



AGENDA

Finance Administration and Police Subcommittee Meeting

Meeting Date: Thursday, January 28, 2016

Meeting Time: 2:00 p.m.

Meeting Location: City Hall

124 N. Cloverdale Blvd., Cloverdale, CA

Subcommittee Members

Councilmember Mary Ann Brigham, Chair

Councilmember Gus Wolter

City Manager, Paul Cayler

Police Chief, Stephen Cramer

Finance Manager, Joanne Cavallari

- 1. Call to Order:**
- 2. Communications:** Committee may discuss written communications sent to Committee Members since the last Subcommittee meeting.
- 3. Public Comment:** Members of the public may comment on any item not on this agenda. Please limit comments to three minutes. Members of the public may comment on items on the agenda when the subcommittee considers that item.
- 4. Approval of Minutes:** November 19, 2015
- 5. Current Items for Discussion:**
 - a) Review draft Water and Sewer Rate Study
 - b) Review draft Investment Policy & potential increase in interest earnings
 - c) Review draft Massage Ordinance
- 6. Information Only Memos:**
- 7. Future Agenda Items (subject to change):**
- 8. Pending Items:**
- 9. Good of the Order:**
- 10. Adjournment:**



DRAFT MINUTES

Finance Administration and Police Subcommittee Meeting

Meeting Date: Thursday, November 19, 2015

Meeting Time: 2:00 p.m.

Meeting Location: City Hall

124 N. Cloverdale Blvd., Cloverdale, CA

Subcommittee Members

Councilmember Bob Cox, Chair

City Manager, Paul Cayler

Councilmember Mary Ann Brigham

Police Chief, Stephen Cramer

Finance Manager, Joanne Cavallari

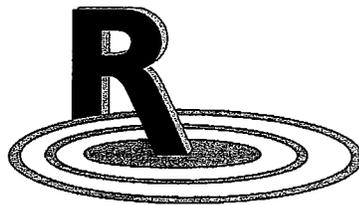
1. **Call to Order:** Chair Mayor Cox called the meeting to order at 2:00 p.m. and noted for the record that he and Councilmember Brigham were present, as well as Staff.
2. **Communications:** None
3. **Public Comment:** None
4. **Approval of Minutes:** The minutes of October 22, 2015, were approved.
5. **Current Items for Discussion:**
 - a) Discussion of City Engineer/Public Works Director position
Mr. Cayler stated he has an interview scheduled with one qualified applicant. Discussion ensued regarding recruitment options and the possibility of hiring a Public Works Director if the City is unable to fill the position with a licensed professional engineer. Mr. Cayler added that Staff is developing a job description for a working foreman. Mr. Cayler further stated an open recruitment will be conducted for a Senior Water Treatment Operator.
6. **Information Only Memos:** None
7. **Future Agenda Items (subject to change):** None
8. **Pending Items:** None
9. **Good of the Order:** None
10. **Adjournment:** Chair Mayor Cox adjourned the meeting at 2:10 p.m. to December 24, 2015, 2:00 p.m., at the City Hall Conference Room, or alternate date as requested.

CITY OF CLOVERDALE

Water and Sewer Rate Study

Revised Draft Report

January 11, 2016



THE REED GROUP, INC.

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SECTION I. EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

The City of Cloverdale retained The Reed Group, Inc. to develop five-year financial plans and to update user rates for the City's water and sewer utilities. The purpose of the study was to ensure that each utility is meeting financial obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent financial reserves. The last comprehensive rate study was completed in FY 12-13, and the most recent adjustments to the level of water and sewer rates occurred in July 2015.

The scope of services for the water and sewer rate study included the following:

- Review financial goals and policy objectives
- Review current budgets, existing debt obligations, and capital improvement plans
- Prepare a five-year financial plans and determine annual revenue requirements for each utility
- Review current water and sewer rate structures and recommend changes consistent with legal requirements and rate setting objectives
- Evaluate the financial implications of water shortage and develop recommendations addressing the financial deficit created by shortage conditions
- Present draft recommendations to the City's Finance and Administration Committee to review the assumptions and conclusions from the financial plan and rate analyses
- Prepare a water and sewer rate study report (this report) to document the analyses performed during the study
- Present study recommendations to the City Council during a regular meeting, and assist the City in preparing a notice of public hearing regarding the proposed water and sewer rates
- Present final water and sewer rate recommendations during a public hearing to adopt new rates.

The purpose of this report is to describe the analyses performed, present a financial plan for each utility, and summarize findings and recommendations regarding the water and sewer rates, including water shortage rate surcharges.

FINANCIAL PLANS AND REVENUE NEEDS

Financial plan findings and recommendations are summarized below for both the water and sewer utilities.

Water Utility

The water utility's financial situation has been affected by recent drought conditions and the resulting reduced water sales. While utility revenues are sufficient to cover current operating and maintenance costs and existing debt service payments, revenues are not sufficient to meet the utility's capital program needs for rehabilitating the water system, and it may not meet debt service coverage requirements in the current fiscal year. While the water utility's financial condition should improve as hydrologic conditions improve and water sales rebound, the current situation is not sustainable. An adjustment to the level of water rates is needed immediately to ensure the water utility can continue ongoing operations, meet all debt service obligations, fund needed capital improvements, and maintain prudent financial reserves.

In 2014 the City secured a \$4 million low interest loan from the US Department of Agriculture (USDA) for water system improvements. Those improvements are currently under construction and approaching completion. Within the five-year planning period of this study the City has identified an additional \$3.6 million in improvements (in current dollars). Current water rate and other revenues are insufficient to support this level of capital improvement program activity.

It is recommended that the City take immediate steps to increase water rates, as well as to approve future annual water rate increases in order to establish and maintain financial stability. The recommended overall water rate increases are:

April 2016	7%
July 2017	3%
July 2018	3%
July 2019	3%

The City previously approved a water rate increase of 5 percent for July 2016. The 7 percent water rate adjustment listed above for April 2016 would replace the previously approved rate increase of 5 percent. Proposed water rate schedules (presented later in this Executive Summary) also reflect an updated cost of service analysis and rate restructuring.

Sewer Utility

The sewer utility is in a more stable financial state. Current sewer rates and other operating revenues are sufficient to cover operating and maintenance costs and current debt obligations, and provide limited funding for needed capital improvements. While the sewer utility currently has a healthy fund balance, its financial reserves are being depleted in support of capital improvement program needs. While an overall sewer rate increase is not immediately necessary, in order to better stabilize the financial condition of the sewer utility, modest increases will be needed in future years. Without the modest adjustments the sewer utility will be unable to adequately fund needed sewer system improvements.

The capital improvement plan for the sewer utility includes about \$3.6 million in new projects over the next five years (in current dollars). While available financial reserves will pay for a portion of the capital improvement program, a majority of sewer improvements

will need to be funded through sewer rates. The sewer utility is fortunate to have a limited amount of long-term debt, and all existing debt obligations will be satisfied within the five-year planning period. This limited debt exposure helps the City to maintain lower sewer rates for the benefit of all customers.

While an immediate rate increase is not needed, it is recommended that the City take steps to gradually increase sewer rates in order to establish and maintain sufficient funding for capital improvement needs. The recommended overall sewer rate increases are:

April 2016	0%
July 2017	3%
July 2018	3%
July 2019	3%

The City previously approved a sewer rate increase of 5 percent for July 2016 can be rescinded. The sewer rate changes for April 2016 are not intended to increase revenues and would replace the previously approved rate increase of 5 percent, effectively reducing the level of the sewer rates. Proposed sewer rate schedule for April 2016 (presented later in this Executive Summary) reflects an updated cost of service analysis.

The financial plan models reflect assumptions and estimates that are believed reasonable at the present time. However, conditions change. It is recommended that the City review the financial condition of the water and sewer utilities annually as part of the budget process, and perform a more comprehensive financial plan and rate update study every 3 to 5 years, unless otherwise needed sooner.

PROPOSED WATER AND SEWER RATE SCHEDULES

Exhibits I-1 and I-2 present proposed water and sewer rate schedules, respectively, to be implemented beginning in April 2016. The water and sewer rates presented in this report reflect updated cost of service analyses as well as the elimination of tiered water usage rates for single family customers. The elimination of the tiered water rate structure is recommended due to a recent court decision involving Proposition 218. Further explanation of this change is provided in Section II of this report.

Sewer rates for multi-family accounts are proposed to decrease due to the updated cost of service analysis. Residential sewer rate analysis is based on an examination of winter water usage of single family and multi-family dwellings (separately analyzed). Multi-family dwellings contribute less wastewater to the sewer system than single family homes. The sewer rate for schools (based on average daily attendance) is proposed to increase due to changes in water usage characteristics since the previous rate study.

The proposed water rate schedules reflect the policy objectives of the City, but more importantly they reflect an allocation of water system costs to users based on an equitable proportioning of the costs of service. The proposed sewer rates reflect an updated allocation of sewer system costs to users based on an equitable proportioning of the costs of service. Details of water rate analyses and rate recommendations are presented in Section II of this report. Details of sewer rate analyses and rate recommendations are presented in Section III of this report.

**Exhibit I-1
City of Cloverdale
Proposed Monthly Water Rate Schedules (1)**

	April 2016	July 2017	July 2018	July 2019
Monthly Base Charges				
Up to 1" Meter	\$ 22.25	\$ 22.92	\$ 23.61	\$ 24.32
1 1/2" Meter	\$ 42.07	\$ 43.33	\$ 44.63	\$ 45.97
2" Meter	\$ 65.85	\$ 67.83	\$ 69.86	\$ 71.96
3" Meter	\$ 121.35	\$ 124.99	\$ 128.74	\$ 132.60
4" Meter	\$ 200.63	\$ 206.65	\$ 212.85	\$ 219.24
Water Usage Rates (\$/CCF)				
All Water Usage	\$ 4.35	\$ 4.48	\$ 4.61	\$ 4.75

Notes:

(1) Water rates outside the City should continue to be 5 percent higher than inside the City.

**Exhibit I-2
City of Cloverdale
Proposed Monthly Sewer Rate Schedules**

	April 2016	July 2017	July 2018	July 2019
Residential Flat Rates				
Single Family Residential (per DU)	\$ 38.20	\$ 39.35	\$ 40.53	\$ 41.75
Multi-Family Residential (per DU)	\$ 24.72	\$ 25.46	\$ 26.22	\$ 27.01
Non-Residential Base Charges				
Up to 1" Meter	\$ 10.92	\$ 11.25	\$ 11.59	\$ 11.94
1 1/2" Meter	\$ 19.73	\$ 20.32	\$ 20.93	\$ 21.56
2" Meter	\$ 30.30	\$ 31.21	\$ 32.15	\$ 33.11
3" Meter	\$ 54.97	\$ 56.62	\$ 58.32	\$ 60.07
4" Meter	\$ 90.22	\$ 92.93	\$ 95.72	\$ 98.59
Non-Residential Usage Charges (\$/CCF)				
Low Strength	\$ 4.49	\$ 4.62	\$ 4.76	\$ 4.90
Medium Strength	\$ 5.59	\$ 5.76	\$ 5.93	\$ 6.11
High Strength	\$ 8.09	\$ 8.33	\$ 8.58	\$ 8.84
Public Schools				
Per 100 ADA	\$ 148.15	\$ 152.59	\$ 157.17	\$ 161.89

IMPACT OF PROPOSED WATER AND SEWER RATES

The City of Cloverdale's water and sewer rates are currently in the middle range relative to neighboring communities. Even with the proposed rate adjustments for both water and sewer rates, the combined water and sewer bills for a typical single family residential customer will remain in the mid-range relative to neighboring communities. The typical combined water and sewer bills for a single family customer in Cloverdale is compared with neighboring communities in Exhibit I-3. A typical combined water and sewer bill for a single family customer in Cloverdale will increase from \$95.74 per month to \$103.95 per month. Under current rates in neighboring communities, the same typical customer would have a combined water and sewer bill ranging from \$85.61 per month to \$144.40 per month.

**Exhibit I-3
City of Cloverdale
Comparison of Typical Monthly Single Family Water and Sewer Bill
with Neighboring Communities (1)**

	Water Service	Sewer Service	Total Bill
Windsor	\$ 30.32	\$ 55.29	\$ 85.61
Rohnert Park	\$ 37.59	\$ 50.43	\$ 88.02
Cotati	\$ 32.61	\$ 55.66	\$ 88.27
Cloverdale - CURRENT	\$ 57.10	\$ 38.64	\$ 95.74
Petaluma	\$ 33.84	\$ 63.24	\$ 97.08
Cloverdale - PROPOSED	\$ 65.75	\$ 38.20	\$ 103.95
Santa Rosa	\$ 44.06	\$ 71.79	\$ 115.85
Sebastopol	\$ 47.28	\$ 73.30	\$ 120.58
Ukiah	\$ 54.09	\$ 74.69	\$ 128.78
Willits	\$ 72.60	\$ 61.58	\$ 134.18
Healdsburg	\$ 55.88	\$ 88.52	\$ 144.40

Notes:

(1) Based on current rates in neighboring communities with the base meter size and 8 CCF of water usage and 5 CCF of winter water use (for sewer billing).

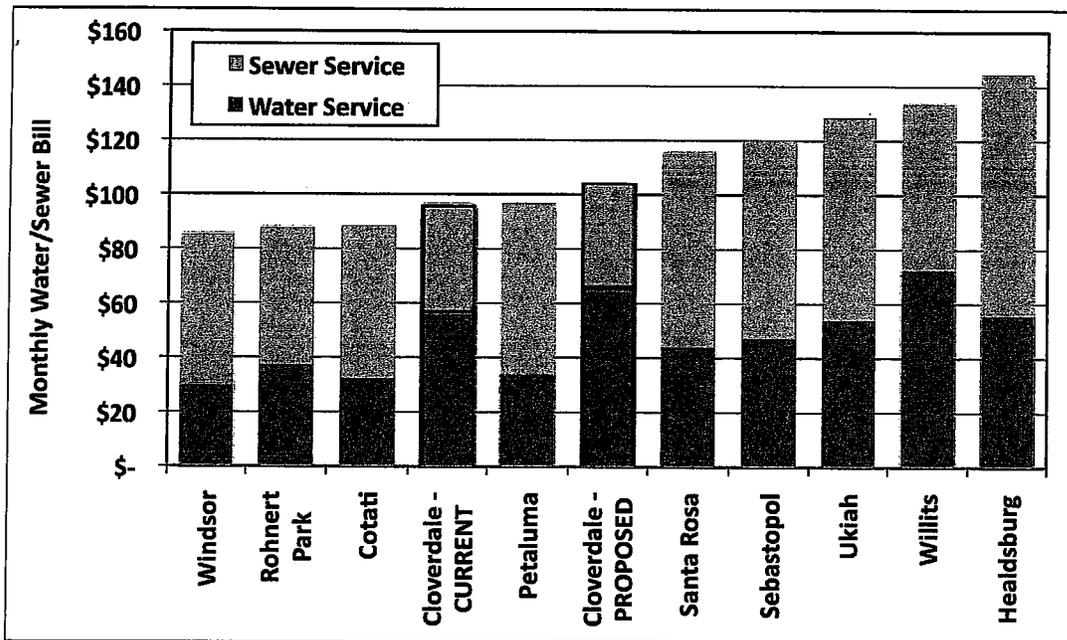


Exhibit I-4 shows how water and sewer bills may be affected by the proposed rates for April 2016 for a variety of customers within the City of Cloverdale. For single family customers, the low use example might be considered a winter bill amount, and the high use example a peak summer bill amount. All customers have different water usage characteristics, and the change to any individual customer's water and sewer bill will be a function of customer class, meter size, and water usage. In all cases, the proposed water and sewer rates and bill amounts reflect an equitable proportioning of the costs of providing service to each customer.

**Exhibit I-4
City of Cloverdale
Sample Water and Sewer Bills for Typical Customers**

	Current Rates		Proposed Rates		Change \$s	Change %
	Water	Sewer	Water	Sewer		
Single Family Residential						
Low Use (5 CCF)	\$ 38.80	\$ 38.64	\$ 44.00	\$ 38.20	\$ 4.76	6%
Average Use (10 CCF)	\$ 57.10	\$ 38.64	\$ 65.75	\$ 38.20	\$ 8.21	9%
High Use (16 CCF)	\$ 84.58	\$ 38.64	\$ 91.85	\$ 38.20	\$ 6.83	6%
Multi-Family Residential						
Duplex (5/8" mtr., 15 CCF)	\$ 80.80	\$ 58.10	\$ 87.50	\$ 49.44	\$ (1.96)	-1%
Apartment w/ 6 DUs (1" mtr, 30 CCF)	\$ 141.10	\$ 174.30	\$ 152.75	\$ 148.33	\$ (14.32)	-5%
Apartment w/ 28 DUs (2" mtr., 140 CCF)	\$ 621.11	\$ 813.40	\$ 674.85	\$ 692.23	\$ (67.43)	-5%
Non-Residential						
Medical Office (1" mtr., 28 CCF)	\$ 133.06	\$ 130.15	\$ 144.05	\$ 136.64	\$ 17.48	7%
Retail (1" mtr. 12 CCF)	\$ 68.74	\$ 60.71	\$ 74.45	\$ 64.80	\$ 9.80	8%
Laundromat (2" mtr., 180 CCF)	\$ 781.91	\$ 805.04	\$ 848.85	\$ 838.50	\$ 100.40	6%
Hotel (2" mtr, 60 CCF)	\$ 299.51	\$ 347.24	\$ 326.85	\$ 365.70	\$ 45.80	7%
Restaurant (2" mtr., 90 CCF)	\$ 420.11	\$ 724.94	\$ 457.35	\$ 758.40	\$ 70.70	6%
City Park (3" mtr., 500 CCF)	\$ 2,116.44	n/a	\$ 2,296.35	n/a	\$ 179.91	9%
			Total	Total		
			\$ 77.44	\$ 82.20	\$ 4.76	6%
			\$ 95.74	\$ 103.95	\$ 8.21	9%
			\$ 123.22	\$ 130.05	\$ 6.83	6%
			\$ 138.90	\$ 136.94	\$ (1.96)	-1%
			\$ 315.40	\$ 301.08	\$ (14.32)	-5%
			\$ 1,434.51	\$ 1,367.08	\$ (67.43)	-5%
			\$ 263.21	\$ 280.69	\$ 17.48	7%
			\$ 129.45	\$ 139.25	\$ 9.80	8%
			\$ 1,586.95	\$ 1,687.35	\$ 100.40	6%
			\$ 646.75	\$ 692.55	\$ 45.80	7%
			\$ 1,145.05	\$ 1,215.75	\$ 70.70	6%
			\$ 2,116.44	\$ 2,296.35	\$ 179.91	9%

WATER SHORTAGE FINANCIAL ANALYSIS AND WATER SHORTAGE SURCHARGES

Because of the current and continuing drought conditions, this water rate update includes a separate analysis of the financial implications of the sustained reduced water sales that coincides with water shortage conditions. The financial analysis includes the development of water shortage rates surcharges that could be implemented during periods of mandatory water use reductions and prohibitions as declared by the City.

