

APPENDIX A

INFORMATION RELATING TO THE WATER SYSTEM

The Water System

The City's water distribution system consists of a pipeline system, six water tanks with a total storage capacity of 18.8 million gallons, three pressure zones, six water booster pump stations, and eight groundwater wells located within the city limits (the "Water System"). The City currently receives its potable water supply from two surface water treatment plants and five active groundwater wells. On average, approximately 80% of the City's annual potable water supply is from the surface water sources while the remaining amount is provided from the groundwater wells. The City also supplies recycled water for landscape irrigation and other recycled water uses through tertiary treatment at the City's Waste Water Treatment Plant. Potable water is sampled and tested on a regular basis to ensure compliance with all state and federal drinking water standards, and the City's Water Division staff performs daily site checks to ensure well productivity and to maintain the optimum operating performance of the delivery systems.

The City delivers water to more than 21,500 connections through approximately 354 miles of water mains, with the Water System being funded through user charges and impact fees. The City's water customers are primarily residential. For example, in fiscal year 2022-23, 94% of the City's water accounts were residential, accounting for 71% of the City's combined water use and water use service charges of the Water System.

Water System Management

Casey Wichert is the City's Director of Public Works. Casey has worked for the City since 2010 and has been in the water treatment industry for 32 years. The City's Public Works Department is comprised of Fleet and Facilities Maintenance Services, Solid Waste, Streets, Wastewater, and Water. These divisions oversee the operation and maintenance of all City Public Works Department infrastructure and facilities, including domestic water supply, treatment, and distribution, garbage collection and recycling services, roadways, wastewater collection and treatment, storm drainage and creek maintenance, and maintenance of the City's building facilities, vehicles, and equipment structure.

Water System Employees

The City's Water Enterprise has 20 full time authorized positions; exclusive of the Director of Public Works who also oversees the City's other two utilities. The City's labor contracts with the Water Enterprise employees expired on June 30, 2024. Currently, the City is in the process of negotiating successor contracts with these employees. In fiscal year 2022-23, the City adopted a rate study for fiscal years 2023-24 through 2027-28, which included placeholder cost-of-living adjustments for salary and benefit increases in the rate assumptions. The City believes that the salary and benefit rate assumptions will be adequate for the new contracts currently under negotiation. [confirm no change prior to POS posting]

Water System Facilities and Water Supply

Surface Water Treatment Plants. The City receives potable water from two surface water treatment plants: the Brentwood Water Treatment Plant (the "BWTP") and the Randall-Bold Water Treatment Plant (the "RBWTP"). The BWTP was built in 2008 to serve the City. It was part of a joint venture between the City and the Contra Costa Water District ("CCWD") in which the City owns the

facility and is responsible for operational and capital costs but contracts with CCWD for operation and maintenance of the facility. The first phase of the BWTP, which has been constructed and is in operation, can treat up to 16.5 million gallons per day (“mgd”) of surface water. However, the plant is designed so that it can be expanded to an ultimate capacity of 32 mgd to serve the City’s projected water demands through 2040. Certain components of the BWTP, including the headworks, chemical feed and storage and treated water pump station were all originally constructed for the ultimate capacity of 32 mgd. Other components of the BWTP will need to be added or expanded to meet this ultimate capacity. The additions and expansions to the BWTP are expected to occur within five to ten years and are expected to be funded by water development impact fees and accumulated water system revenues, although a portion may be funded with additional Parity Obligations. The City currently estimates that the capital costs of the additions or expansions to the BWTP could be in the range of \$100 million to \$200 million.

The BWTP treats raw water that the City purchases from the East Contra Costa Irrigation District (the “ECCID”) under a permanent pre-1914 capacity right and diverts from Old River, Middle River, and Rock Slough, all of which have intakes connected by CCWD’s 48-mile Contra Costa Canal (the “Contra Costa Canal”). The BWTP facilities are used for raw water pumping, flash mixing, flocculation, sedimentation, ozonation, filtration, and water storage. Treated surface water from the BWTP is pumped into the City’s distribution system by a treated water pump station and a large diameter transmission pipeline. The BWTP produces an annual average of 6 mgd of treated water for the City. Effluent flows vary from 3 mgd to more than 12 mgd based on seasonal demand of the City.

