multifamily housing developments.

(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

(C) The proceeds from the sale of the 3 units generated \$2,940,000 which was deposited back to the LMIHF fund

(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the

(D) The Belmont Housing Successor does not currently contract with any outside entity for bmr unit management.