Water shortage conditions result in (1) reduced water sales, (2) reduced water production costs, and (3) increased water conservation education and assistance costs. The net effect of these impacts is to create a financial deficit during periods of water shortage (i.e., revenue will decline more than the decline in expenses).

To counter the financial impact of water shortage, a three-prong strategy is proposed that includes (1) utilizing a portion of available Contingency Reserves to offset a portion of the financial deficit created by reduced water sales, (2) adopting and implementing water shortage rate surcharges to generate additional revenue, and (3) in the most severe shortages reducing the annual contribution to the capital project fund for capital projects. This strategy, including the water shortage rate surcharges, should be incorporated into the City's water shortage contingency plan and *2015 Urban Water Management Plan*.

Several stages of water shortage beyond normal water supply conditions have been defined for water shortage contingency planning purposes. These include:

- Normal Condition – No water use reduction required
- Stage 1 – Minor Shortage – 10 to 20 percent water use reduction goal
- Stage 2 – Moderate Shortage – 20 to 30 percent water use reduction goal
- Stage 3 – Urgent Shortage – 30 to 40 percent water use reduction goal
- Stage 4 – Critical Shortage – Over 40 percent water use reduction goal

Proposed water shortage rate surcharges would be implemented whenever the City Council declares a water shortage. Water shortage rate surcharges would be applied to the uniform water rates (but not to monthly base charges). The water shortage rate surcharge would mean that all customers would bear a proportionate share of the financial burden created by water shortage. The water shortage rate surcharges have been designed such that customers meeting water use reduction goals will have lower water bills than their normal water bills. Customers that do not meet water use reduction goals may have higher water bills.

Exhibit I-5 presents the proposed water shortage rate surcharges, which are expressed as a percentage increase to the normal water usage rate. The amount of increase depends on the stage of shortage. It is expressed as a percentage so that it can be applied to any future rate schedule. The specific rates shown in Exhibit I-5 are an application of the water shortage surcharges to the proposed water rates for April 2016. As an example, in Stage 1 – Minor Shortage a 6 percent water shortage rate surcharge would effectively temporarily increase the water usage rate from \$4.35 per CCF to \$4.61 per CCF. Monthly base charges would be unaffected.

**Exhibit I-5
City of Cloverdale
Proposed Water Shortage Rate Surcharges Applied to Water Rates for April 2016 (1)**

	Normal Supply Conditions (1)	Stage 1 Minor Shortage (Voluntary)	Stage 2 Moderate Shortage (Mandatory)	Stage 3 Urgent Shortage (Mandatory)	Stage 4 Critical Shortage (Mandatory)
Use Reduction Goal -->	None	10% to 20%	20% to 30%	30% to 40%	> 40%
Wtr. Short. Surch. (2) -->	None	6%	15%	24%	32%
Monthly Base Charges					
Up to 1" Meter	\$ 22.25				
1 1/2" Meter	\$ 42.07				
2" Meter	\$ 65.85		No Changes to Base Charges		
3" Meter	\$ 121.35				
4" Meter	\$ 200.63				
Water Usage Rates (\$/CCF)					
All Water Usage (3)	\$ 4.35	\$ 4.61	\$ 5.00	\$ 5.39	\$ 5.74

Notes:

- (1) The water shortage rate surcharge percentages are shown applied to the proposed water usage rate for April 2016 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The water shortage rate surcharge would be an incremental (percentage) increase in the water usage rate, but would not be applied to monthly base charges.
- (3) The water usage rates shown for Stages 1 through 4 incorporate the water shortage rate surcharge.

Water shortage rate surcharges will need to be adopted through a Proposition 218 notice and public hearing process. It is recommended that the water shortage rate surcharges be adopted with the other water and sewer rates proposed by the study. The water shortage rate surcharges could then be implemented during the current or any future declared water shortage. Details of the water shortage financial analysis and proposed water shortage surcharges are presented in Section II of this report.

ADOPTING PROPOSED WATER AND SEWER RATES

In order to adopt the proposed water and sewer rates for the next four years and the proposed water shortage rate surcharges the City will need to follow the requirements contained in Article XIII D of the California Constitution (Proposition 218). This includes a Notice of Public Hearing to be mailed to all affected property owners and customers at least 45 days prior to a public hearing.

It is recommended that the City combine the adoption of the proposed four-year water and sewer rate schedules, as well as the adoption of water shortage rate surcharges, into a single public notice and rate hearing. This will save the City both time and expenses.

SECTION II. WATER RATES

This section of the report describes the financial plan and water rate recommendations for the City's water utility. The five-year financial plan is used to determine annual water rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from water rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues and financial reserves.

FUND STRUCTURE AND CASH FLOWS

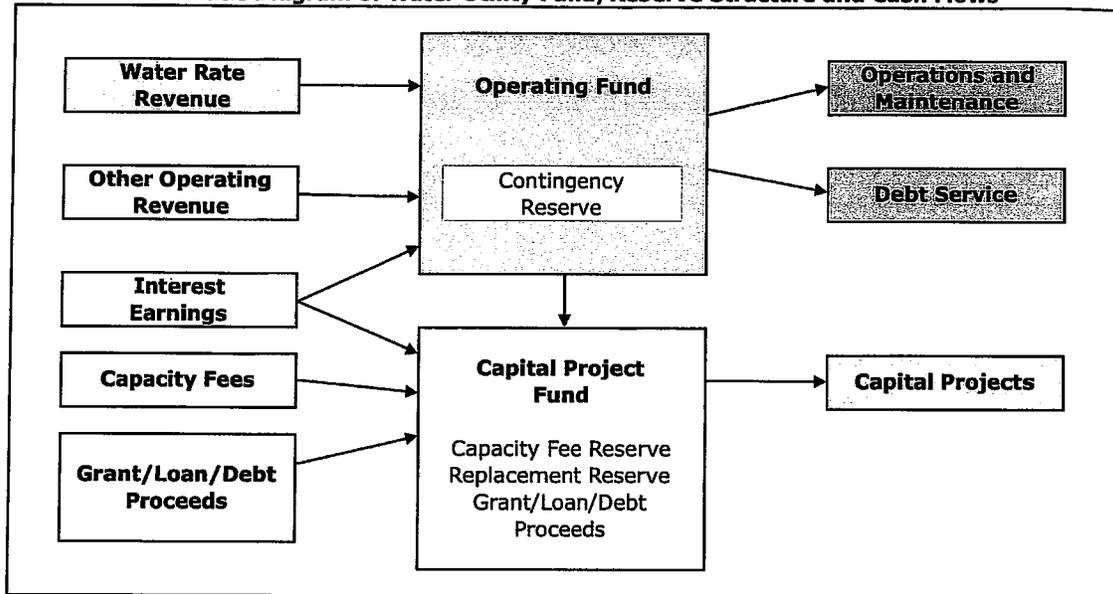
The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements, and balance sheets. The financial plan models sources and uses of funds into, out of, and between the various funds and reserves of the water utility.

The financial plan model is based on a fund structure not currently used by the City. This structure was discussed with staff, with concurrence that it would provide a helpful framework for evaluating the financial needs of the utility and for clearly demonstrating how operating and maintenance costs, debt service obligations, and capital program needs are being addressed. The proposed structure includes a Capital Project Fund, separate from the Operating Fund, for the purpose of meeting capital program needs. In other respects, such as reserve and account structures, the financial plan model is consistent with current practices of the City. **Exhibit II-1** is a schematic diagram of the funds/reserves and major cash flows associated with the financial plan model.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model annual cash flows through the water utility from one year to the next. The fund/reserve structure is comprised of:

- **Operating Fund** - The Operating Fund is the primary fund within the water utility. Most of the water system's revenues, including water rate revenues, flow into the Operating Fund and all operating and maintenance costs, including debt service payments, are paid out of this fund. Funds are also transferred from the Operating Fund to the Capital Projects Fund to help pay for capital projects intended to rehabilitate and upgrade facilities.
 - **Contingency Reserve** - The City currently has a policy goal to maintain Contingency Reserves within the Operating Fund equal to 25 percent of annual operating and maintenance costs for the water system. The purpose of the Contingency Reserve is to provide working capital and funds for unplanned operating and maintenance expenditures. The balance in the Water Operating Fund at the beginning of FY 15-16 was above the target Contingency Reserve, however, by the end of the current fiscal year it may be near this target minimum. This is one indicator of the need to increase water rates, as revenues are not keeping pace with costs.

Exhibit II-1
City of Cloverdale
Schematic Diagram of Water Utility Fund/Reserve Structure and Cash Flows



- *Available Fund Balance* - The balance in the Operating Fund in excess of the target amount for the Contingency Reserves is shown in the financial plan as Available Balance. After all other obligations are met the Available Balance is available to offset rate increases, and the financial plan model generally seeks to reduce any Available Balance over time. A negative value for the Available Balance indicates the shortfall in maintaining the minimum Contingency Reserve.
- *Capital Projects Fund* - The Capital Projects Fund is used to account for revenues and debt proceeds available for capital project expenditures. Capital projects funded from this fund are intended to rehabilitate, upgrade, and expand the water system to meet current and future needs of the water utility. The financial plan model generally seeks to maintain a positive balance in the Capital Projects Fund while also covering the costs of planned capital improvement projects. The Capital Projects Fund is comprised of three separate reserves.
 - *Capacity Fee Reserve* - The reserve is used to account for capacity fee revenues and expenditures, in compliance with the Government Code.
 - *Replacement Reserves* - Replacement reserves are those monies transferred from the Operating Fund to the Capital Projects Fund, but not yet expended on capital projects.
 - *Grant/Loan/Debt Proceeds* - Proceeds from grants and loans, and the issuance of long-term debt, are reflected in the Capital Projects Fund as remaining unexpended proceeds. Debt proceeds are to be expended within a timely manner following debt issuance.

FINANCIAL PLAN ASSUMPTIONS

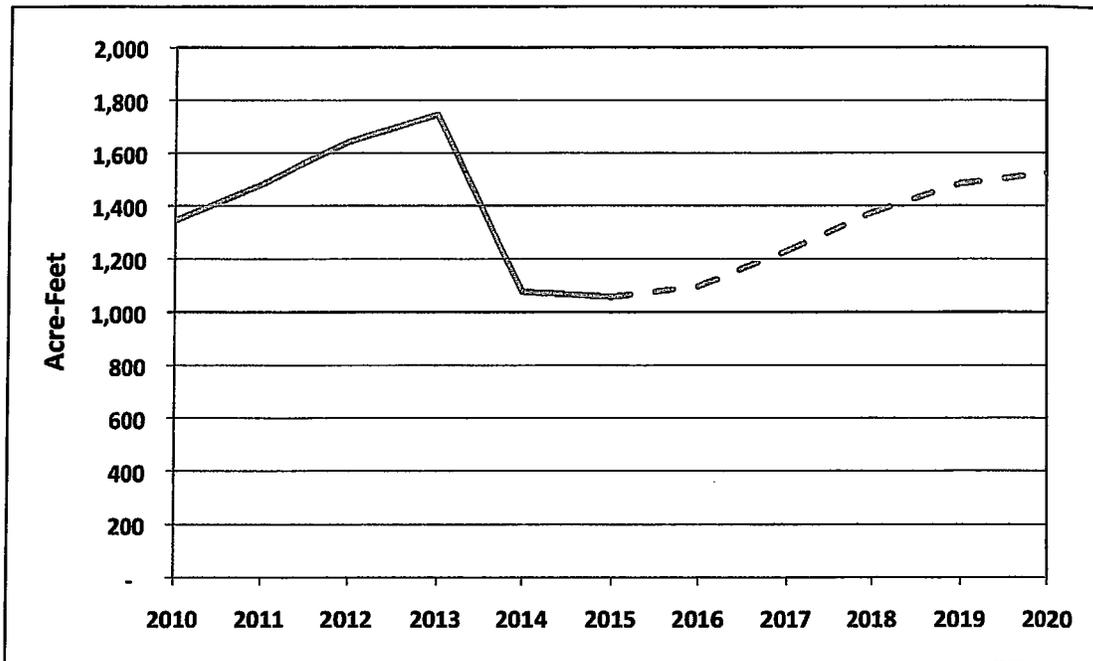
The financial plan was created to reflect the FY 15-16 budget and financial conditions as of the beginning of the fiscal year. The financial plan also reflects the City's debt service obligations and capital improvement program, as identified by City staff, during the five-year planning period.

The process used to develop the financial plan involved estimating future revenues and expenditures based on information provided by the City. Future operating and maintenance costs were developed for the planning period through FY 19-20. City staff also identified capital improvement needs at a planning level through this planning period. The financial plan is based on the best available information and assumptions are believed to be reasonable; however, no assurance can be provided as to the accuracy and completeness of the estimates.

Primary assumptions reflected in financial plan analyses include:

- *Interest Rates* – Interest earned on fund/reserve balances is estimated to be 0.25 percent per year through FY 17-18, and then 0.5 percent per year for the remainder of the planning period. Interest calculations are based on beginning-of-year balances. Interest accrues to each of the funds. The City also pays interest on outstanding long-term debt obligations. The interest payments on outstanding debt are those contained in existing contracts and repayment schedules.
- *Inflation Rates* – For financial planning purposes annual inflation for operating and maintenance costs, as well as capital improvement project costs, is assumed to be 3.0 percent annually.
- *Growth Projections* – The financial plan incorporates customer data as of June 2015. The plan assumes that the customer base be stable through FY 16-17 and will grow by 0.5 percent per year from FY 17-18 through FY 19-20.
- *Customer Demand* – Water demands have been reduced in recent years due to drought conditions and state-mandated water use reduction goals. The financial plan assumes that water supply conditions will improve slightly in 2016 (it is anticipated that the State will continue mandatory use reductions through 2016), and that customer water demands will then gradually rebound over the planning period. While this assumption is reasonable, it is not possible to forecast future water demands with precision. Rate recommendations in this report were developed after considering the sensitivity of the financial model to the water demand assumptions. **Exhibit II-2** graphically illustrates historical water production and the estimated future rebound.
- *Operation and Maintenance Costs* – The financial plan model is based on current operating and maintenance costs as reflected in the FY 15-16 operating budget, with future estimates developed based on the assumed rate of inflation.

**Exhibit II-2
City of Cloverdale
Historical and Estimated Future Water Production**



- Capital Improvement Program* - The water utility’s capital improvement plan includes multiple projects totaling about \$5.9 million over a five-year period, as summarized in Exhibit II-3. A significant portion of the water system CIP will be funded from the USDA grant and low-interest loan obtained in 2014. However, about \$3.1 million in capital improvements will need to be funded from annual water rate revenue transferred to the Water Capital Project Fund. Providing adequate funding for the water utility’s capital improvement program is one of the factors driving the need to increase water rates.

**Exhibit II-3
City of Cloverdale
Water System Capital Improvement Program**

Project Name	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Filter Units	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Northwest Distrib. Sys. Upsizing Proj.				\$ 80,000	\$ 720,000
USDA Water System Improv.	\$ 2,339,543				
Annual WTP Renewal and Replac.	\$ 120,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000
Tank Recoating			\$ 250,000		\$ 250,000
Backwash Recycling Pipeline Proj.	\$ 220,000				
AMI Conversion		\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Corp. Yard Materials Storage		\$ 100,000			
Total	\$ 2,799,543	\$ 530,000	\$ 680,000	\$ 510,000	\$ 1,400,000
Inflation Adjusted Total (1)	\$ 2,800,000	\$ 546,000	\$ 721,000	\$ 557,000	\$ 1,576,000

Notes:

(1) Inflated at 3.0 percent per year. Inflated values carried to financial plan exhibits.

The water system financial plan includes annual transfers from the Operating Fund to the Capital Projects Fund to pay for planned capital improvement projects. Annual transfers begin with \$500,000 in FY 16-17 and increase to \$1,000,000 by FY 19-20.

- *Debt Obligations* - Existing water system long-term debt obligations are summarized in **Exhibit II-4**. The water utility currently pays about \$500,000 annually on debt service related to a 1993 Safe Drinking Water loan, a 2014 City National Bank loan, and the 2014 USDA water system improvement loan. The loan from City National Bank was used to refund a 2000 CSCDA water bond. The water system financial plan does not include any new debt issues during the five-year planning period.
- *Debt Service Coverage Requirements* - One of the requirements associated with bond financing is to maintain rates and other water system revenues at levels sufficient to meet debt service coverage requirements. At present, the City is required to maintain water system revenues at a level that covers all ongoing operating and maintenance costs, as well as 1.10 times annual debt service. With reduced water demands resulting from drought conditions, current water rates and revenue appear limit the margin for meeting this requirement with existing debt. Ensuring the City can continue to meet this important debt covenant is one of the factors dictating the need to increase water rates.

Exhibit II-5 (displayed on 2 pages) provides the details of the financial plan model of the water utility. **Exhibit II-6** graphically summarizes the revenues, expenses, year-end balance, and estimated annual rate increases for the water system Operating Fund.