The RBWTP is owned and operated by CCWD and is adjacent to the BWTP. The RBWTP treats Delta water that is blended in the Contra Costa Canal (Old River, Middle River, and Rock Slough) and Los Vaqueros Reservoir. The City has purchased from CCWD a permanent 6 mgd capacity right to treated water from the RBWTP. Treated surface water from the RBWTP is pumped into the City’s distribution system by the same treated water pump station and large diameter transmission pipeline as treated water from the BWTP. The City’s contract with CCWD in respect of the RBWTP is a take-or-pay contract pursuant to which the City pays a monthly charge per acre foot of water delivered, plus a demand and service charge.

Groundwater Wells. Five out of nine permitted groundwater wells located within the City’s water service area are active. Groundwater is treated at the wellhead prior to delivery to the drinking water distribution system. The City has two main well fields: Wells 6, 7, 8, 14, and 15, located in the northeast part of the City, and Wells 12 and 13 to the south. Of the four wells that are not in use, Well 9 currently does not have a disinfection system, Well 11 is not used because of high nitrate and total chromium concentrations, Well 12 is not used because of high nitrate concentrations, and Well 13 is a standby emergency source, due to high Chromium 6 concentrations. The wells are not typically drawn to capacity as the average annual production of all the active wells is approximately 2.5 mgd and the total well capacity is 5.15 mgd.

Reservoirs. Six existing reservoirs in the City have a combined capacity of 18.8 million gallons. Water is pumped into the reservoirs and used as water demand requires. Therefore, available reservoir water volumes fluctuate daily but are kept relatively consistent throughout the year. These reservoirs provide storage, equalization, emergency supply, and fire supply.

Los Vaqueros Reservoir. The City has an existing agreement with CCWD that provides emergency storage of water in the Los Vaqueros Reservoir for a portion of the City’s service area. Pursuant to a Memorandum of Understanding with CCWD dated February 29, 2000, as amended on February 2, 2015 (the “CCWD MOU”), the City is an active participant in an upcoming expansion of Los Vaqueros Reservoir. The City’s participation in the expansion will result in additional water quality and emergency storage benefits associated with the increased capacity of the Los Vaqueros Reservoir and

provide those benefits for the City’s entire service area. The Los Vaqueros Reservoir expansion project is a multi-agency, multi-year effort that is still in the planning and approval stage. The City has been setting aside funds in the anticipation of a large capital buy-in expense when this project comes to fruition. The City plans to budget \$1,000,000 per year for fiscal years 2024-25 through 2028-29 and approximately \$5.6 million have already been set aside for the reservoir expansion project. See also “Capital Improvement Program” below.

Pump Stations. Of the seven Water System pump stations, one of them, the Recycled Water Pump Station, which is located on Fairview Avenue near the ECCID canal, delivers recycled water for irrigation of parks, parkway landscaping, and schools. The City has redundant pumping capacity, including the treated water pump station located adjacent to the BWTP, to the multiple boosting stations necessary to fill the reservoirs.

Distribution System. The City’s distribution system consists of pipelines of various sizes, all of which are adequately sized to meet build out demands. The City currently maintains 354 miles of distribution mains. The original water mains (approximately five miles) were constructed in 1940. Other water mains have been constructed more recently. The City’s water mains range in size from 4 to 42 inches. The City currently has an ongoing program to replace sections of the original water mains that are in need of repair.

Water Consumption

The following table shows the historical billed water consumption for the Water System since 2020: [add August 2024 if available before POS posting]

**TABLE 1
CITY OF BRENTWOOD
Water Consumption History
(1,000 gallons/month)
As of [July] 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
January	138,838	162,850	148,061	137,842	150,737
February	152,522	168,800	189,353	141,684	127,889
March	201,908	198,734	226,725	125,442	140,968
April	319,798	283,530	265,716	160,295	201,942
May	326,716	364,406	310,274	301,194	302,983
June	438,013	421,593	399,056	345,756	418,767
July	437,515	424,694	414,311	414,986	502,871
August	459,379	427,216	420,749	430,829	[_____]
September	435,321	429,020	381,670	400,415	-
October	358,922	340,270	338,310	329,853	-
November	297,005	202,536	248,845	276,978	-
December	227,666	143,283	159,576	178,266	-
Total	<u>3,793,603</u>	<u>3,566,932</u>	<u>3,502,646</u>	<u>3,243,540</u>	<u>1,846,157</u>

Source: City of Brentwood.

Water Supply Shortages

The City has developed six stages of action to be taken in response to water supply shortages, including a reduction in water supply by up to 50%. Specific water supply conditions are applicable to each stage of action. A stage of action will be implemented during water supply shortages according to shortage level, ranging from a 10% shortage (i.e., Level 1) to a 50% shortage (i.e., Level 6). The stage determination and declaration during a water supply shortage will be made by the public works director. The City is currently at Shortage Level 1, which is the normal level not indicative of drought conditions but pursuant to which the City encourages water conservation by the City's customers.

Shortage Level 1. During Level 1 of a water supply shortage, the shortage is minimal, up to 10 percent. At this level, voluntary conservation is encouraged, including encouraging customers to limit the watering of lawn, landscape or other turf area with water supplied by the City. The City maintains an ongoing public information campaign consisting of distribution of literature, speaking engagements, bill inserts, and conversation messages printed in local newspapers and on the City's internet web page. The drought situation is explained to public and governmental bodies. The City requests voluntary water conservation, explains other stages and forecast future actions. Educational programs in area schools are ongoing.

Shortage Level 2. During Level 2 of a water supply shortage, the shortage is moderate, up to 20 percent. At this level, conservation may be voluntary, consist of conservation goals, and/or include mandatory conservation rules, including, encouraging customers to limit the watering of lawn, landscape or other turf area with water supplied by the City to any four days per week maximum. All steps taken in prior stages are intensified and production is monitored daily for compliance with necessary reductions. The severity of actions depends upon the percentage of the shortage. The City aggressively continues its public information and education programs. The City asks for 10 to 20 percent voluntary or mandatory water use reductions. If necessary, the City also supports passage of drought ordinances.

Shortage Level 3 to 4. During Level 3 to 4 of a water supply shortage, the shortage is severe, 20 to 40 percent, and conservation consists of conservation goals and mandatory conservation rules. This may include limiting the watering of lawn, landscape or other turf area with water supplied by the City to any three days per week maximum. All steps taken in prior stages are intensified and production is monitored daily for compliance with necessary reductions. This level becomes effective upon notification by the City that water usage is to be reduced by a mandatory percentage. The City would adopt drought ordinances, implement mandatory reductions, and enforce fines and penalties for water waste. Rate changes may be implemented to penalize excess usage. Drought surcharges or rates may be applied based on City Council's direction. The City would restrict outdoor water usage at City facilities by reducing water times or using non-potable/recycled water. The City would implement the use of recycled water fill stations at the City wastewater treatment plant to offset potable water use. Water use restrictions are put into effect; i.e., prohibited uses can include, but are not limited to, restrictions on daytime hours for watering, excessive watering resulting in gutter flooding, using hoses without a shutoff device, non-recycling fountains and washing down sidewalks or patios, and unrepaired leaks. The City monitors monthly customer billing data and production weekly for compliance with necessary reductions.

Shortage Level 5 to 6. During Level 5 to 6 of a water supply shortage, the shortage is critical, greater than 40 percent. Conservation consists of conservation goals and mandatory conservation rules. This may include limiting the watering of lawn, landscape or other turf area with water supplied by the City to any two days per week maximum. All steps taken in prior stages are intensified and production is monitored daily for compliance with necessary reductions.

Environmental Compliance

Both of the water treatment plants must produce water that meets State of California (the “State”) and federal regulations for drinking water quality. In general, the State is primarily concerned with the administration of federal drinking water requirements, but can add additional, or more restrictive requirements. If the federal government, acting through the United States Environmental Protection Agency, or the State, acting through the California Department of Health, or additional federal or State legislation, should impose stricter water quality standards or other additional regulatory requirements upon the Water System, then the City’s treatment expenses could increase accordingly and rates and charges may have to be increased to offset those expenses. The City cannot predict the future direction that federal or State regulation will take with respect to drinking water quality standards and requirements, although it is likely that in the future the federal government and the State will impose more stringent standards with attendant higher costs.

The City’s surface water supply is treated in newer facilities that were designed and constructed to treat the source water to a very high quality that exceeds the standards of the American Water Works Association’s “Partnership for safe Drinking Water.” The City’s drinking water is in compliance with all current federal and State drinking water standards applicable to the City.

Capital Improvement Program

On May 28, 2024, the City Council adopted the Capital Improvement Program (the “CIP”) for fiscal years 2024-25 through 2028-29. This CIP includes budgeted funding of the following major projects from Water Revenues:

Canal Replacement Cost Share – Segment 5: The City currently utilizes CCWD conveyance facilities (Contra Costa Canal, pumps, underground pipes and screens) for the delivery of water to the BWTP. Pursuant to the CCWD MOU, the City will pay for its proportional share of upgrades to CCWD’s facilities. This project accounts for the City’s proportional share of the projected costs for CCWD’s Canal Replacement Project (Segment 5A and 5B). The projected contribution from the Water System is \$2,678,972 over the five-year CIP period.