Exhibit II-4
City of Cloverdale
Summary of Water System Debt Service Obligations

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
WATER SYSTEM						
1993 DWR CSDW Loan						
Principal Payment	89,329	91,919	94,790	97,546	100,450	103,395
Interest Payment	45,477	34,169	31,299	28,543	25,589	22,694
Total Payment	134,805	126,088	126,088	126,088	126,039	126,088
Remaining Balance	1,176,740	1,084,821	990,032	892,486	792,036	688,642
2000 CSCDA Pooled Financing - Refinanced to City National Bank						
Principal Payment	140,000					
Interest Payment	49,995					
Total Payment	189,995					
Remaining Balance	1,010,000					
2014 City National Bank Loan						
Principal Payment		167,000	170,000	174,000	178,000	183,000
Interest Payment	16,373	22,436	18,561	14,605	10,557	6,406
Total Payment	16,373	189,436	188,561	188,605	188,557	189,406
Remaining Balance	1,059,000	892,000	722,000	548,000	370,000	187,000
2014 USDA Wtr. Sys. Improv. Loan						
Principal Payment	-	58,000	60,000	62,000	64,000	65,000
Interest Payment	27,354	100,028	108,406	106,756	105,050	103,290
DS Reserve Contrib.		15,900	16,900	16,900	17,000	16,900
Total Payment	27,354	173,928	185,306	185,656	186,050	185,190
Remaining Balance	4,000,000	3,942,000	3,882,000	3,820,000	3,756,000	3,691,000

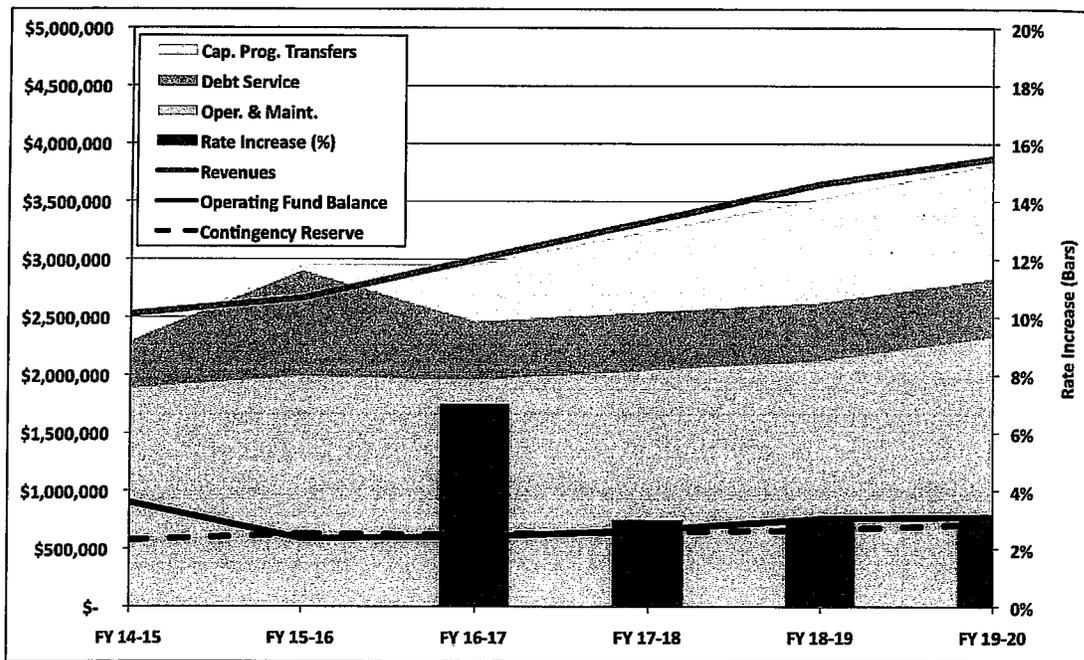
**Exhibit II-5
City of Cloverdale
Water System Financial Plan**

	Estimated FY 14-15	Budgeted FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	Overall Rate Increase -->		7%	3%	3%	3%
WATER OPERATING FUND (600)						
Beginning Balance	668,337	899,705	588,616	601,911	660,612	760,016
Revenues and Transfers In						
Water Rates and Charges	2,316,533	2,448,000	2,775,000	3,097,000	3,414,000	3,626,000
Penalties	39,250	17,775	18,300	18,800	19,400	20,000
Meter Installation	194	200	200	200	200	200
Water Turn On/Off	43,992	47,250	48,700	50,200	51,700	53,300
Interest	2,572	1,200	1,500	1,500	3,300	3,800
Water Meter Sales	-	1,240	1,300	1,300	1,300	1,300
Refunds & Reimbursements	5,632	5,000	5,200	5,400	5,600	5,800
Interfund Transfers In-PERS	119,055	142,813	147,100	151,500	156,000	160,700
Total Revenues & Transfers In	2,527,228	2,663,478	2,997,300	3,325,900	3,651,500	3,871,100
Expenditures and Transfers Out						
<i>Treatment, Maint., & Operations</i>						
Salaries and Benefits	782,032	823,315	848,000	873,400	899,600	926,600
Legal Services	115	-	-	-	-	-
Other Professional Services	7,151	1,500	1,500	1,500	1,500	1,500
Misc. Contractual Services	74,081	114,920	68,400	70,500	72,600	124,800
Retiree/COBRA Insurance	-	8,500	8,800	9,100	9,400	9,700
Other Gov't Services	27,661	18,200	18,700	19,300	19,900	20,500
Computer Maintenance	4,893	-	-	-	-	-
Vehicle Maintenance	10,842	5,000	5,200	5,400	5,600	5,800
General Repair/Maintenance	57,959	46,100	47,500	48,900	50,400	51,900
Advertising	258	-	-	-	-	-
Printing & Binding	3,697	1,500	1,500	1,500	1,500	1,500
Membership Dues	413	425	400	400	400	400
Training, Conference, Tuition	334	500	500	500	500	500
Travel Expenses, Meals	900	525	500	500	500	500
Promotions	5,601	20,500	21,100	21,700	22,400	23,100
Rentals	1,362	1,500	1,500	1,500	1,500	1,500
Operating Supplies	76,946	73,000	75,200	77,500	79,800	82,200
Small Tools & Equipment	11,031	17,470	18,000	18,500	19,100	19,700
Utilities - Gas & Electric	167,643	170,000	196,100	226,200	256,300	274,500
Utilities - Telephone, pagers, cell	175	200	200	200	200	200
Utilities - Water	8,843	8,000	8,200	8,400	8,700	9,000
Planning	8,210	80,000	20,600	21,200	21,800	102,500
Construction (Filter Units)	30,661	-	-	-	-	-
Sub-Total TMO	1,280,808	1,391,155	1,341,900	1,406,200	1,471,700	1,656,400
<i>Metering & Revenue</i>						
Salaries and Benefits	210,903	259,398	267,200	275,200	283,500	292,000
Banking Fees	-	7,000	7,200	7,400	7,600	7,800
Other Professional Services	45,518	2,000	2,100	2,200	2,300	2,400
Misc. Contractual Services	700	1,300	1,300	1,300	1,300	1,300
Computer Maintenance	-	21,419	22,100	22,800	23,500	24,200
Vehicle Repairs	945	700	700	700	700	700
Postage & Shipping	11,569	10,000	10,300	10,600	10,900	11,200
Membership Dues	75	75	100	100	100	100
Training, Conference, Tuition	145	150	200	200	200	200
Travel Expenses, Meals	353	350	400	400	400	400
Operating Supplies	4,842	15,000	15,500	16,000	16,500	17,000
Small Tools & Equipment	-	1,000	1,000	1,000	1,000	1,000
Sub-Total Metering & Rev.	275,050	318,392	328,100	337,900	348,000	358,300
<i>Debt Service</i>						
1993 DWR CSDW Loan	134,805	126,088	126,088	126,088	126,039	126,088
2000C CSCDA Rev. Bond	189,995	-	-	-	-	-
2014 National City Bank Loan	16,373	189,436	188,561	188,605	188,557	189,406
Bond Issuance Costs	40,524	-	-	-	-	-
2014 USDA Wtr. Sys. Improv. Loan	27,354	173,928	185,306	185,656	186,050	185,190
Sub-Total Debt Service	409,052	489,452	499,955	500,349	500,646	500,684
<i>Transfers Out</i>						
General Fund (Admin. Overhead)	330,950	281,917	290,400	299,100	308,100	317,300
Interfund Loan Repayment	-	420,000	-	-	-	-
Depreciation Reserve	-	23,650	23,650	23,650	23,650	23,650
Water Capital Project Fund	-	50,000	500,000	700,000	900,000	1,000,000
Sub-Total Transfers Out	330,950	775,567	814,050	1,022,750	1,231,750	1,340,950
Total Expend. & Transfers Out	2,295,860	2,974,566	2,984,005	3,267,199	3,552,096	3,856,334
Ending Balance	899,705	588,616	601,911	660,612	760,016	774,782
Conting. Reserve (25% of expend.)	574,000	626,000	621,000	642,000	663,000	714,000
Available Balance	325,705	(37,384)	(19,089)	18,612	97,016	60,782
Debt Serv. Coverage (1.10 mln.)	1.57	1.38	2.07	2.56	3.04	3.08

**Exhibit II-5 -- Continued
City of Cloverdale
Water System Financial Plan -- Continued**

	Estimated FY 14-15	Budgeted FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
WATER CAPITAL PROJECT FUND						
<i>Beginning Balance</i>	291,169	1,227,677	74,158	28,358	124,858	589,358
<i>Revenue and Transfers In</i>						
Transfer from Operations	-	50,000	500,000	700,000	900,000	1,000,000
Water Capacity Fees			-	117,400	120,900	124,500
USDA Grant/Loan Proceeds	2,406,619	1,593,381				
Interest Earnings		3,100	200	100	600	2,900
Total Revenues & Transfers In	2,406,619	1,646,481	500,200	817,500	1,021,500	1,127,400
<i>Expenditures</i>						
USDA Wtr. Sys. Improv. Project	1,470,111	2,339,543	-	-	-	-
Other Capital Projects		460,457	546,000	721,000	557,000	1,576,000
Total Capital Expenditures	1,470,111	2,800,000	546,000	721,000	557,000	1,576,000
Ending Balance	1,227,677	74,158	28,358	124,858	589,358	140,758
Capacity Fee Reserve	481,515	361,515	241,515	238,915	239,815	244,315
Replacement Reserve	-	(287,357)	(213,157)	(114,057)	349,543	(103,557)
Unexpended Loan/Debt Proceeds	746,162	-	-	-	-	-

**Exhibit II-6
City of Cloverdale
Summary of Water System Operating Fund**



FINANCIAL PLAN FINDINGS AND CONCLUSIONS

The preceding portion of this section described the basic framework and assumptions underlying the financial analyses. Specific findings and conclusions pertaining to the water utility are presented below, beginning with a description of the current situation.

At present, the City’s water utility has:

- Insufficient cash in the operating fund to maintain a contingency reserve required by City policy
- Current annual operating and maintenance costs, including debt service obligations, totaling about \$2.5 million
- Current annual water utility revenues of about \$2.4 million (without any rate adjustment)
- Sufficient cash in the water capital project fund, including USDA loan proceeds, to pay for planned water system capital improvements in FY 15-16 totaling about \$2.8 million, but insufficient funds for future planned capital projects
- Estimated debt service coverage in FY 15-16 of 1.29 (without any rate adjustment); the required minimum debt service coverage is 1.10¹
- Without a water rate adjustments, the water utility will be unable to meet its service and financial obligations, including operating and maintenance of the water system, debt service obligations, capital program funding, and maintenance of prudent financial reserves.

An increase in water rates is needed in order to meet service requirements, continue to meet debt service obligations (particularly debt service coverage), provide for the funding of planned water system improvements, and maintain prudent financial reserves. It is recommended that the City increase water rates as indicated below:

April 2016	7%
July 2017	3%
July 2018	3%
July 2019	3%

With the proposed annual water rate increases, the water utility will be able to re-establish the Contingency Reserve above the minimum level reflected in current policy. The financial plan model reflects assumptions and estimates that are believed reasonable at the present time. However, conditions change. It is recommended that the City review the financial condition of the water utility annually as part of the budget process, and perform a more comprehensive financial plan and water rate update study every 3 to 5 years, unless otherwise needed sooner.

CURRENT WATER RATES

The City's current water rates were last adjusted in July 2015 and are summarized in **Exhibit II-7**. Current water rates include a monthly base charge for all service connections, a 3-tier water usage rate structure for single family customers, and a uniform water usage rate for multi-family, non-residential, and irrigation service connections. Water rates for customers outside the City's limits are 5 percent higher than those inside the City.

¹ Debt service coverage is calculated as net revenues (defined as gross revenues minus annual operating and maintenance expenses) divided by annual debt service. Existing debt covenants require that debt service coverage exceed 1.10.

**Exhibit II-7
City of Cloverdale
Current Monthly Water Rates (1)**

Current Water Rates	
Monthly Base Charges	
Up to 1" Meter	\$ 20.50
1 1/2" Meter	\$ 37.68
2" Meter	\$ 58.31
3" Meter	\$ 106.44
4" Meter	\$ 175.18
6" Meter	\$ 347.08
Water Usage Rates (\$/CCF)	
Single Family Residential	
Tier 1 (0-10 CCF)	\$ 3.66
Tier 2 (11-30 CCF)	\$ 4.58
Tier 3 (>30 CCF)	\$ 5.49
Multi-Family	\$ 4.02
Non-Residential	\$ 4.02
Irrigation	\$ 4.02

Notes:

- (1) Effective in July 2015. Water rates for customers outside the City limits pay water rate that are 5 percent higher than those shown.

The City of Cloverdale provides water service to about 3,600 customer connections, including nearly 3,200 single family residences. The current 3-tier water usage rate structure for single family homes is intended to discourage excessive water use and encourage customers to conserve water. About 61 percent of the City's current water rate revenues are derived from water usage charges. This amount of revenue from water usage charges is somewhat below the standard for water conservation rates established by the California Water Conservation Council (CUWCC). In June 2006, the CUWCC revised the water conservation best management practice for water conservation regarding water rates (now known as BMP 1.4) to a minimum of 70 percent of water rate revenue from water usage charges².

CUSTOMER ACCOUNT DATA AND WATER USE ESTIMATES

Water rate calculations are based on a number of factors related to the City's customer base. Factors include the number of customers, customer classes, meter size, and monthly water usage. The City provides water service through more than 3,600 customer accounts. Single family customers comprise about 88 percent of the customers and about 62 percent of the water usage. Multi-family customers make up 3 percent of the customers and 9

² The CUWCC provides an alternative means for complying with BMP 1.4, and it is recommended that the City utilize this alternative method. The Reed Group, Inc. is available to assist with the required analysis to use this alternative method of compliance.

percent of the water usage. Non-residential accounts, including dedicated irrigation meters, comprise 9 percent of the accounts and about 29 percent of the water usage.

While there are extremes on both the low and high ends, average single family water usage is currently influenced by drought conditions at about 7 CCF per month. Single family customers also exhibit a wide variation in demand throughout the year. Winter water usage for single family homes averages about 5.5 CCF per month, while summer usage varies dramatically depending on landscape irrigation and other factors. Water usage for multi-family dwellings is lower than for single family residences for a variety of reasons including fewer people per household and limited landscape irrigation (or irrigation that is separately metered). Non-residential water usage can vary dramatically, and non-residential customers are served by meters of varying sizes to accommodate the differences in water demands.

Customers of different meter sizes can place different demands on the water system. Much more water can be delivered through a 4" water meter than through a 1" meter. To relate the potential demands on the water system from customers with different sized water meters, hydraulic capacity factors are used to determine the number of equivalent meters represented by the total customer base with variable meter sizes. For purposes of rate analysis, meters up to 1" are assigned a meter equivalency factor of 1.0. The ratios of instantaneous flow capacities of the various meter sizes to the capacity of a 1" meter are used to determine the meter equivalencies for larger meter sizes. This capacity relationship across meter sizes is generally used to allocate capacity-related costs to various customers.

The foregoing customer account and water use data have been used in water rate analysis that is presented in the remainder of this section.

WATER RATE CALCULATIONS

There are three steps to determining water rates. These are:

- Determine annual water rate revenue requirements
- Analyze the cost of providing service to each customer class
- Design water rates to recover costs from each customer class.

Water Rate Revenue Requirements

The 5-year financial plan was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the five-year planning period. Water rate calculation presented herein is based on the revenue to be generated by the water rates recommended for April 2016, and reflects the proposed 7 percent overall rate increase that is needed. The revenue requirement for water rate calculation is \$2,775,000. This amount differs from the water rate revenue shown in Exhibit II-5, because that financial plan exhibit reflects the rate revenue in FY 15-16, which would be from a combination of the current water rates and the proposed water rates.

Cost of Service Analysis

Once the annual water rate revenue requirement was determined using the financial plan model, the next step in the rate setting process was to evaluate the cost of providing service. Water rate calculations contained herein are intended to generate the level of revenue commensurate with the revenue requirement from the City's water service customers. The manner in which each customer is responsible for the water utility's costs is the determining factor in the cost of service analysis.

The water utility incurs certain types of costs associated with making water service available to customers. Other costs are incurred as a direct result of customer water usage. A cost of service analysis is intended to allocate the costs of providing water service to customers in proportion to the extent to which each customer causes the costs to be incurred. There are many approaches to cost of service analysis; some are more complex than others. The approach used herein is commensurate with the available data, the distinctions currently made between various types of customers, and the requirement to fairly and reasonably reflect differences in service provisions to differently situated customers.

The cost allocation methodology used herein begins by assigning all costs to one of three categories. The cost allocation process is performed with data available in the City's budget and accounting documents. The three categories include:

- Customer costs, such as meter reading and billing, are fixed costs that tend to vary as a function of the number of customers being served. Customer costs are allocated to customers based on the number of accounts. That is, every customer will pay an equal share of customer-related costs.
- Capacity costs are also fixed costs; however, these tend to vary in relation to the capacity of the water system. Customers that place greater or lesser burdens on the capacity of the water system should bear greater or lesser shares of these costs. The sizing of the water system is based on the potential demand that each customer could place on the water system. Capacity costs are allocated to customers based on the hydraulic capacity of the water meter. The hydraulic capacity reflects the potential demand that a customer could place on the water system at any given time. A customer with a large meter size will be assigned a large share of fixed capacity-related costs than one with a smaller meter. Capacity costs include costs associated with the water system's capacity including contributions to the capital program, debt service, maintenance costs, and certain fixed operating costs.
- Commodity costs are variable costs that vary with the amount of actual water use. Water treatment costs and energy costs are two typical examples. However, in an effort to encourage water conservation, fixed costs are frequently included in commodity components such that a majority of costs are recovered on the basis of usage. Even though some commodity costs are fixed, rather than variable, it is reasonable to allocate these costs to customers on the basis of usage, rather than the capacity relationship expressed by meter size. A significant portion of the water utility's fixed costs is recovered through water usage charges.