Pump Station 2.4 Installation: The City’s Water Master Plan adopted on June 1, 2017, identified the Pump Station 2.4 Installation project as necessary to serve the future development of the Innovation Center at Brentwood, formerly known as Priority Area - 1, and Bridle Gate. This project will install a pump station adjacent to Reservoir 1.3 located on St. Regis Avenue within the City. The new pump station is expected to provide approximately 4,500 gallons per minute (“GPM”) (or approximately 6.5 million gallons per day (“GPD”)) of pumping capacity when fully operational. The pump station design will include four 1,500-GPM, 20 horse power, 3-phase, 240/480V pumps, one concrete masonry unit block building, electrical and instrumentation, 8/12/16-inch pipe and fittings, one magnetic flow meter, a paved access road and fencing for the pump station. The projected contribution from the Water System is \$4,035,000 over the five-year CIP period.

Water Storage Capacity at Los Vaqueros Reservoir: The Los Vaqueros Reservoir project involves a partnership with CCWD to work together on the Los Vaqueros Reservoir expansion project. Pursuant to the CCWD MOU, the City and CCWD are working towards an agreement to allow the City to purchase and deliver water that has been stored in the Los Vaqueros Reservoir. It will enable the City to pump high-quality low-chloride water during the wet months for storage in the Los Vaqueros Reservoir and be available for withdrawal and blending during the dry months, when delta water quality is at its worst. Chloride levels in the delta increase in late summer and fall and are even worse in drought years. Having the ability to use high-quality water during these times will ensure adequate supply, long-term

water quality and regulatory compliance for the City. The projected contribution from the Water System is \$5,000,000 over the five-year CIP period.

Water and Wastewater Laboratory: The Water and Wastewater Laboratory project will provide a new, larger laboratory for the water and wastewater systems. The existing laboratory which was constructed in 2002 is outdated and has outgrown its footprint, and the building is not readily expandable. Constructing a new, larger laboratory and converting the existing laboratory to office space will provide laboratory space adequate for build-out conditions, and has the added benefit of eliminating the need to build additional office space. The projected contribution from the Water System is \$860,000 over the five-year CIP period.

Brentwood Manor Water and Wastewater Rehabilitation: This project includes the replacement of 3,200 linear feet of water, sewer and storm drain facilities to correct existing operations and maintenance constraints due to the age of the facilities. This project will allow the City to accommodate the anticipated development around the surrounding area and bring the aging facilities up to current standards. The projected contribution from the Water System is \$3,243,500 over the five-year CIP period.

The City does not currently expect to incur any Parity Obligations to pay the Water System costs contained in the current CIP.

Rate Structure

In accordance with California law and subject to certain State constitutional restrictions, the City Council may, from time to time, and at its discretion, fix, alter, change, amend, or revise any connection charges, fixed monthly services fees, commodity charges, and other fees related to the Water System. Consequently, the City Council periodically reviews such charges and fees to determine if they are sufficient to cover maintenance and operations costs, capital improvement expenditures, and debt service requirements. Such charges and fees are set by the City Council for the services provided by the Water System after a majority protest hearing is held. Neither the City nor the Water System is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The water rate structure consists of a fixed monthly base rate, which varies by meter size, plus a variable tiered consumption charge based upon metered water consumption. There are four usage tiers for residential customers and two usage tiers for non-residential customers.

On June 13, 2023, the City adopted Resolution No. 2023-76, which provides for an increase in the monthly base rate and consumption charge during fiscal years 2023-2024 to 2027-28, effective July 1, 2023. Annually on July 1, the monthly base rate will increase 6.5% and the potable consumption charges will increase approximately 6.5%.

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Under the ordinance, rates per billing unit per month for water delivered or furnished within the limits of the City will be as shown below:

**TABLE 2
CITY OF BRENTWOOD
Water Rates Per Billing Unit Per Month**

Monthly Base Rate	Effective 7/1/2023	Effective 7/1/2024	Effective 7/1/2025	Effective 7/1/2026	Effective 7/1/2027
5/8" or 3/4" meter	\$28.16	\$30.00	\$31.95	\$34.03	\$36.25
1" meter	41.24	43.93	46.79	49.84	53.08
1 1/2" meter	73.91	78.72	83.84	89.29	95.10
2" meter	113.13	120.49	128.33	136.68	145.57
3" meter	237.31	252.74	269.17	286.67	305.31
4" meter	420.31	447.64	476.74	507.73	540.74
6" meter	858.20	913.99	973.40	1,036.68	1,104.07
Consumption Charge (per 1,000 gallons = 1 unit)					
Residential Tiers					
Tier 1: Units 1-5	\$3.18	\$3.39	\$3.62	\$3.86	\$4.12
Tier 2: Units 6-14	6.60	7.03	7.49	7.98	8.50
Tier 3: Units 15-20	8.33	8.88	9.46	10.08	10.74
Tier 4: Units 21+	8.43	8.98	9.57	10.20	10.87
Non-Residential					
Tier 1: Units 1-5	\$3.20	\$3.41	\$3.64	\$3.88	\$4.14
Tier 2: Units 6+	7.98	8.50	9.06	9.65	10.28
Non-Potable					
All Units	\$1.08	\$1.19	\$1.23	\$1.27	\$1.31
Hydrant					
All Units	\$8.91	\$9.49	\$10.11	\$10.77	\$11.48
Drought Surcharge Per Unit					
10% Reduction	\$0.46	\$0.49	\$0.52	\$0.56	\$0.59
20% Reduction	0.95	1.01	1.08	1.15	1.22
30% Reduction	1.50	1.60	1.70	1.81	1.93
40% Reduction	2.35	2.50	2.67	2.84	3.02
50% Reduction	3.16	3.37	3.58	3.82	4.07

Source: City of Brentwood.

Water User Accounts

The following table shows the customer accounts and percentage of service charge revenues for the fiscal years ended June 30, 2019 through June 30, 2023:

**TABLE 3
CITY OF BRENTWOOD
Customer Accounts as a Percentage of Revenues
(Five Fiscal Years Ended June 30, 2023)**

<u>Fiscal Year Ended</u>	<u>Number of Single-Family Residential Accounts</u>	<u>Percentage of Revenues</u>	<u>Number of Other Accounts</u>	<u>Percentage of Revenues</u>
2019	19,095	73%	1,097	27%
2020	19,402	74	1,133	26
2021	19,703	74	1,167	26
2022	19,950	72	1,193	28
2023	20,109	71	1,206	29

Source: City of Brentwood.

Account Delinquencies

Monthly utility billings by the City include both water and wastewater charges, as well as charges for solid waste disposal. All bills are due on the 25th day following the original billing date, and if not paid by the due date, the City will add a five percent delinquency penalty to the following bill. Additionally, the City will mail notices if payment is not made in time and will discontinue water service if payment is not made within 60 days of the original billing date. The delinquency rates for the solid waste, wastewater, and water systems of the City for the five fiscal years ended June 30, 2023 are set forth in the following table:

**TABLE 4
CITY OF BRENTWOOD
Delinquency Rate of the Solid Waste, Wastewater and Water Systems
(Five Fiscal Years Ended June 30, 2023)**

<u>Fiscal Year</u>	<u>Delinquency Rate⁽¹⁾</u>
2019	0.28%
2020	0.58
2021	1.41
2022	0.93
2023	0.58

⁽¹⁾ Delinquencies, over 90 days at June 30, expressed as a percentage of annual total operating revenues received by the City with respect to the water, wastewater, and solid waste disposal services combined.

Source: City of Brentwood.

Water Development Impact Fee

Each property applying for new water service is charged a water development impact fee (the “Water Development Impact Fee”). This fee is a calculation of pro rata fiscal responsibility development

shares in the cost of providing water facilities. The calculation is based on the estimated cost of constructing water treatment, distribution and storage facilities necessary to serve the population of the City at general plan build-out and projecting that cost over estimated residential and non-residential development in the City’s general plan. The fee is reviewed periodically by the City Council, and the City Council may from time to time adjust the fee to reflect changes in the projected costs for the necessary improvements. Each property must pay the fee when the permit is issued, based upon meter size and capacity, as shown below.

Water Development Impact Fees for single and multifamily units are charged based on a per unit charge basis; office, commercial, and industrial uses are charged on a square footage basis. Pursuant to its authority under City Council Resolution No. 2021-20, dated February 9, 2021, the City imposed the following fees effective July 1, 2024:

**TABLE 5
CITY OF BRENTWOOD
Water Facilities Fees
As of July 1, 2024⁽¹⁾**

<u>Use</u>	<u>Water Facilities Fee</u>
Single Family Residential	\$16,290.34/unit
Multifamily Residential	6,682.22/unit
Office	2.0648/sq. ft.
Commercial	1.6777/sq. ft.
Industrial	1.4339/sq. ft.

⁽¹⁾ Per the Development Fee Program adopted pursuant to Resolution No. 2021-20, the City may, on July 1 of each year, increase its Water Development Impact Fee. Adjustment to the fees shall be made annually in accordance with the Engineering News Record Construction Cost Index (“ENR Index”).

Source: City of Brentwood.

If a developer constructs a portion of the facilities included in the list of improvements which are the basis for the Water Development Impact Fee, the developer is given a credit against its obligation to pay Water Development Impact Fees. If the City’s reimbursement obligation to the developer is greater than the Water Development Impact Fee payment, the City enters into a reimbursement agreement which obligates the City to reimburse the developer when fees have been collected from other developers and the fund has a positive balance. The average credit per unit received by developers during the fiscal year ended June 30, 2023 was \$0.00.

The Water Development Impact Fees constitute Connection Fees under the Installment Sale Agreement.

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Comparative Rates

The following table sets forth a list of some other major water agencies and municipalities in the vicinity of the City and compares their average annual water service charges, reflecting information available as of March 2023. The figures are based on an average household using 260 gallons per day.

**TABLE 6
CITY OF BRENTWOOD
Comparative Average Annual Household
Water Service Charges**

City/Agency	Average Annual Household Water Service Charge
East Bay Municipal Utility District	\$1,090
Contra Costa Water District	978
City of Pittsburg	935
City of Antioch	769
Brentwood	740
Diablo Water District (Oakley)	691

Largest Users

The following table presents certain information regarding the ten principal users of the Water System, excluding the City, for the fiscal year ended June 30, 2024, as compared to all other users of the Water System:

**TABLE 7
CITY OF BRENTWOOD
Top Water System Accounts
Based on Average Monthly Amount Paid
Fiscal Year 2023-24**

<u>User</u>	<u>Account Amount</u>	<u>Units Used</u>
Top 10 Users	\$209,464.70	7,239
Balance of System	4,325,710.84	208,635
Totals	\$4,535,175.54	215,874

Source: City of Brentwood Finance Department, Utility Billing.

Pension Plans

The City provides retirement benefits to its employees through contracts with California Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Benefit provisions under the Plans are established by State statute and City resolution. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the PERS website.

The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan. The Miscellaneous Plan is an Agent Multiple-Employer Plan and the Safety Plan is a Cost-Sharing Multiple Employer Plan. All qualified permanent and probationary employees are eligible to participate in either the City's Safety (Sworn) or Miscellaneous (Non-sworn) Plans, administered by PERS, which acts as a common investment and administrative agent for its participating member employers. The City contributes to PERS amounts equal to the recommended rates for each PERS Plan multiplied by the payroll of those employees of the City who are eligible under PERS.

Salaries and benefits costs of the City's Water Enterprise include funding of retirement benefits for employees assigned to the Water Enterprise who, as City employees, participate in PERS Miscellaneous Plan. The City makes an annual employer contribution to the Miscellaneous Plan. City employees assigned to the Water Enterprise are required to pay the full amount of their employee contribution. Retirement payments paid from Water Revenues, with respect to employees assigned to the Water Enterprise, average approximately 9.0% of annual employer pension costs paid towards the Miscellaneous Plan. The City's employer contributions payable from Water Revenues for pensions were \$483,424 for fiscal year 2023-24 and are estimated to be approximately \$600,723 for fiscal year 2024-25. Payments to PERS constitute Maintenance and Operation Costs under the Installment Sale Agreement. The City has also made additional discretionary payments to the Miscellaneous Plan over the past several years, and anticipates doing so in the coming years. This serves to reduce the long-term costs to City. The Water Enterprise is charged for its pro-rata share for additional discretionary payments when made. In fiscal year 2023-24 the Water Enterprise contributed \$285,652 for its share of the additional discretionary payment.

For a variety of reasons, including investment losses, the City has experienced unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Water System, have increased in recent years. As of June 30, 2023 (the most recent actuarial date), the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Water Enterprise participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Water Revenue Fund, and other enterprise funds) of approximately \$42.0 million (market value basis), and a funded ratio of 79.1% (market value basis).

Required contributions from the City are expected to increase in the coming years. See APPENDIX E — "AUDITED FINANCIAL STATEMENTS – Note 10 to the Basic Financial Statements" for a discussion of retirement liabilities payable by the City.

Post Employment Healthcare Benefits

The City provides certain post-retirement health care benefits ("OPEB"). The City's Retiree Healthcare Plan is a defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City and its employees. The City provides retiree medical benefits through the PERS healthcare program

and the Public Employees' Medical and Hospital Care Act ("PEMHCA"). The City participates in the CERBT program, an irrevocable trust established to fund OPEB.