The water conservation best management practice for retail water rates (BMP 1.4), as promulgated by the CUWCC, specifies that at least 70 percent of water rate revenue be generated through usage charges. The City's current water rates generate about 63 percent of revenue from usage (commodity) charges, and therefore does not meet this guideline, with current water demand. Proposed water rates provide a revenue mix. As water demands rebound with the end of drought conditions the portion of water rate revenue from water usage charges will increase.

Based on a review of estimated costs for FY 15-16 for the water utility, customer service costs are estimated to be about 4 percent of the annual water rate revenue requirement. This leaves 33 percent of the revenue requirement allocated to capacity costs. In summary, the cost allocation resulted in a distribution of costs to customer, capacity, and commodity categories at about 4 percent, 33 percent, and 62 percent, respectively.

Water Rate Design

The third step in the rate setting process is the design of water rates to recover costs from each customer class and generate the revenue needed for the utility. The City's water rates include both fixed monthly base charges and water usage rates. **Exhibit II-8** presents the calculation of base charges and water usage rates for the water rates proposed for April 2016. The calculation of each of these is described below.

Base Charges

Base charges are intended to recover the customer and capacity costs identified through the cost of service analysis. Base charges apply to all customer water bills, regardless of the amount of water actually used. Customers that use no water during a month should still be required to pay the monthly base charge, as service is immediately available to them. In calculating base charges customer costs are allocated equally to all customers and capacity costs are allocated based on meter size in relation to the hydraulic capacity associated with the various meter sizes.

The proposed monthly base charge for a 1" meter (typical for a single family home) is \$22.25. Base charges for larger meter sizes vary from \$42.07 to \$200.63, depending on meter sizes ranging from 1 ½" to 4". These are all higher than current base charges, but properly reflect the capacity relationship across meter sizes, as well as the revenue needs of the utility. The variation of base charges through meter sizes reflects the fact that a small portion of water system costs are directly related to the number of customers served. A majority of fixed costs are allocated on a capacity basis as reflected by the meter size. The changes to the base charges across the range of meter sizes reflect the cost of providing service to customers of varying meter sizes.

**Exhibit II-8
City of Cloverdale
Summary of Customer Account and Water Usage Data and Calculation of Water Rates for April 2016**

	Meter Size				Total Accounts	Ann. Water Use (CCF)
	Up to 1"	1 1/2"	2"	3"		
No. of Accounts						
Single Family Residential	3,159	7	16		3,182	250,000
Multi-Family Residential	94	6	10	1	112	35,500
Non-Residential	167	25	43	2	238	83,400
Irrigation	41	18	16	1	76	32,400
Total Accounts	3,461	56	85	4	3,608	401,300
No. of 1" Equiv. Meters	3,461	112	272	24	20	3,889
Hydraulic Capacity Factor	1.00	2.00	3.20	6.00	10.00	
Monthly Base Charges (\$/month)						
Customer Cost	\$ 2.43	\$ 2.43	\$ 2.43	\$ 2.43	\$ 2.43	\$ 2.43
Capacity Cost	\$ 19.82	\$ 39.64	\$ 63.43	\$ 118.93	\$ 198.21	
Total Service Charge	\$ 22.25	\$ 42.07	\$ 65.85	\$ 121.35	\$ 200.63	
Annual Service Charge Rev.	\$ 923,922	\$ 28,269	\$ 67,169	\$ 5,825	\$ 4,815	\$ 1,030,000
FY 16-17 Water Rate Revenue Requirement						
Customer Costs	\$ 105,000	4%			250,000	\$ 1,087,092
Capacity Costs	\$ 925,000	33%			35,500	\$ 154,367
Commodity Costs	\$ 1,745,000	63%			83,400	\$ 362,654
Total Revenue Rqmt.	\$ 2,775,000				32,400	\$ 140,887
					401,300	\$ 1,745,000

Water Usage Rates

The current water rates include a 3-tier usage rate structure for single family customers. As a result of a recent court decision related to Proposition 218 and cost of service issues, it is recommended that the City eliminate the current tier structure and adopt a uniform water rate for all customers. The proposed uniform water usage rate for April 2016 is calculated simply by dividing the commodity costs by estimated annual water usage, resulting in a water usage rate of \$4.35 per CCF, as shown in Exhibit II-8.

Outside of City Water Rates

It is recommended that the City continue to charge customers located outside the City limits an additional 5 percent relative to the proposed water rates. About 5 percent of the water utility's costs are covered by the City's General Fund. Customers outside the City do not contribute to the General Fund as residents and businesses within the City do, so slightly higher water rates are justified for this small group of customers. There do not appear to be any other material cost of service differences associated with serving customers located outside the City limits.

The proposed water rates reflect the cost of providing water service to customers and will provide additional revenue essential to continuing to provide water service.

PROPOSED WATER RATE SCHEDULES

Exhibit II-9 summarizes proposed water rate schedules for rates to become effective beginning in April 2016. The proposed water rates for April 2016 reflect an overall 7 percent increase in revenue relative to the current water rates, as well as rate structure changes. Water rate schedules for July 2017, July 2018, and July 2019 represent annual rate increases of 5 percent each year, in accordance with revenue needs identified with the financial plan presented earlier. No rate structure changes are proposed in these later years, and all base charges and water usage rates are to change by the same percentage.

**Exhibit II-9
City of Cloverdale
Proposed Monthly Water Rate Schedules (1)**

	April 2016	July 2017	July 2018	July 2019
Monthly Base Charges				
Up to 1" Meter	\$ 22.25	\$ 22.92	\$ 23.61	\$ 24.32
1 1/2" Meter	\$ 42.07	\$ 43.33	\$ 44.63	\$ 45.97
2" Meter	\$ 65.85	\$ 67.83	\$ 69.86	\$ 71.96
3" Meter	\$ 121.35	\$ 124.99	\$ 128.74	\$ 132.60
4" Meter	\$ 200.63	\$ 206.65	\$ 212.85	\$ 219.24
Water Usage Rates (\$/CCF)				
All Water Usage	\$ 4.35	\$ 4.48	\$ 4.61	\$ 4.75

Notes:

(1) Water rates outside the City should continue to be 5 percent higher than inside the City.

WATER SHORTAGE FINANCIAL ANALYSIS

This water rate study also included an analysis of the financial impacts associated with drought and reduced water sales. Coming on the heel of a very dry year in 2013, the continuation of dry conditions in 2014 resulted in the Governor requesting a 20 percent reduction in water use throughout California and the State Water Resources Control Board (SWRCB) adopting an emergency regulation requiring all urban water suppliers to enforce programs that reduce outdoor water usage. With more severe drought conditions in 2015, in April 2015 the Governor declared a statewide water emergency and ordered urban water agencies to reduce water use by 25 percent. In implementing the Governor's Executive Order, the SWRCB has required the City to reduce water use by 20 over 2013 levels. The City of Cloverdale, like other communities in the state, has responded by requiring customers to reduce water usage and implementing restrictions on water use.

The City's water utility can be affected in several ways by drought conditions. Changes in operating and maintenance costs and revenues can include:

- Reduced water sales and water sales revenue
- Reduced groundwater production and production costs
- Increased water conservation program costs.

While the reduction in water sales revenue will be partially offset by the reduction in water production costs, revenue will decline more than costs creating a financial deficit. Increased water conservation program costs, including education and assistance programs, add to the financial deficit created by water shortage.

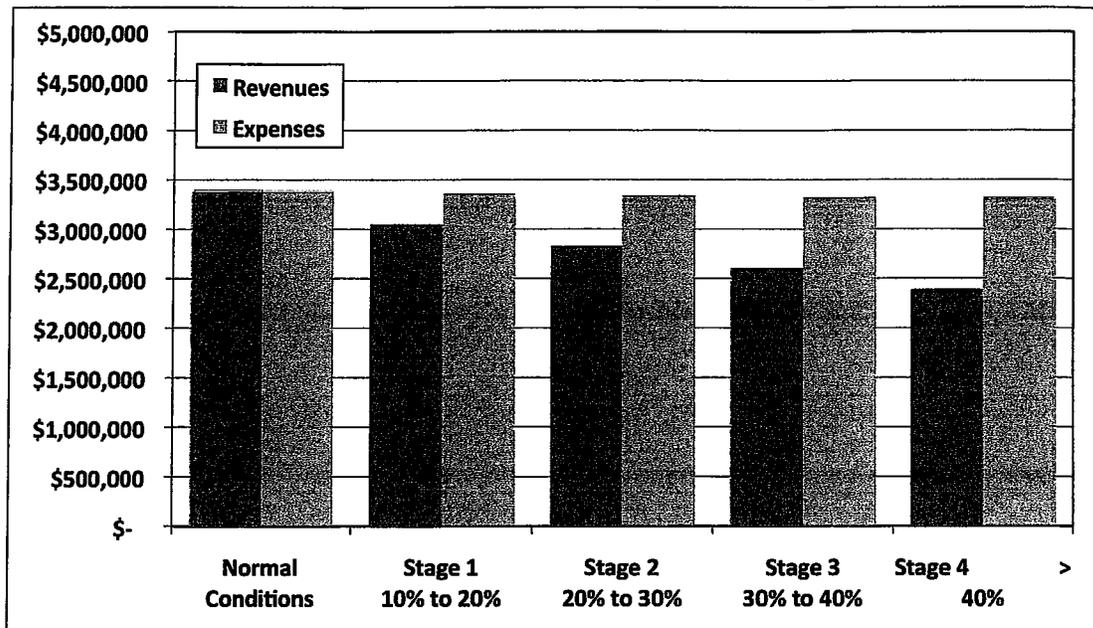
In response to water shortage, and the financial deficit created, the City has the ability to take several actions. The analysis presented herein focuses on three potential courses of action, including:

- Using available financial reserves, including designating a portion of reserves for drought/emergency purposes
- Supplementing water rate revenues through imposition of water shortage surcharges
- In the most severe conditions, reducing the annual contribution (transfers) of water rate revenue to the Capital Fund that supports the capital improvement program; this may or may not affect the timing of capital project expenditures.

The City could also reduce operating and maintenance costs, where possible, defer capital projects, or seek outside funding sources to help bridge a financial deficit.

Using the financial plan model, an analysis of the potential financial impacts of water shortages has been performed. The analysis includes estimating the magnitude of reduced revenue, reduced costs, and increased costs that may be associated with each stage of water shortage. **Exhibit II-10** graphically illustrates the relative magnitude of the financial deficit created by reduced water sales resulting from water shortage conditions.

**Exhibit II-10
City of Cloverdale
Estimated Financial Deficit Created by Water Shortage**



The water shortage financial analysis reflects conditions through various stages of water shortage. The stages, as defined below, allow the analysis to consider the financial impacts and response strategy over a range of potential shortage conditions. It is recommended that the City incorporate the defined stages of water shortage into its *Water Shortage Contingency Plan*, which will be an element of the *2015 Urban Water Management Plan* currently in development.

- Normal Condition – No water use reduction required
- Stage 1 – Minor Shortage – 10 to 20 percent water use reduction goal
- Stage 2 – Moderate Shortage – 20 to 30 percent water use reduction goal
- Stage 3 – Urgent Shortage – 30 to 40 percent water use reduction goal
- Stage 4 – Critical Shortage – Over 40 percent water use reduction goal

Exhibit II-11 summarizes estimated FY 15-16 operating revenues and expenses under *normalized* water supply conditions and under various stages of water shortage. The shortage analysis starts with normal conditions whereby revenues and expenses are effectively in balance. Under water shortage conditions, a financial deficit will emerge and increase with increasing severity of drought conditions. **Exhibit II-12** graphically illustrates how the financial deficit created by reduced water sales could be bridged through a combination of actions. Because the water utility has limited financial reserves, in Stage 1, the City would rely on the Contingency Reserve and would also implement the proposed water shortage rate surcharges to provide supplemental water rate revenue. In more severe conditions, the City may also need to reduce transfers to the Capital Fund the support of the capital improvement program.

**Exhibit II-11
City of Cloverdale
Bridging the Financial Deficit Created by Water Shortages (FY 15-16)**

	Normal Supply Conditions (1)	Stage 1 Minor Shortage (Voluntary)	Stage 2 Moderate Shortage (Mandatory)	Stage 3 Urgent Shortage (Mandatory)	Stage 4 Critical Shortage (Mandatory)
Use Reduction Goal -->	None	10% to 20%	20% to 30%	30% to 40%	> 40%
Modeled Use Reduction -->	0%	15%	25%	35%	45%
Est. Financial Deficit from Water Shortage					
Reduced Water Sales Revenue		(334,000)	(556,000)	(779,000)	(1,001,000)
Reduced Water Production Costs		36,000	61,000	85,000	109,000
Increased Conservation Costs		(9,000)	(17,000)	(27,000)	(41,000)
Est. Total Financial Deficit	-	(307,000)	(512,000)	(721,000)	(933,000)
Multi-Pronged Corrective Strategy					
Use Portion of Conting. Reserve (2)		194,000	162,000	174,000	191,000
Reduce Transfers to Capital Fund		-	100,000	200,000	350,000
Impose Water Shortage Surcharge (3)		113,000	250,000	347,000	392,000
Total Corrective Actions	-	307,000	512,000	721,000	933,000
Water Shortage Charge (3) -->	None	6%	15%	24%	32%

Notes:

- (1) Analysis based on FY 15-16 budget with adjustments to reflect normal water supply conditions.
- (2) The Contingency Reserve is currently funded at about \$700,000 (25% of expenditures).
- (3) Water shortage charges are an incremental increase in the water usage rates. Monthly base charges are not affected.

**Exhibit II-12
City of Cloverdale
Bridging the Deficit Gap Created by Water Shortages**

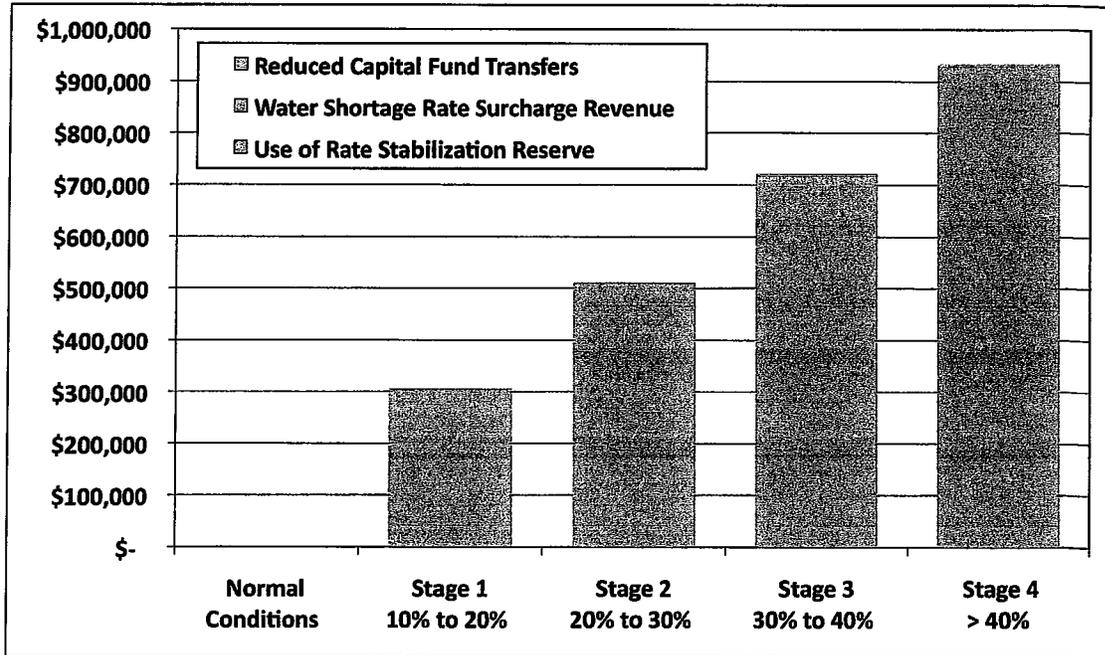


Exhibit II-13 presents additional details of the analysis of estimated FY 15-16 annual revenue and expenses at each stage of water shortage, based on the limited use of the Contingency Reserve. The analysis assumes water shortage rate surcharges, as described later in this section, would also be used to help limit the financial strain created by reduced water sales during drought conditions.

The water shortage analysis suggests that the current target level for the Contingency Reserve of 25 percent of annual operating and maintenance costs may be insufficient for mitigating much of the financial risk associated with water shortage (even with supplemental revenue from the water shortage rate surcharge). The City should consider modifying its current reserve policy, perhaps increasing the contingency reserve to 50 percent of annual operating and maintenance costs. At present, even with proposed water rate increases, the Contingency Reserve is fully funded; however, very little surplus is anticipated during the five-year planning period. Because continuation of the current drought is a possibility, adopting the water shortage rate surcharges is an important step in protecting the water utility's financial condition against the uncertainty associated with drought conditions.