The City covers premiums, subject to caps dependent on hire date for eligible retirees, with service or disability retirement directly from the City under PERS. Coverage extends to dependents and surviving spouses. No dental, vision or life insurance benefits are provided. The City has three benefit tier levels. All tiers provide for certain post-retirement health care benefits for employees who retire from the City and who meet the following criteria: (1) they retire after reaching the age of 50 and (2) they have at least five years of cumulative service credits with organizations participating in a PERS defined benefit pension plan.

The tiers are differentiated by maximum amount of health insurance coverage paid by the City. The first tier, for employees that retired prior to July 1, 2012, provides a maximum monthly coverage amount equal to the Kaiser dual rate (currently \$2,042.82) for Miscellaneous Plan retirees, with future increases based upon annual increases in specified medical premium rates. The second tier, for employees hired prior to July 1, 2012 with a retirement date on or after July 1, 2012, provides for a maximum monthly coverage amount of \$1,326.63 for Miscellaneous Plan retirees, with no future increases in the maximum coverage amount until such time that the Kaiser employee-only monthly medical insurance rate (currently \$1,021.41) exceeds \$1,326.63. The third tier, for employees hired on or after July 1, 2012, provides for a maximum monthly coverage amount equal to the PEMHCA minimum, currently \$157 per month. This amount is set annually by PEMHCA. As of June 30, 2023, there were 174 retirees receiving postemployment health care benefits from the City (including other Enterprises and the General Fund).

The City's OPEB related payments paid from Water Revenues were \$233,471 in fiscal year 2023-24 and are projected to be approximately \$195,755 in fiscal year 2024-25. The City makes annual contributions to the OPEB trust in amounts equal to 85% of the Actuarially Determined Contribution ("ADC"). Once the City's OPEB trust has reached an 85% funded ratio the City intends to maintain funding at a level percentage of payroll until a funded ratio of 100% is attained. The City's prefunding strategy has resulted in significant improvements in the funded percentage of the OPEB trust, which has increased from 18% funded in the fiscal year 2014-15 to 46% funded in fiscal year 2022-23; and is projected to exceed 50% funded as of June 30, 2024. Annual OPEB contributions from the Water Enterprise are projected to remain relatively steady for the coming decade, before declining once the unfunded liability has been exhausted. See APPENDIX E – "AUDITED FINANCIAL STATEMENTS – Note 9 to the Basic Financial Statements" for a discussion of OPEB liabilities payable by the City, as well as the City's current unfunded OPEB liability.

Investment of City Funds

Water Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Installment Sale Agreement.

Funds held by the City, including Water Revenues, are invested in accordance with the City's investment policy (the "Investment Policy") prepared by the City's Director of Finance & Information Systems as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to ensure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

For more information about the City's cash and investments and investment policy as of the fiscal year ended June 30, 2023, see Note 3 to Appendix E of this Official Statement.

Historical and Projected Operating Results

The tables on the following pages show the historical and projected Net Water Revenues and debt service coverage for the years indicated.

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TABLE 8
CITY OF BRENTWOOD
Historical Net Water Revenues and Debt Service Coverage
Five Fiscal Years ended June 30, 2023

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Operating Revenues					
Charges for Services	\$22,764,896	\$25,616,512	\$27,727,333	\$27,278,840	\$26,491,553
Other Income	129,171	103,457	74,180	99,178	145,740
Total Operating Revenues	<u>\$22,894,067</u>	<u>\$25,719,969</u>	<u>\$27,801,513</u>	<u>\$27,378,018</u>	<u>\$26,637,293</u>
Operating Expenses					
Personnel Services ⁽¹⁾	\$5,111,584	\$4,510,368	\$4,461,647	\$4,809,866	\$5,091,162
Repairs and Maintenance	835,619	576,885	1,102,602	980,442	709,722
Materials, Supplies and Services	12,514,468	12,186,800	14,442,508	13,940,908	15,100,836
Depreciation and Amortization	3,448,609	3,536,291	3,742,669	3,747,274	3,979,047
Total Operating Expenses	<u>\$21,910,280</u>	<u>\$20,810,344</u>	<u>\$23,749,426</u>	<u>\$23,478,490</u>	<u>\$24,880,767</u>
Operating Income	\$983,787	\$4,909,625	\$4,052,087	\$3,899,528	\$1,756,526
Non-Operating Revenues					
Interest Income ⁽²⁾	\$555,415	\$844,588	\$763,550	\$645,424	\$809,179
Contributions - Impact Fees and Credits	1,805,819	1,671,205	3,043,312	4,630,204	380,314
Total Non-Operating Revenues	<u>\$2,361,234</u>	<u>\$2,515,793</u>	<u>\$3,806,862</u>	<u>\$5,275,628</u>	<u>\$1,189,493</u>
Net Revenues (Excluding Depreciation and Amortization)	\$6,793,630	\$10,961,709	\$11,601,618	\$12,922,430	\$6,925,066
Net Revenues (Without Connection Fees)	\$4,987,811	\$9,290,504	\$8,558,306	\$8,292,226	\$6,544,752
Debt Service for Parity Obligations	\$3,514,000	\$3,513,600	\$3,514,100	\$3,510,350	\$3,507,350
Debt Service Coverage for Parity Obligations	1.93x	3.12x	3.3x	3.68x	1.97x
Debt Service Coverage (Without Connection Fees)	1.42x	2.64x	2.44x	2.36x	1.87x