Exhibit II-13
City of Cloverdale
Estimated Financial Deficit Created by Water Shortages (FY 15-16)

	Normal Supply Conditions (1)	Stage 1 Minor Shortage (Voluntary)	Stage 2 Moderate Shortage (Mandatory)	Stage 3 Urgent Shortage (Mandatory)	Stage 4 Critical Shortage (Mandatory)
Use Reduction Goal -->	None	10% to 20%	20% to 30%	30% to 40%	> 40%
Modeled Use Reduction -->		15%	25%	35%	45%
Revenues					
Base Charge Revenues	946,000	946,000	946,000	946,000	946,000
Water Usage Charge Revenues (2)	2,225,000	1,891,000	1,669,000	1,446,000	1,224,000
Water Shortage Surcharge Rev. (3)		113,000	250,000	347,000	392,000
Other Revenue and Transfers In	215,000	215,000	215,000	215,000	215,000
Total Revenue	3,386,000	3,165,000	3,080,000	2,954,000	2,777,000
(% of Normal)		-7%	-9%	-13%	-18%
Expenditures and Transfers					
Treatment, Maint., & Operations	1,098,000	1,098,000	1,098,000	1,098,000	1,098,000
Water Conservation (4)	50,000	59,000	67,000	77,000	91,000
Water Production (5)	243,000	207,000	182,000	158,000	134,000
Metering and Revenue	318,000	318,000	318,000	318,000	318,000
Administrative Overhead	282,000	282,000	282,000	282,000	282,000
Debt Service	489,000	489,000	489,000	489,000	489,000
Transfer to Capital Replac. Fund	500,000	500,000	400,000	300,000	150,000
Addition to Reserves	406,000	406,000	406,000	406,000	406,000
Total Expend. and Trans.	3,386,000	3,359,000	3,242,000	3,128,000	2,968,000
(% of Normal)		-1%	-4%	-8%	-12%
Surplus/Deficit in Operations	-	(194,000)	(162,000)	(174,000)	(191,000)

Notes:

- (1) Analysis based on FY 15-16 budget with adjustments to reflect normal water supply conditions.
- (2) Water usage revenue would decline in proportion to water sales.
- (3) Water shortage charges are an incremental increase in the water usage rates. Monthly base charges are not affected.
- (4) Estimated water conservation program costs assumed to increase in inverse proportion to water use reductions.
- (5) Estimated water production costs include electricity for pumping and operating supplies.

WATER SHORTAGE RATE SURCHARGES

To help encourage water conservation and to help bridge the financial deficit created by a water shortage, it is recommended that the City adopt water shortage surcharges that could be implemented when water shortage conditions are declared by the City Council. The water shortage rate surcharges would be incremental increases in the water usage rate. Even though the water shortage rate surcharges represent an increase in the water rates, total water rate revenue will still decline with reduced water sales in each stage of shortage. That is, the supplemental revenue generated through the water shortage rate surcharges would only partially bridge the deficit gap created by drought and reduced water sales.

In addition, because a multi-pronged approach to water shortages is suggested, the water shortage rate surcharges have been specifically design such customers that meet water use reduction goals will have lower water bills with the water shortage rate surcharges than they would with normal water usage and normal water rates. Customers that do not meet water use reduction goals may pay more for water service because of the water shortage rate surcharges.

Exhibit II-14 presents the proposed April 2016 water rate schedule including the effect of water shortage rate surcharges in Stages 1, 2, 3, and 4. As an example, the water usage rate would increase from \$4.35 per CCF to \$4.61 per CCF during Stage 1 conditions (6 percent surcharge). Because the water shortage rate surcharge would only apply to the water usage rate (and not the fixed monthly base charges) the impact on the total water bill would be mitigated.

The water shortage rate surcharge is not intended to be a penalty for excessive use; rather it represents each customer's fair share of the cost of partially bridging the financial deficit created by reduced water sales during periods of water shortage. Customers would participate in bearing this cost in proportion to their water use.

Water shortage rate surcharges would provide relatively modest revenue increases for dealing with significant water supply shortages. As illustrated graphically in **Exhibit II-15**, the water shortage rate surcharge revenue only partially replaces lost revenue due to reduced water sales. As a result, even with the water shortage rate surcharges, the proposed water rates for water shortage conditions are less than the total cost of providing water service. The information in **Exhibit II-15** reflects revenue estimates based on implementation of water shortage rate surcharges in FY 15-16.

If adopted, the water shortage rate surcharges would be implemented when the City Council declares a water shortage of specified severity (stage). The surcharges would be temporary and continue only as long as the shortage conditions exist. When the shortage is declared over, then the water shortage rate surcharges would be discontinued.

**Exhibit II-14
City of Cloverdale**

Proposed Water Shortage Rate Surcharges Applied to Water Rates for April 2016 (1)

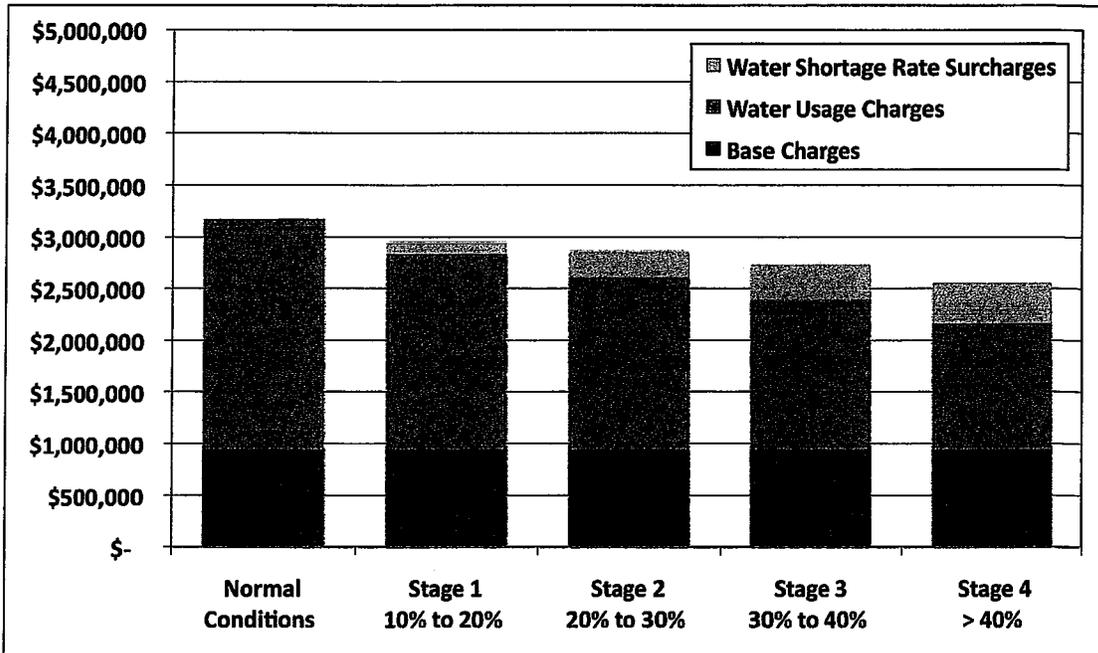
	Normal Supply Conditions (1)	Stage 1 Minor Shortage (Voluntary)	Stage 2 Moderate Shortage (Mandatory)	Stage 3 Urgent Shortage (Mandatory)	Stage 4 Critical Shortage (Mandatory)
Use Reduction Goal -->	None	10% to 20%	20% to 30%	30% to 40%	> 40%
Wtr. Short. Surch. (2) -->	None	6%	15%	24%	32%
Monthly Base Charges					
Up to 1" Meter	\$ 22.25				
1 1/2" Meter	\$ 42.07				
2" Meter	\$ 65.85	No Changes to Base Charges			
3" Meter	\$ 121.35				
4" Meter	\$ 200.63				
Water Usage Rates (\$/CCF)					
All Water Usage (3)	\$ 4.35	\$ 4.61	\$ 5.00	\$ 5.39	\$ 5.74

Notes:

- (1) The water shortage rate surcharge percentages are shown applied to the proposed water usage rate for April 2016 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The water shortage rate surcharge would be an incremental (percentage) increase in the water usage rate, but would not be applied to monthly base charges.
- (3) The water usage rates shown for Stages 1 through 4 incorporate the water shortage rate surcharge.

**Exhibit II-15
City of Cloverdale**

Estimated Water Rate Revenues Under Water Shortage Conditions



Bill Impacts of Water Shortage Rate Surcharges

Water shortage rate surcharges have been specifically designed such that customers achieving required water use reduction goals will have lower water bills than they would with normal water rates and normal water usage. Customers that do not meet water use reduction goals may have higher water bills. Because the water shortage rate surcharges apply to all water usage, all customers will participate in bridging the financial gap created by water shortage. Of course, those customers that use the least amount of water or conserve the most will pay less through the water shortage rate surcharges.

Exhibit II-16 illustrates how three different single family customers would be affected by the water shortage rate surcharges across various shortage conditions. Monthly water bills are shown for customers that, under normal conditions, use 11 CCF monthly (typical), 5 CCF (typical in winter), and 20 CCF (typical in summer) of water. Water bills are calculated for customers meeting requested water use reduction goals, and customers that do not conserve at all.

**Exhibit II-16
City of Cloverdale
Sample Single Family Residential Water Bills with Water Shortage Rate Surcharges**

Water Shortage Stage	Water Use Reduction Goal	Monthly Water Use (CCF)	Base Charge	Water Usage Charge	Water Shortage Charge	Total Water Bill	% Change from Normal Bill
Average Single Family Customer Meeting Reduction Goals							
Normal Supply Conditions	None	11	\$ 22.25	\$ 47.85	\$ -	\$ 70.10	
Stage 1 Minor Shortage	10% to 20%	9	\$ 22.25	\$ 39.15	\$ 2.35	\$ 63.75	-9.1%
Stage 2 Moderate Shortage	20% to 30%	8	\$ 22.25	\$ 34.80	\$ 5.22	\$ 62.27	-11.2%
Stage 3 Critical Shortage	30% to 40%	7	\$ 22.25	\$ 30.45	\$ 7.31	\$ 60.01	-14.4%
Health & Safety Per Capita Limit	> 40%	6	\$ 22.25	\$ 26.10	\$ 8.35	\$ 56.70	-19.1%
Average Single Family Customer With No Water Use Reduction							
Normal Supply Conditions	None	11	\$ 22.25	\$ 47.85	\$ -	\$ 70.10	
Stage 1 Minor Shortage	10% to 20%	11	\$ 22.25	\$ 47.85	\$ 2.87	\$ 72.97	4.1%
Stage 2 Moderate Shortage	20% to 30%	11	\$ 22.25	\$ 47.85	\$ 7.18	\$ 77.28	10.2%
Stage 3 Critical Shortage	30% to 40%	11	\$ 22.25	\$ 47.85	\$ 11.48	\$ 81.58	16.4%
Health & Safety Per Capita Limit	> 40%	11	\$ 22.25	\$ 47.85	\$ 15.31	\$ 85.41	21.8%
Low Water-Using Single Family Customer Meeting Reduction Goals							
Normal Supply Conditions	None	5	\$ 22.25	\$ 21.75	\$ -	\$ 44.00	
Stage 1 Minor Shortage	10% to 20%	4.0	\$ 22.25	\$ 17.40	\$ 1.04	\$ 40.69	-7.5%
Stage 2 Moderate Shortage	20% to 30%	3.5	\$ 22.25	\$ 15.23	\$ 2.28	\$ 39.76	-9.6%
Stage 3 Critical Shortage	30% to 40%	3.0	\$ 22.25	\$ 13.05	\$ 3.13	\$ 38.43	-12.7%
Health & Safety Per Capita Limit	> 40%	2.5	\$ 22.25	\$ 10.88	\$ 3.48	\$ 36.61	-16.8%
Low Water-Using Single Family Customer With No Water Use Reduction							
Normal Supply Conditions	None	5	\$ 22.25	\$ 21.75	\$ -	\$ 44.00	
Stage 1 Minor Shortage	10% to 20%	5	\$ 22.25	\$ 21.75	\$ 1.31	\$ 45.31	3.0%
Stage 2 Moderate Shortage	20% to 30%	5	\$ 22.25	\$ 21.75	\$ 3.26	\$ 47.26	7.4%
Stage 3 Critical Shortage	30% to 40%	5	\$ 22.25	\$ 21.75	\$ 5.22	\$ 49.22	11.9%
Health & Safety Per Capita Limit	> 40%	5	\$ 22.25	\$ 21.75	\$ 6.96	\$ 50.96	15.8%
High Water-Using Single Family Customer Meeting Reduction Goals							
Normal Supply Conditions	None	20	\$ 22.25	\$ 87.00	\$ -	\$ 109.25	
Stage 1 Minor Shortage	10% to 20%	17	\$ 22.25	\$ 73.95	\$ 4.44	\$ 100.64	-7.9%
Stage 2 Moderate Shortage	20% to 30%	15	\$ 22.25	\$ 65.25	\$ 9.79	\$ 97.29	-10.9%
Stage 3 Critical Shortage	30% to 40%	13	\$ 22.25	\$ 56.55	\$ 13.57	\$ 92.37	-15.4%
Health & Safety Per Capita Limit	> 40%	11	\$ 22.25	\$ 47.85	\$ 15.31	\$ 85.41	-21.8%
High Water-Using Single Family Customer With No Water Use Reduction							
Normal Supply Conditions	None	20	\$ 22.25	\$ 87.00	\$ -	\$ 109.25	
Stage 1 Minor Shortage	10% to 20%	20	\$ 22.25	\$ 87.00	\$ 5.22	\$ 114.47	4.8%
Stage 2 Moderate Shortage	20% to 30%	20	\$ 22.25	\$ 87.00	\$ 13.05	\$ 122.30	11.9%
Stage 3 Critical Shortage	30% to 40%	20	\$ 22.25	\$ 87.00	\$ 20.88	\$ 130.13	19.1%
Health & Safety Per Capita Limit	> 40%	20	\$ 22.25	\$ 87.00	\$ 27.84	\$ 137.09	25.5%

SECTION III. SEWER RATES

This section of the report describes the financial plan and sewer rate recommendations for the City's sewer utility. The five-year financial plan is used to determine annual sewer rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from sewer rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues and financial reserves. The organization of the section is similar to the preceding section on water.

FUND STRUCTURE AND CASH FLOWS

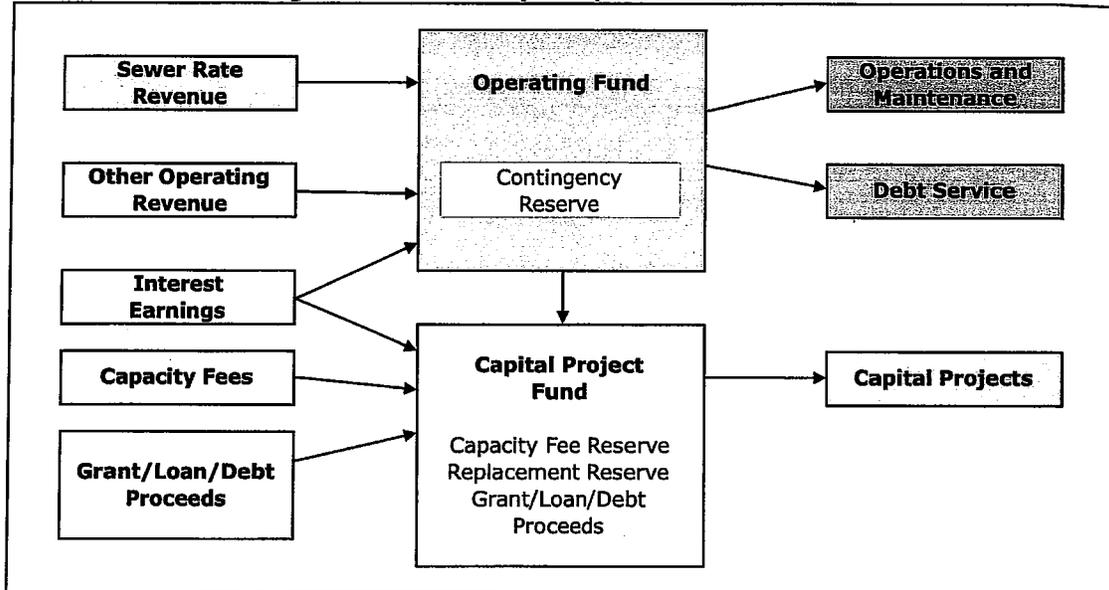
The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements, and balance sheets. The financial plan models sources and uses of funds into, out of, and between the various funds and reserves of the sewer utility.

The financial plan model is based on a fund structure not currently used by the City. This structure was discussed with staff, with concurrence that it would provide a helpful framework for evaluating the financial needs of the utility and for clearly demonstrating how operating and maintenance costs, debt service obligations, and capital program needs are being addressed. The proposed structure includes a Capital Project Fund, separate from the Operating Fund, for the purpose of meeting capital program needs. In other respects, such as reserve and account structures, the financial plan model is consistent with current practices of the City. **Exhibit III-1** is a schematic diagram of the funds/reserves and major cash flows associated with the financial plan model.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model annual cash flows through the sewer utility from one year to the next. The fund/reserve structure is comprised of:

- ***Operating Fund*** – The Operating Fund is the primary fund within the sewer utility. Most of the sewer system's revenues, including sewer rate revenues, flow into the Operating Fund and all operating and maintenance costs, including debt service payments, are paid out of this fund. Funds are also transferred from the Operating Fund to the Capital Projects Fund to help pay for capital projects intended to rehabilitate and upgrade facilities.
 - ***Contingency Reserve*** – The City currently has a policy goal to maintain Contingency Reserves within the Operating Fund equal to 25 percent of annual operating and maintenance costs for the sewer system. The purpose of the Contingency Reserve is to provide working capital and funds for unplanned operating and maintenance expenditures. The balance in the Sewer Operating Fund at the beginning of FY 15-16 was above the target Contingency Reserve. In addition, the repayment of a loan by the water utility back to the sewer utility in FY 15-16 will also help improve the sewer utility's financial condition.

**Exhibit III-1
City of Cloverdale
Schematic Diagram of Sewer Utility Fund/Reserve Structure and Cash Flows**



- *Available Fund Balance* - The balance in the Operating Fund in excess of the target amount for the Contingency Reserves is shown in the financial plan as Available Balance. After all other obligations are met the Available Balance is available to offset rate increases, and the financial plan model generally seeks to reduce any Available Balance over time. A negative value for the Available Balance indicates the shortfall in maintaining the minimum Contingency Reserve.
- *Capital Projects Fund* - The Capital Projects Fund is used to account for revenues and debt proceeds available for capital project expenditures. Capital projects funded from this fund are intended to rehabilitate, upgrade, and expand the sewer system to meet current and future needs of the sewer utility. The financial plan model generally seeks to maintain a positive balance in the Capital Projects Fund while also covering the costs of planned capital improvement projects. The Capital Projects Fund for the sewer utility is comprised of two separate reserves.
 - *Capacity Fee Reserve* - The reserve is used to account for capacity fee revenues and expenditures, in compliance with the Government Code.
 - *Replacement Reserves* - Replacement reserves are those monies transferred from the Operating Fund to the Capital Projects Fund, but not yet expended on capital projects.

Unlike the water utility, the sewer utility does not have unexpended debt proceeds.