Source: City of Brentwood.

⁽¹⁾ Includes discretionary pension paydown payments and excludes non-cash adjustments required by GASB 68 and GASB 75.

⁽²⁾ Excludes non-cash fair market value adjustments.

TABLE 9
CITY OF BRENTWOOD
Projected Net Water Revenues and Debt Service Coverage⁽¹⁾
Five Fiscal Years ending June 30, 2028

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Operating Revenues					
Charges for Services	\$29,052,240	\$30,870,307	\$33,168,784	\$35,435,732	\$37,859,749
Other Income	19,800	48,045	48,229	48,303	48,303
Total Operating Revenues	<u>\$29,072,040</u>	<u>\$30,918,352</u>	<u>\$33,217,013</u>	<u>\$35,484,035</u>	<u>\$37,908,052</u>
Operating Expenses					
Personnel Services ⁽²⁾	\$4,763,274	\$5,584,160	\$5,584,643	\$5,879,230	\$6,073,022
Repairs and Maintenance	888,754	1,063,438	1,076,032	1,108,312	1,141,567
Materials, Supplies and Services	16,387,529	19,605,768	20,388,717	20,223,949	21,040,142
Depreciation and Amortization	4,074,748	4,364,652	4,722,885	4,859,616	4,959,616
Total Operating Expenses	<u>\$26,114,305</u>	<u>\$30,618,018</u>	<u>\$31,772,277</u>	<u>\$32,071,107</u>	<u>\$33,214,347</u>
Operating Income	\$2,957,735	\$300,334	\$1,444,736	\$3,412,928	\$4,693,705
Non-Operating Revenues					
Interest Income ⁽³⁾	\$713,135	\$1,166,929	\$964,745	\$871,958	\$1,106,836
Contributions - Impact Fees and Credits	1,929,721	1,662,555	2,209,285	2,602,589	2,213,908
Total Non-Operating Revenues	<u>\$2,642,856</u>	<u>\$2,829,484</u>	<u>\$3,174,030</u>	<u>\$3,474,547</u>	<u>\$3,320,744</u>
Net Revenues (Excluding Depreciation and Amortization)	\$9,675,339	\$7,494,470	\$9,341,651	\$11,747,091	\$12,974,065
Net Revenues (Without Connection Fees)	\$7,745,618	\$5,831,915	\$7,132,366	\$9,144,502	\$10,760,157
Debt Service for Parity Obligations	\$3,509,850	\$3,517,350	\$3,509,350	\$2,851,350	\$2,850,600
Debt Service Coverage for Parity Obligations	2.76x	2.13x	2.66x	4.12x	4.55x
Debt Service Coverage (Without Connection Fees)	2.21x	1.66x	2.03x	3.21x	3.77x

⁽¹⁾ Assumptions: Revenues are from current and new users connecting to the Water System and include adopted system revenue rate increases of 6.5% per year through and including July 1, 2027. Operating expenditures include increases of approximately 5.0% per year for CCWD contractual services and conveyance costs and inflationary increases of about 3.3% per year for other expenditures. Debt Service for Parity Obligations does not reflect the refunding of the Refunded Bonds and the issuance of the 2024 Bonds.

⁽²⁾ Includes discretionary pension paydown payments and excludes [non-cash adjustments] required by GASB 68 and GASB 75.

⁽³⁾ Excludes non-cash fair market value adjustments. Earnings on the average beginning and ending cash balance in the Water Systems funds assuming a 3.25% annual interest rate.

Source: City of Brentwood.