FINANCIAL PLAN ASSUMPTIONS

The financial plan was created to reflect the FY 15-16 budget and financial conditions as of the beginning of the fiscal year. The financial plan also reflects the City's debt service obligations and capital improvement program, as identified by City staff, during the five-year planning period.

The process used to develop the financial plan involved estimating future revenues and expenditures based on information provided by the City. Future operating and maintenance costs were developed for the planning period through FY 19-20. City staff also identified capital improvement needs at a planning level through this planning period. The financial plan is based on the best available information and assumptions are believed to be reasonable; however, no assurance can be provided as to the accuracy and completeness of the estimates.

Primary assumptions reflected in financial plan analyses include:

- *Interest Rates* – Interest earned on fund/reserve balances is estimated to be 0.25 percent per year through FY 17-18, and then 0.5 percent per year for the remainder of the planning period. Interest calculations are based on beginning-of-year balances. Interest accrues to each of the funds. The City also pays interest on outstanding long-term debt obligations. The interest payments on outstanding debt are those contained in existing contracts and repayment schedules.
- *Inflation Rates* – For financial planning purposes annual inflation for operating and maintenance costs, as well as capital improvement project costs, is assumed to be 3.0 percent annually.
- *Growth Projections* – The financial plan incorporates customer data as of June 2015. The plan assumes that the customer base be stable through FY 16-17 and will grow by 0.5 percent per year from FY 17-18 through FY 19-20.
- *Customer Demand* – Sewer rate analyses rely on average winter water usage by residential customers and total water use of non-residential customers. Usage data from FY 14-15 have been used in the sewer rate analyses.
- *Operation and Maintenance Costs* – The financial plan model is based on current operating and maintenance costs as reflected in the FY 15-16 operating budget, with future estimates developed based on the assumed rate of inflation.
- *Capital Improvement Program* – The sewer utility's capital improvement plan includes multiple projects totaling about \$3.6 million over a five-year period, as summarized in **Exhibit III-2**.

While sewer capacity fee reserves could be used to help pay for wastewater treatment plant (WWTP) capacity enhancements, most of the sewer system improvement costs will need to be funded from a portion of sewer rate revenues.

Exhibit III-2
City of Cloverdale
Wastewater System Capital Improvement Program

Project Name	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Collect. System Renewal/Replac.	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Biosolids Removal		\$ 500,000			
WWTP Capacity Enhancements		\$ 150,000	\$ 850,000		
WWTP Entrance Bridge Replac.				\$ 500,000	
Corp. Yard Materials Storage		\$ 100,000			
Total	\$ 300,000	\$ 1,050,000	\$ 1,150,000	\$ 800,000	\$ 300,000
Inflation Adjusted Total	\$ 300,000	\$ 1,082,000	\$ 1,220,000	\$ 874,000	\$ 338,000

Notes:

(1) Inflated at 3.0 percent per year. Inflated values carried to financial plan exhibits.

The sewer system financial plan includes annual transfers from the Operating Fund to the Capital Projects Fund to pay for planned capital improvement projects. Annual transfers begin with \$600,000 in FY 15-16 and increase to \$1,000,000 in FY 17-18, then declines to \$700,000 by FY 19-20. These transfers are intended to provide the necessary cash flow for the capital program.

- *Debt Obligations* - The one existing sewer system long-term debt obligation is summarized in **Exhibit III-3**. The sewer utility currently pays about \$84,000 annually on debt service related to a 1996 SWRDB SRF loan. This loan will be fully repaid in FY 17-18.

The sewer system financial plan does not include any new debt issues during the five-year planning period.

Exhibit III-3
City of Cloverdale
Summary of Sewer System Debt Service Obligations

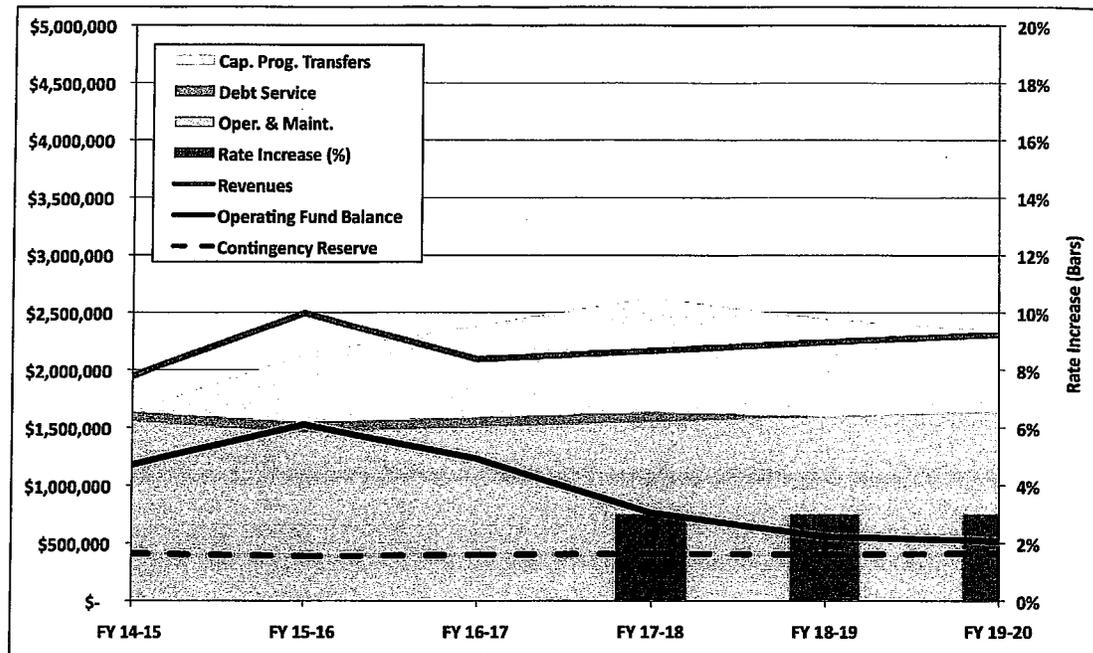
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
SEWER SYSTEM						
1996 SWRCB SRF Loan						
Principal Payment	75,521	77,636	79,809	81,973		
Interest Payment	8,818	6,704	4,530	2,295		
Total Payment	84,339	84,340	84,339	84,268	-	-
Remaining Balance	239,418	161,782	81,972			

Exhibit III-4 provides the details of the financial plan model of the City's sewer utility. **Exhibit III-5** graphically summarizes the revenues, expenses, year-end fund balance, and estimated annual rate increases for the sewer system Operating Fund. The financial plan incorporates the recommended 3 percent per year increases in sewer rates, as described below.

**Exhibit III-4
City of Cloverdale
Sewer System Financial Plan**

	Actual FY 14-15	Budgeted FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Overall Rate Increase -->			0%	3%	3%	3%
OPERATING FUND						
Beginning Balance	871,041	1,175,957	1,525,968	1,229,829	760,761	554,961
Revenues and Transfers In						
Sewer Rates and Charges	1,734,470	1,856,000	1,865,000	1,931,000	1,999,000	2,059,000
Sewer Use Permits	550	-	-	-	-	-
Industrial Wastewater Permits	111,885	111,900	115,300	118,800	122,400	126,100
Penalties	13,379	14,966	15,400	15,900	16,400	16,900
Interest	2,454	1,500	3,800	3,100	3,800	2,800
Refunds and Reimbursements	161	-	-	-	-	-
Interfund Transfers In		420,000				
Interfund Transfers In-PERS	81,243	92,140	94,900	97,700	100,600	103,600
Total Revenues & Transfers In	1,944,142	2,496,506	2,094,400	2,166,500	2,242,200	2,308,400
Expenditures and Transfers Out						
<i>Sewer Operations</i>						
Salaries and Benefits	732,122	766,472	789,500	813,200	837,600	862,700
Legal Services	115	200	200	200	200	200
Banking Fees	4,663	5,000	5,200	5,400	5,600	5,800
Other Professional Fees	17,963	56,000	57,700	59,400	61,200	63,000
Misc. Contractual Services	134,164	46,570	48,000	49,400	50,900	52,400
Other Gov't Services	24,404	20,890	21,500	22,100	22,800	23,500
Computer Maintenance	4,893	18,798	19,400	20,000	20,600	21,200
Vehicle Repairs	8,245	4,500	4,600	4,700	4,800	4,900
General Repair/Maintenance	21,718	12,000	12,400	12,800	13,200	13,600
Advertising	258	-	-	-	-	-
Postage & Shipping	11,244	10,000	10,300	10,600	10,900	11,200
Printing & Binding	573	-	-	-	-	-
Training, Conference, Tuition	598	600	600	600	600	600
Travel Expenses, Meals	35	100	100	100	100	100
Rentals	4,640	6,000	6,200	6,400	6,600	6,800
Operating Supplies	33,318	27,500	28,300	29,100	30,000	30,900
Small Tools & Equipment	40,000	30,000	30,900	31,800	32,800	33,800
Utilities-Gas & Electric	198,660	190,000	195,700	201,600	207,600	213,800
Utilities-Telephone, Pagers & Cell	175	250	300	300	300	300
Utilities-Water	64,717	40,000	41,200	42,400	43,700	45,000
Machinery & Equipment	3,701	15,000	15,500	16,000	16,500	17,000
Construction	602	-	-	-	-	-
Sub-Total TMO	1,306,808	1,249,880	1,287,600	1,326,100	1,366,000	1,406,800
<i>Debt Service</i>						
1996 SWRCB SRF Loan	84,339	84,340	84,339	84,268	-	-
Sub-Total Debt Service	84,339	84,340	84,339	84,268	-	-
<i>Transfers Out</i>						
General Fund (Admin. Overhead)	248,079	212,275	218,600	225,200	232,000	239,000
Sewer Capital Project Fund	-	600,000	800,000	1,000,000	850,000	700,000
Sub-Total Transfers Out	248,079	812,275	1,018,600	1,225,200	1,082,000	939,000
Total Expend. & Transfers Out	1,639,226	2,146,495	2,390,539	2,635,568	2,448,000	2,345,800
Ending Balance						
Conting. Reserve (25% of expend.)	410,000	387,000	398,000	409,000	400,000	411,000
Available Balance	765,957	1,138,968	831,829	351,761	154,961	106,561
SEWER CAPITAL PROJECT FUND						
Beginning Balance		160,897	461,297	180,497	113,197	256,597
Revenue and Transfers In						
Transfer from Operations	-	600,000	800,000	1,000,000	850,000	700,000
Sewer Capacity Fees			-	151,800	166,800	171,800
Interest Earnings		400	1,200	900	600	-
Total Revenues & Transfers In	-	600,400	801,200	1,152,700	1,017,400	871,800
Expenditures						
Capital Projects		300,000	1,082,000	1,220,000	874,000	338,000
Total Capital Expenditures	-	300,000	1,082,000	1,220,000	874,000	338,000
Ending Balance						
Capacity Fee Reserve	151,000	151,000	1,000	-	166,800	338,600
Replacement Reserve	9,897	310,297	179,497	113,197	89,797	451,797

**Exhibit III-5
City of Cloverdale
Summary of Sewer System Operating Fund**



FINANCIAL PLAN FINDINGS AND CONCLUSIONS

The preceding portion of this section described the basic framework and assumptions underlying the financial analyses. Specific findings and conclusions pertaining to the sewer utility are presented below, beginning with a description of the current situation.

At present, the City's sewer utility has:

- Sufficient cash in the operating fund to maintain a contingency reserve required by City policy
- Current annual operating and maintenance costs, including debt service obligations totaling about \$1.55 million
- Current annual sewer utility revenues of about \$1.85 million
- Planned sewer system capital improvements in FY 15-16 totaling about \$300,000, and averaging about \$750,000 annually over the next five years
- While not needed immediately without modest annual sewer rate increases, the Sewer Operating Fund may not be able to meet service and financial obligations and adequately fund the planned capital improvement program while maintaining prudent financial reserves.

Modest increases in sewer rates are needed in future years to meet the sewer utility's financial needs. It is recommended that the City increase sewer rates as indicated below:

April 2016	0%
July 2017	3%
July 2018	3%
July 2019	3%

While an overall rate increase is not immediately needed, change to the rates are recommended to reflect the cost of service analysis, as described later in this section.

The financial plan model reflects assumptions and estimates that are believed reasonable at the present time. However, conditions change. It is recommended that the City review the financial condition of the sewer utility annually as part of the budget process, and perform a more comprehensive financial plan and sewer rate update study every 3 to 5 years, unless otherwise needed sooner.

CURRENT SEWER RATES

The City of Cloverdale provides sewer service to nearly 3,675 customers, including about 2,750 single family residences and about 700 multi-family dwelling units. There are about 215 non-residential sewer accounts.

The City's current sewer rates were last adjusted in July 2015 and are summarized in **Exhibit III-6**. Current sewer rates include flat monthly charges for single family homes and multi-family dwelling units, and strength-based water usage rates for non-residential customers. In addition, the school district pays for sewer service based on average daily attendance (ADA).

CUSTOMER ACCOUNT DATA AND SEWER FLOW AND LOADING ESTIMATES

Sewer rate calculations are based on a number of factors related to the City's customers. Factors include the number of customers, customer classes, water usage and sewer flows, and strength characteristics of sewage as determined by BOD and TSS. **Exhibit III-7** summarizes customer account and water usage data obtained from the City's utility billing system, as well as estimates of resulting sewer flow and loading characteristics.

Residential sewer flows are estimated based on average water usage during winter months. A review of residential water usage data indicated that about 73 percent of annual water usage returns to the sewer system (based on average winter water usage). For multi-family customers, about 82 percent of annual water usage is estimated to return to the sewer system. For multi-family customers irrigation water usage tends to be either minimal or separately metered. Non-residential sewer flows are based on actual water usage, as most non-residential irrigation is separately metered. However, sewer rate calculations assume a 90 percent rate of return to the sewer system to reflect minor irrigation usage.

The sewer utility serves about 2,750 single family homes, about 700 multi-family dwellings, and about 215 non-residential customers. On average, single family sewer flows (based on winter water usage) are about 5.5 CCF per month. For multi-family dwellings, the average sewer flow is about 3.4 CCF per month (based on winter water usage). Non-residential sewer flows vary based on customer characteristics.

**Exhibit III-6
City of Cloverdale
Current Monthly Sewer Rates**

Residential Flat Rates			
Single Family	\$	38.64	per DU
Multi-Family	\$	29.05	per DU
Non-Residential Base Charges			
Up to 1" Meter	\$	8.63	
1 1/2" Meter	\$	15.54	
2" Meter	\$	23.84	
3" Meter	\$	43.20	
4" Meter	\$	70.84	
6" Meter	\$	139.99	
Non-Residential Usage Charges (\$/CCF)			
Low Strength	\$	4.34	per CCF
Medium Strength	\$	5.39	per CCF
High Strength	\$	7.79	per CCF
Public Schools			
Per 100 ADA	\$	105.51	per 100 ADA

Notes:

(1) Effective in July 2015.

Sewer rate analyses consider the strength (loading) characteristics of sewage entering treatment facilities. Strength factors for biochemical oxygen demand (BOD) and total suspended solids (TSS) are considered, as these factors play a key role in treatment plant operations. Residential customers are assigned standard residential strength factors of 240 mg/l for BOD and 200 mg/l for TSS. Low, medium, and high non-residential strength categories have been defined with strength factors as indicated below:

- Low strength: 240 mg/l for BOD 200 mg/l for TSS
- Medium strength: 500 mg/l for BOD 300 mg/l for TSS
- High strength: 1,000 mg/l for BOD 600 mg/l for TSS
- Schools: 150 mg/l for BOD 100 mg/l for TSS

Applying residential and non-residential strength factors to estimates of annual sewer flows results in an estimated annual sewage volume and loading that is commensurate to actual treatment plant inflows. Strength factors assigned to each category of customer are based on guidelines published by the California State Water Resources Control Board (SWRCB) and other sources.

**Exhibit III-7
City of Cloverdale
Sewer Customer Account Data and Estimated Sewer Flows and Loadings**

Customer Class	No. of DUs/ Accts. (1)	No. of ESFDs	Water Usage (1) CCF	Rate of Return	Estimated Annual Sewer Flow (2) CCF	Estimated Annual Sewer Flow MG	BOD Strength (4) mg/l	Annual BOD Loading lbs	TSS Strength (4) mg/l	Annual TSS Loading lbs
Residential										
Single Family	2,754	2,754	247,795	73%	180,863	135	240	270,788	200	225,656
Multi-Family (3)	696	436	34,759	82%	28,636	21	240	42,874	200	35,728
Non-Residential										
Low Strength	133	194	27,310	90%	24,579	18	240	36,800	200	30,666
Medium Strength	55	81	9,614	90%	8,653	6	500	26,989	300	16,193
High Strength	27	39	19,323	90%	17,391	13	1,000	108,489	600	65,093
Schools	9	24	7,196	71%	5,108	4	150	4,780	100	3,187
Totals	3,674	3,528	345,997		265,229	198	297	490,718	228	376,524

Notes:

- (1) Based on utility billing system data for FY 14-15. DU = dwelling units.
- (2) Based on annualized average winter water usage for residential accounts and annual water usage for non-residential accounts.
- (3) Utility billing indicate there are 696 multi-family dwelling units served by the wastewater utility through 109 separate service connections.
- (4) Based on previous sewer rate analyses, SWRCB guidelines, and adjustments to better match actual treatment plant flows and loadings.

SEWER RATE CALCULATIONS

There are three steps to determining sewer rates. These are:

- Determine annual sewer rate revenue requirements
- Analyze the cost of providing service to each customer class
- Design sewer rates to recover costs from each customer class.

Sewer Rate Revenue Requirements

The 5-year financial plan was used to identify the sewer rate revenue requirements for each fiscal year of the five-year planning period. Sewer rate calculations presented herein are based on the revenue to be generated from rates proposed for April 2016 and reflect an overall rate increase of 3 percent relative to the current sewer rates. The revenue requirement for sewer rate calculation is \$1,865,000. This amount differs from the sewer rate revenue shown in Exhibit III-4, because that financial plan exhibit reflects the rate revenue in FY 15-16, which would be from a combination of the current sewer rates and the proposed sewer rates.

Cost of Service Analysis

Once the annual sewer rate revenue requirement has been determined, the next step in the rate setting process is to evaluate the cost of providing service. Sewer rate calculations contained herein are intended to generate the level of revenue commensurate with the revenue requirement from the City's sewer service customers. The manner in which each customer is responsible for the sewer utility's costs is the determining factor in the cost of service analysis.

To develop equitable sewer rates, the revenue requirement is allocated to various customer classifications according to the services provided and the demands placed on the sewer system.

Exhibit III-8 summarizes how the sewer rate revenue requirement is allocated to fixed charges as well as to flow, BOD, and TSS components, which comprise the usage charges. Once total costs are allocated, unit costs were determined by dividing the total cost for each component by the number of units identified in Exhibit III-7. These unit costs become the basis for then assigning costs to customer classes.

The cost of service analysis for sewer service is more complicated than water rate analysis in that treatment costs are separated from collection system costs. Collection system costs are allocated entirely on the basis of flow, whereas treatment costs are allocated on the basis of flow, BOD, and TSS.

**Exhibit III-8
City of Cloverdale
Determination of Unit Costs**

Cost Category	Category Allocation Percentages	Parameter Allocation Percentages (5)	Annual Cost Allocated to Each Parameter	Total Quantities (6)	Unit Cost for Each Parameter
Fixed Charge Costs (1)	25%				
Customer Accounts		20%	\$ 93,000	3,674	\$ 25.31
Equiv. Single Family Dwellings (ESFDs)		80%	\$ 373,000	3,528	\$ 105.73
Usage Charge Costs for Collection (2)	35%				
Flow (MG)		100%	\$ 653,000	198	\$ 3,291.47
Usage Charge Costs for Treatment (3)	40%				
Flow (MG)		34%	\$ 254,000	198	\$ 1,280.30
BOD (lbs)		33%	\$ 246,000	490,718	\$ 0.501
TSS (lbs)		33%	\$ 246,000	376,524	\$ 0.653
Total FY 16-17 Wastewater Rate Rev. Rqmt. (4)			\$ 1,865,000		

Notes:

- (1) Includes estimated administrative costs, debt service costs, a portion of maintenance costs, and transfer to the capital fund.
- (2) Includes estimated collection system and a portion of maintenance costs.
- (3) Includes estimated wastewater treatment costs.
- (4) Revenue requirement for FY 16-17 based on financial plan model presented in Section III.
- (5) Parameter allocations based on previous rate analyses, information provided by City, and rate setting practices.
- (6) From Exhibit III-7.

The City's budget structure does not lend itself to the segregation of costs into collection and treatment components, or to the allocation of treatment costs to flow, BOD and TSS parameters. We have relied on the information that is available for allocating costs to the various categories, as well as relied upon professional judgment and standard estimating practices used in rate setting to allocate costs across flow, BOD, and TSS parameters. The sewer revenue requirement has been allocated 25 percent to fixed service charges, 35 percent to the collection system, and 40 percent to treatment. Sewer treatment costs have been allocated 34 percent to flow, 33 percent to BOD, and 33 percent to TSS. We believe these allocations are reasonable, and are within the ranges found in other sewer rate analyses.

Unit costs are applied to the annual sewer flows, as well as BOD and TSS loadings associated with each customer class to arrive at the allocation of total costs to each customer class. **Exhibit III-9** presents the allocation of costs to each user class.

**Exhibit III-9
City of Cloverdale
Allocation of Sewer Costs to Users (1)**

No. of DUs/ Accts.	Customer Class	Fixed Charge Costs			Usage Charge Costs			Allocation of Total Costs
		Customer Unit Cost = \$	Capacity Unit Cost = \$	Flow Unit Cost = \$	Flow Unit Cost = \$	BOD Unit Cost = \$	SS Unit Cost = \$	
		\$ 25.31	\$ 105.73	\$ 3,291.47	\$ 1,280.30	\$ 0.501	\$ 0.653	
	Residential							
2,754	Single Family	\$ 69,712	\$ 291,182	\$ 445,288	\$ 173,206	\$ 135,747	\$ 147,431	\$ 1,262,566
696	Multi-Family	\$ 17,618	\$ 46,103	\$ 70,502	\$ 27,424	\$ 21,493	\$ 23,343	\$ 206,482
	Non-Residential							
133	Low Strength	\$ 3,367	\$ 20,512	\$ 60,514	\$ 23,538	\$ 18,448	\$ 20,036	\$ 146,414
55	Medium Strength	\$ 1,392	\$ 8,564	\$ 21,303	\$ 8,286	\$ 13,530	\$ 10,580	\$ 63,655
27	High Strength	\$ 683	\$ 4,102	\$ 42,816	\$ 16,654	\$ 54,386	\$ 42,528	\$ 161,171
9	Schools	\$ 228	\$ 2,538	\$ 12,576	\$ 4,892	\$ 2,396	\$ 2,082	\$ 24,711
3,674	Totals	\$ 93,000	\$ 373,000	\$ 653,000	\$ 254,000	\$ 246,000	\$ 246,000	\$ 1,865,000

Notes:

(1) Unit costs from Exhibit III-8 are multiplied by the sewer flow, the BOD loading, or the SS loading for each customer class from Exhibit III-7.

Exhibit III-10 presents the final sewer user rates and charges recommended for each customer class. Rates for residential customers include flat monthly charges for each dwelling unit. Non-residential (low, medium, and high) customers are subject to a monthly base charge based on meter size and sewer usage rates applied to actual monthly water usage. Usage charges vary for each strength category. The usage charges have also been adjusted for an estimated 90 percent rate of return to the sewer system. That is, it is estimated that 10 percent of non-residential water use (exclusive of dedicated irrigation meters) does not return to the sewer system. Sewer rates for schools include a monthly flat rate applied to the average daily attendance (ADA) for each school.

Sewer Rate Design

The proposed sewer rates maintain the current overall sewer rate structure. This structure was modified in 2012 in the following ways. First, single family homes and multi-family dwellings continue to be charged a flat monthly charge for sewer service. Based on demand and cost of service analyses, it is recommended that separate monthly charges continue to apply to single family homes and to multi-family dwelling units. With the proposed sewer rates the difference between these charges reflect the different demand characteristics of each residential type. Second, fixed monthly service (base) charges for non-residential customers continue to be established based on the size of the water meter (similar to water rates). This allows the charge to each customer to reflect the potential demand that can be placed on the sewer system. Third, strength-based usage rates for non-residential customers should be continued with three strength categories – low, medium, and high.

The proposed sewer rates and rate structure reflect the cost of providing service across customer classes and between customers within a class.

PROPOSED SEWER RATE SCHEDULES

Exhibit III-11 summarizes the proposed sewer rate schedule for April 2016, as well as rate adjustments for July 2017, July 2018, and July 2019. The proposed sewer rates for April 2016 are revenue neutral, overall, relative to current sewer rates. This is commensurate with revenue needs identified in the financial plan. Proposed rates for July 2017, July 2018, and July 2019 also reflect annual increases of 3 percent. These rate increases occur without additional rate structure changes. In other words, in July 2017, July 2018, and July 2019 all sewer customers will experience equal percentage increases in sewer bills. Without rate restructuring all bills will change by the same percentage.

**Exhibit III-10
City of Cloverdale
Sewer Rate Determination for FY 13-14**

No. of DUs/ Accts.	Customer Class	Est. Ann. Sewer Flow CCF	BOD Strength mg/l	TSS Strength mg/l	Monthly		Usage Rate (1) \$/CCF	Fixed Charges	Usage Charges	Total Annual Revenue	Flat Rates (\$/mo.)
					Fixed Charge \$/DU	Usage Rate (1) \$/CCF					
2,754	<i>Residential</i> Single Family	180,863	240	200	\$ 10.92	\$ 4.99	\$ 360,894	\$ 901,673	\$ 1,262,566	\$ 38.20 /DU	
696	Multi-Family	28,636	240	200	\$ 7.63	\$ 4.99	\$ 63,721	\$ 142,762	\$ 206,482	\$ 24.72 /DU	
133	<i>Non-Residential</i> Low Strength	24,579	240	200	Varies by Meter Size	\$ 4.49	\$ 23,878	\$ 122,536	\$ 146,414		
55	Medium Strength	8,653	500	300	(2)	\$ 5.59	\$ 9,956	\$ 53,699	\$ 63,655		
27	High Strength	17,391	1,000	600		\$ 8.09	\$ 4,786	\$ 166,385	\$ 161,171		
9	Schools	5,108	150	100		\$ 3.05	\$ 2,765	\$ 21,946	\$ 24,711	\$ 148.15 /100 ADA	
3,674	Totals	265,229					\$ 466,000	\$ 1,399,000	\$ 1,865,000		

Notes:

- (1) Sewer usage rates apply to average winter water use for residential customers and actual monthly water use for non-residential customers.
- (2) Monthly service charges for non-residential customers vary based on the size of the water meter (see below).

Monthly Non-Residential Base Charges -->	Up to 1"	1 1/2"	2"	3"	4"
	\$ 10.92	\$ 19.73	\$ 30.30	\$ 54.97	\$ 90.22

**Exhibit III-11
City of Cloverdale
Proposed Monthly Sewer Rate Schedules**

	April 2016	July 2017	July 2018	July 2019
Residential Flat Rates				
Single Family Residential (per DU)	\$ 38.20	\$ 39.35	\$ 40.53	\$ 41.75
Multi-Family Residential (per DU)	\$ 24.72	\$ 25.46	\$ 26.22	\$ 27.01
Non-Residential Base Charges				
Up to 1" Meter	\$ 10.92	\$ 11.25	\$ 11.59	\$ 11.94
1 1/2" Meter	\$ 19.73	\$ 20.32	\$ 20.93	\$ 21.56
2" Meter	\$ 30.30	\$ 31.21	\$ 32.15	\$ 33.11
3" Meter	\$ 54.97	\$ 56.62	\$ 58.32	\$ 60.07
4" Meter	\$ 90.22	\$ 92.93	\$ 95.72	\$ 98.59
Non-Residential Usage Charges (\$/CCF)				
Low Strength	\$ 4.49	\$ 4.62	\$ 4.76	\$ 4.90
Medium Strength	\$ 5.59	\$ 5.76	\$ 5.93	\$ 6.11
High Strength	\$ 8.09	\$ 8.33	\$ 8.58	\$ 8.84
Public Schools				
Per 100 ADA	\$ 148.15	\$ 152.59	\$ 157.17	\$ 161.89



INVESTMENT POLICY STATEMENT

1. **Policy**

It is the policy of the City of Cloverdale to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demand of the City and conforming to all California laws and local statutes governing the investment of public funds.

2. **Scope**

This Investment Policy applies to all the funds and investment activities under the direct authority of the City of Cloverdale as accounted for in the Comprehensive Annual Financial Report (CAFR). Policy statements outlined in this document focus on the City of Cloverdale' pooled funds, but will also apply to all other funds under the Finance Manager's span of control, unless specifically exempted by statute or ordinance. This policy is applicable, but not limited to, all funds listed below:

- ❖ General Fund
- ❖ Enterprise Funds
- ❖ Special Revenue Funds
- ❖ Capital Project Funds
- ❖ Debt Service Funds
- ❖ Trust and Agency Funds

Excluded funds are those held with a fiscal agent, which have their own specific "permitted investments" section in the bond covenants. These funds include funds reserved for debt service and pension funds.

3. **Prudence**

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the City's investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Finance Manager and/or City Manager, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations that result in a loss of principal are reported to the City Manager immediately, and to the City Council at their next meeting addressing appropriate actions to be taken to control adverse developments.

4. **Objective**

The primary objectives in priority order of the City of Cloverdale's investment activities shall be:

4.1 *Safety*: Safety of principal is the foremost objective of the investment program. Investments of the City of Cloverdale shall be undertaken in a manner that seeks to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 *Liquidity*: The City of Cloverdale's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

4.3 *Return*: The City of Cloverdale's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Authority to manage the City's investment program is derived from the California Government Code. Management responsibility for the investment program is hereby delegated to the Finance Manager, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures shall include, but not be limited to, references to safekeeping, wire transfer agreements, collateral/depository agreements, banking services contracts, local banking preferences, and other investment-related activities. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager. The Finance Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates. Delegation of authority shall expire one year from the date of adoption of this policy as required by State law.

6. Ethics and Conflicts of Interest

The City Council, City Manager and Finance Manager shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Council Members, City Manager and Finance Manager shall disclose to the City Attorney any material financial interests in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. The City Attorney and City Treasurer shall review all disclosures made to insure there are no conflicts with any planned investment.

7. Authorized Financial Dealers and Institutions

The Finance Manager will maintain a list of financial institutions and primary dealers authorized to provide investment services. "Primary" dealers include those that regularly report to the Federal Reserve Bank and should qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions, dealers and cash managers who desire to become qualified bidders for investment transactions must supply the City with the following: audited financial statements, proof of National Association of Security Dealers certification when applicable, completed questionnaire and certification of having read the City of Cloverdale' investment policy and depository contracts.

8. Authorized Investments and Limitations of Investments

Investment of City funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest, There is no percentage limitation of the portfolio that can be invested in this category.
2. Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool may be used up to the maximum permitted by LAIF.
4. Insured savings accounts are permitted without limitations.

Investments detailed in items 5 through 10 are further restricted to 5% of the purchase value of all investments and cash accounts (the portfolio), in any one issuer name. The total value invested in any one issuer shall also not exceed 5% of the issuer's net worth.

5. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances are permitted. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio.
6. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided by Moody's Investor Services, Inc., Standard & Poor's, or Fitch Financial Services, inc. Commercial paper shall be issued by domestic corporations having assets in excess of \$500,000,000 and having a "AA" or better rating on its long term debentures as provided by Moody's, Standard & Poor's, or Fitch. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the City's portfolio.
7. Negotiable certificates of deposit issued by nationally or state chartered banks or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio.
8. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.
9. Medium Term Corporate Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Securities eligible for investment shall be rated "A" or better by Moody's or Standard & Poor's rating services. Purchase of medium term notes may not exceed 30% of the purchase value of the portfolio and no more than 5% of the purchase value of the portfolio may be invested in notes issued by one corporation.
10. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code section 53601 and with assets under management in excess of \$500,000,000. The purchase price of shares shall not exceed 15% of the investment portfolio.

11. California Asset Management Program

9. Ineligible Investments

The City shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool or mortgages, or in any security that could result in zero interest accrual if held to maturity, or any other investment not listed in this policy.

10. Safekeeping and Custody

All securities owned by the City, including collateral for repurchase agreements, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures.

11. Percentage Limitations

Where a section specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. Where a section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the City Council has granted express authority to make that investment either specifically or as a part of an investment program approved by the City Council no less than three months prior to the investment.

12. Reporting Requirements

The Finance Manager shall annually render to the City Council a statement of investment policy, which the Council shall review and approve at a public meeting. The Council at a public meeting shall also review and approve any changes to the policy.

The Treasurer shall render a quarterly investment report to the Council within 30 days after the end of the subject quarter. The quarterly report shall include for each individual investment:

- ❖ Description of investment instrument
- ❖ Issuer name
- ❖ Maturity date
- ❖ Purchase price
- ❖ Par value
- ❖ Current market value and the source of the valuation

The quarterly report also shall; (1) state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance, (II) include a description of any of the City's funds, investments or programs that are under the management of contracted parties, including lending programs, and (III) include a statement denoting the ability of the City to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not be available.

ORDINANCE NO. _____
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CLOVERDALE
AMENDING CLOVERDALE MUNICIPAL CODE CHAPTER 5.24 RELATING TO
MASSAGE THERAPY PRACTITIONERS AND ESTABLISHMENTS

WHEREAS, there is substantial research that indicates that the skillful practice of massage can provide many health benefits including relief of pain from disease, injury and other sources, and that massage can be a valuable component of a wellness program; and

WHEREAS, in 2008 by Senate Bill 731 ("SB 731"), the Legislature added new Chapter 10.5 (Sections 4600 et seq.) to the California Business and Professions Code, entitled "Massage Therapists," which provides for the formation of a nonprofit "Massage Therapy Organization" to oversee a state-sanctioned program of certification for massage therapy practitioners; and

WHEREAS, SB 731 established a scheme for a voluntary certification process for persons wishing to practice massage therapy in California, with the intention of enabling persons so certified to practice massage therapy in any city within the State without being required to obtain a local permit to practice; and

WHEREAS, SB 731 included a sunset clause, expiring on January 1, 2015, to allow the state to review the law and its impacts; and

WHEREAS, the "California Massage Therapy Council" was formed to administer the laws enacted by SB 731, including the issuance of certifications to qualified massage practitioners; and

WHEREAS, in 1975, the City Council adopted Cloverdale Municipal Code Chapter 5.24, establishing regulations governing massage therapy businesses and practitioners, and

WHEREAS the City of Cloverdale aspires to be in compliance with SB 731, with the intention of reducing City involvement in local massage therapy licensing, while still encouraging and facilitating the ethical practice of massage therapy and complying with State law, by relying upon the uniform statewide regulations enacted by SB 731, and restricting the commercial practice of massage in the City to those persons duly certified to practice by the California Massage Therapy Council; and

WHEREAS, in September 2014, the Legislature adopted Assembly Bill 1147 ("AB 1147"), amending the laws enacted by SB 731, which went into effect on January 1, 2015; and

WHEREAS, the City Council wishes to amend Cloverdale Municipal Code Chapter 5.24 as a result of the enactment of AB 1147 as well as clean up, modify and clarify the Ordinance provisions related to registration, inspection, operational standards and revocation process; and

WHEREAS, this ordinance is enacted pursuant to Government Code Sections 51030-51034 and Business and Professions Code Sections 4600 et seq., as amended by AB 1147;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CLOVERDALE DOES HEREBY ORDAIN AS FOLLOWS:

Cloverdale Municipal Code Chapter 5.24 entitled "Massage Parlors" is hereby amended, to read in its entirety as follows:

5.24.010 Purpose and intent.

It is the purpose and intent of this chapter to provide for the orderly regulation of offices and establishments providing massage therapy services, and to prevent and discourage the misuse of massage therapy as a front for prostitution and related activities in violation of state law, all in the interests of the public health, safety, and welfare, by providing certain minimum building, sanitation, and operation standards for such businesses, and by requiring certain minimum qualifications for the operators and practitioners of such businesses. It is the further intent of this chapter to streamline local massage therapy permitting procedures, while still facilitating and advancing the ethical practice of massage therapy, by relying upon the uniform statewide regulations enacted by the Legislature in 2008 as Business and Professions Code sections 4600 et seq., known as the Massage Therapy Act, and by restricting the commercial practice of massage in the city to those persons duly certified to practice by the California Massage Therapy Council formed pursuant to those statutes.

5.24.020. Definitions.

For the purpose of this chapter, unless the context clearly requires a different meaning, the words, terms, and phrases set forth in this section shall have the meanings given them in this section:

A. "California Massage Therapy Council" or "CAMTC" shall mean the non-profit organization created to regulate the massage industry set forth Chapter 10.5 of Division 2 of the Business and Professions Code of the State of California (commencing with Section 4600).

B. "CAMTC Certificate" shall mean a current and valid certificate issued by the California Massage Therapy Council to a massage practitioner pursuant to Business and Professions Code section 4601(b) or (c) or any later enacted amendment.

C. "Certified massage establishment" means a massage establishment, including, but not limited to, a sole proprietorship, where each massage establishment owner and each person employed or retained to practice massage therapy for compensation as defined in subsection 5.24.080(B) is a certified massage practitioner.

D. "Certified massage establishment certificate" means the city-issued certificate required by this chapter to operate a certified massage establishment.

E. "Certified Massage Therapist" or "massage therapist" or "massage practitioner" shall mean any individual, certified by the CAMTC and possessing a valid CAMTC Certificate and is licensed to practice or administer massage, in exchange for any form of compensation within the City of Cloverdale. All persons certified by CAMTC shall have the right to perform or engage in the practice of massage consistent with the Massage Therapy Act, the qualifications established by his or her certification, and the provisions of this Chapter stated herein.

F. "City" shall mean the City of Cloverdale.

G. "Client" shall mean the customer or patron who pays for or receives massage services.

H. "Compensation" means the payment, loan, advance, donation, contribution, deposit, exchange, or gift of money or anything of value.

I. "Employee" shall mean any person employed by a massage business who may render any service to the business and who receives any form of compensation from the business. For the purposes of this Chapter, the term "Employee" shall include independent contractors, agents and volunteers.

J. "Inspector" means the person or persons designated by the permit authority to conduct any inspections required or permitted under this chapter.

K. "Licensee" shall mean any person who receives from the City of Cloverdale a Business License pursuant to Municipal Code Section 5.04.

L. "Manager" means a person who supervises, manages, directs, organizes, controls, or in any other way is responsible for or in charge of the conduct of the activities within a massage business. Evidence of management includes, but is not limited to, evidence that the individual has power to direct or hire and dismiss employees, control hours of operation, create policy or rules or purchase supplies. A manager may also be an owner.

M. "Massage," "Massage Therapy," and/or "bodywork" for purposes of this chapter are used interchangeably and shall mean the skillful application of touch, and any method of treating the external parts of the body for remedial, health, or hygienic purposes for any form of compensation by means of pressure on or friction against, or stroking, kneading, rubbing, tapping, pounding, vibrating, or stimulating, of the external parts of the body with hands or other parts of the body by a practitioner to produce increased awareness, relaxation, pain relief, injury rehabilitation, or neuromuscular reeducation, with or without the aid of any mechanical or electrical apparatus or appliances; or with or without such supplementary aids as rubbing alcohol, liniments, antiseptic, oils, powder, creams, lotions, ointments, or other similar preparations commonly used in this practice; or by baths, including but not limited to Turkish, Russian, Swedish, Japanese, vapor, shower, electric tub, sponge, mineral, mud, fermentation or any other type of bath.

N. "Massage business" means any business that offers massage in exchange for compensation, whether at a fixed place of business or at a location designated by the customer or client through outcall or on-site massage services. The term "massage business" includes a Certified Massage Therapist who is the sole owner, operator and employee of a massage business operating as a sole proprietorship. For the purposes of this Chapter, the term "massage business" shall include those businesses that provide separate massage services, such as spas and day spas, but shall not apply to massages performed to limited areas of the neck, face and/or scalp, hands or feet of the clients when that massage is accessory to and within the scope of a barber's, cosmetologist's, and esthetician's state license.

O. "Massage establishment" shall include the term "massage and/or bodywork office or establishment", and means any business or establishment that offers massage therapy in exchange for compensation, whether at a fixed place of business or at a location designated by the patron. Any business or establishment that offers any combination of massage therapy and bath facilities including, but not limited to, showers, baths, wet and dry heat rooms, pools and hot tubs, shall be deemed a massage establishment under this chapter. For the purposes of this Chapter, the term "massage establishment" shall include those businesses that provide separate massage services, such as spas and day spas, but shall not apply to massages performed to limited areas of the neck, face and/or scalp, hands or feet of the clients when that massage is accessory to and within the scope of a barber's, cosmetologist's, and esthetician's state license.

P. "Massage establishment owner" or "owner of a massage establishment" or "owner" shall mean and include any of the following persons:

1. The sole proprietor of a sole proprietorship operating a massage establishment.
2. Any general partner of a general or limited partnership that owns a massage establishment.
3. Any person who has a five percent (5%) or greater ownership interest in a corporation that owns a massage establishment.
4. Any person who is a member of a limited liability company that owns a massage establishment.
5. Any person who has a five percent (5%) or greater ownership interest in any other type of business association that owns a massage business.

Q. "On-site massage" shall mean a massage given to an individual who remains fully clothed during the massage and at a location other than a massage business, and is limited to massages that take place at business offices, sports complexes, convention centers and public events.

R. "Operator permit" means the permit required by this chapter to operate a massage establishment that does not qualify as a certified massage establishment.

S. "Operator" or "massage establishment operator" or "massage business operator" means any and all owners of a massage establishment.

T. "Out-call massage service" shall mean the engaging in or carrying on of massage therapy for compensation at a location other than a duly licensed massage establishment that has been permitted pursuant to this chapter.

U. "Patron" means an individual on the premises of a massage establishment for the purpose of receiving massage therapy.

V. "Permit authority" means the chief of police or his or her designee charged with the administration of this chapter.

W. "Person" means any individual, firm, association, partnership, corporation, joint venture, limited liability company, or combination of individuals.

X. "Reception and waiting area" shall mean the area immediately inside the main entry door of the massage establishment, dedicated to the reception and waiting of patrons, clients and visitors of the massage establishment, which is not a massage therapy room or otherwise used for the provision of massage therapy services.

Y. "Sole-Proprietorship" shall mean a massage business establishment where the owner owns one-hundred percent (100%) of the business, is the only person who provides massage services for compensation for that business pursuant to a valid and active CAMTC certificate, and has no other employees or independent contractors that perform massage therapy services for the business.

Z. "Spa" or "Day Spa" shall mean a business that offers a variety of services intended to meet personal needs of individuals such as skin treatment, manicures and pedicures and massage.

AA. "Visitor" means any individual not retained or employed by the massage establishment and not receiving or waiting to receive massage therapy services, but excluding law enforcement personnel or governmental officials performing governmental business.

5.24.030. Exemptions.

The provisions of this Chapter shall not apply to the following classes of individuals or businesses while engaged in the performance of their duties in their respective professions:

- A. Physicians, surgeons, chiropractors, osteopaths, podiatrists, acupuncturists, physical therapists, nurses, or any other person duly licensed to practice any healing art and/or their respective profession under the provisions of Division 2 (commencing with Section 500) of the Business and Professions Code when engaging in such practice within the scope of his or her license.
- B. Persons operating or employed at hospitals, nursing homes, sanitariums, or any other health facility duly licensed by the State of California.
- C. Trainers of any amateur, semi-professional or professional athlete or athletic team, so long as such persons' do not practice massage therapy as their primary occupation at any location where they provide such services in the city and the practice of massage is limited to such athletes and athletic teams.
- D. Persons operating or employed at athletic clubs or fitness facilities, where such facility is designed and equipped for indoor sports, exercise, or physical education, and where massage services are provided to members of such facilities.
- E. Barbers, cosmetologists, or estheticians who are duly licensed under the laws of the State of California, while engaging in practices within the scope of their licenses, so long as the barber, cosmetologist or esthetician limits any massages he/she performs in the course of his/her professional duties to the neck, face and/or scalp, hands or feet of the clients when that massage is accessory to and within the scope of the barber's, cosmetologist's, and esthetician's state license.
- F. Enrolled students of a school of massage when they are performing massage within the city as part of a formal supervised internship or training program operated by the school, without compensation other than school credit, on the premises of a massage establishment duly authorized to operate pursuant to the terms of this chapter; and provided that the operator of the massage establishment has first notified the permit authority in writing of the name, residence address, and school of the students and the dates of the trainings.
- G. Persons performing a therapeutic modality for which the State does not offer licenses or certification under the provisions of Division 2 (commencing with Section 500) of the Business and Professions Code and the modality is performed with minimal touching and the client remains fully clothed at all times, such as Reiki, Reflexology, Rolfing or the Bowen Technique and/or somatic practitioners who use no physical touch of any kind at any time in their practice.
- H. Individuals in the city temporarily for educational events or disaster relief.
- I. Individuals administering massages or health treatments involving massage to persons participating in road races, track meets, triathlons, educational events, conferences or similar single-occurrence athletic, recreational, or educational events.

5.24.040. Out-call Massage and On-Site Massage Restrictions.

A. No person or massage business shall perform either on-site massage or out-call massage for compensation without possessing a CAMTC certificate in conjunction with a valid City business license.

B. Out-call massage shall not be performed unless authorized in writing by a physician, surgeon, chiropractor or osteopath duly licensed to practice in the State of California.

C. Out-call massage and on-site massage shall only be conducted between the hours of 8:00 a.m. and 8:00 p.m.

D. Out-call massage or on-site massage shall not be conducted in the following locations:

1. A hotel/motel room or any other similar location used primarily for transitory habitation purposes.
2. The residence of the outcall or on-site massage therapist.

5.24.050. CAMTC Certification Required.

A. It shall be unlawful for any person to perform or engage in the practice of massage therapy for compensation within the City unless that person possesses a current, valid, unsuspended and unrevoked CAMTC certificate as defined in section 5.24.020(B).

B. It shall be unlawful for any massage business or massage establishment to provide massage for compensation within the City unless all persons employed by the massage business or massage establishment to perform massage; whether as an employee, independent contractor, volunteer, or sole proprietorship, possesses a current, valid, unsuspended and unrevoked CAMTC certificate.

5.24.060. Time For Compliance With CAMTC Certification.

A. Any individual holding a valid business license issued by the City to perform or engage in massage for compensation within the City prior to the effective date of this Chapter, may continue to provide such massage services under that license until that license expires, but shall otherwise comply with the requirements of this Chapter. Upon expiration of said license issued by the City, any person who desires to continue to provide massage for compensation within the City shall first obtain a current, valid, unsuspended and unrevoked CAMTC certificate.

B. Any massage business holding a valid business license issued by the City to provide massage for compensation within the City may continue to operate as a massage business until the license expires provided that all of the massage business' employees providing massage services possess a CAMTC certificate or the equivalent state certificate for massage. Upon expiration of the massage business' City business license, any massage business that desires to continue to provide massage for compensation within the City shall first ensure that all of the massage business' employees providing massage possess a current, valid, unsuspended and unrevoked CAMTC certificate.

C. All persons, massage businesses or establishments, including its owners, operators, managers, and employees engaged in the practice of massage for compensation within the City shall comply with all health and safety requirements, set forth in this Chapter 5.24.110, upon its effective date.

5.24.070. Exchange of Information.

The City may, from time to time, request information from CAMTC pertaining to any person who possesses a CAMTC certificate and who is engaging in the practice of massage in the City. The requested information may include, but need not be limited to, the current status of a person's CAMTC certificate, any history of disciplinary action(s) taken against the person, the home and work addresses of the CAMTC certificate holder, and any other information that may be necessary to verify fact relevant to administering the provisions of this Chapter.

5.24.080. Operation of massage establishments-Certified massage establishment certificate or operator permit required.

A. It shall be unlawful for any person or persons to operate a massage establishment within the city without first obtaining a certified massage establishment certificate or an operator permit pursuant to the requirements of this chapter.

B. It shall be unlawful for any massage establishment operator within the city to employ or retain any person to practice massage therapy for compensation, or to allow any person to perform massage therapy for compensation on the premises of a massage establishment, unless that person is a certified massage practitioner. For purposes of this chapter, a massage establishment operator "employs or retains" a person to practice massage therapy for compensation when:

1. That person is a directly paid employee of the massage establishment; or
2. That person's association with a massage establishment is that of an independent contractor who receives' compensation for massage therapy provided to patrons of the massage establishment; or
3. That person receives a referral of patrons from the massage establishment and, at any time before or after the referral, arranges in any way for compensation to flow to the massage establishment operator (regardless of whether the parties involved acknowledge that compensation is flowing in exchange for the referral, or whether such parties record such compensation in their financial records).

C. It shall be unlawful for a massage establishment operator within the city to employ or retain any person to practice massage therapy for compensation, or to allow any person to perform massage therapy for compensation on the premises of a massage establishment unless and until that person is listed on the certified massage establishment certificate required by Section 5.24.090(D) of this chapter, or the operator permit required by Section 5.24.100(N) of this chapter.

5.24.090. Operation of certified massage establishment-Certificate required.

No certified massage establishment shall operate within the city without first obtaining a certified massage establishment certificate under this section.

A. Application for Certified Massage Establishment Certificate. All owners of the certified massage establishment, or their duly authorized agent, shall file an application for a certified

massage establishment certificate for the massage establishment, on a form provided by the permit authority. For purposes of this section, the "applicant" for the certified massage establishment certificate shall refer to and include each and every owner of the massage establishment. The application shall include the following information:

1. The name, address, and telephone number of the massage establishment.
2. The name, residence address and telephone number, and business address and telephone number of the massage establishment owner(s) applying for the certified massage establishment certificate.
3. The form of business under which the applicant will be conducting the massage establishment, i.e., corporation, general or limited partnership, limited liability company, or other form. If the applicant is a corporation, the name of the corporation shall be set forth exactly as shown in its articles of incorporation, together with the names and residence addresses of each of its officers, directors, and each shareholder holding more than ten percent (10%) of the stock of the corporation. If the applicant is a general or limited partnership, the application shall set forth the name and residence address of each of the partners, including limited partners. If one (1) or more of the partners is a corporation, the provisions of this section pertaining to a corporate applicant shall apply. If the applicant is a limited liability company, the application shall set forth the name and residence address of each of the members. If one (1) or more of the members is a partnership, limited liability company, or corporation, the provisions of this section pertaining to a partnership, limited liability company, or corporate applicant shall apply, as applicable.
4. The name and address of the owner of the real property upon, in, or from which the certified massage establishment is to be operated. In the event the applicant is not the legal owner of the property, the application shall be accompanied by a copy of any written lease between the applicant and the property owner authorizing use of the premises for a massage establishment, or, alternatively, if there is no written lease, then a written, notarized acknowledgment from the property owner that the property owner has been advised that a massage establishment will be operated by the applicant upon, in, or from the property owner's property.
5. A description of the proposed massage establishment, including the type of treatments to be administered.
6. The name of each person that the massage establishment employs or retains to perform massage therapy for compensation, whether on or off the massage establishment premises.
7. For each person that the massage establishment does or will employ or retain to perform massage therapy for compensation, whether on or off the massage establishment premises, a copy of that person's current certification from the California Massage Therapy Council as a certified massage practitioner or as a certified massage therapist, and a copy of that person's current California Massage Therapy Council-issued identification card.
8. For each owner of the certified massage establishment, a copy of that person's current certification from the California Massage Therapy Council as a certified

massage practitioner or as a certified massage therapist and a copy of that person's current California Massage Therapy Council-issued identification card.

B. Application Fee. An application for a certified massage establishment certificate shall be accompanied by a fee as established by the City's Master Fee Schedule.

C. Massage Establishment Facilities and Operations-Requirements for Certified Massage Establishment. A certified massage establishment shall comply with the requirements of section 5.24.120, with the following exceptions:

1. Sole Proprietorship. The provisions of subsections 5.24.120(C) and 5.24.120(I)(1) – (3) shall not apply to a certified massage establishment which is a sole proprietorship, even if that sole proprietorship is located in a suite of offices with other businesses.
2. Home Occupation. Where a certified massage establishment is a home occupation, as defined in section 18.09.120 of this code, and the operator has complied with the provisions of section 18.03.190 and 18.09.120 of this code pertaining to home occupations, the provisions of subsections 5.24.120(C) and 5.24.120(I)(1) – (3) and (I)(5) shall not apply, and the portions of the residence subject to the requirements of subsections 5.24.110 and 5.24.120(I) shall be only those portions that are used at any time by the patron of the massage establishment.

D. Certified Massage Establishment Certificate-Issuance. The permit authority shall grant a certified massage establishment certificate to an applicant who has satisfied the requirements of this section and all other applicable laws, including, but not limited to, the city's building, zoning, and health regulations. The certificate shall include, but not be limited to, the name of the massage establishment, the address of the massage establishment, the names of the owner or owners of the massage establishment, the date of issuance of the certificate, the date of expiration of the certificate, the certificate number, a listing of the certified massage practitioners registered and authorized to perform massages for the massage establishment, and a listing of any other persons employed or retained to work in any other capacity on the premises.

E. Notice to Property Owner. Where the applicant is not the record owner, as shown on the latest county assessment roll, of the property upon, in, or from which the certified massage establishment is to be operated, then upon issuance of a certified massage establishment certificate, the permit authority may send a written notice to the property owner advising of the issuance of the certificate and of the regulations applicable to the massage establishment and the property pursuant to this chapter. Any other notices sent to the applicant pursuant to this chapter at any time before or after issuance of the certified massage establishment certificate may also be sent to the property owner.

F. Notice of Denial-Appeal-Judicial Review. If an application for a certified massage establishment certificate is denied, the permit authority shall serve on the applicant, in the manner provided in section 1.14.020 of this code, a written notice of denial which shall specify the grounds for the denial. The applicant shall have the right to appeal from a decision by the permit authority to deny a certificate application by filing with the city clerk a written notice of appeal, specifying

the grounds for such appeal, within fifteen (15) days after the decision has been served on the applicant. Such appeal shall be heard by a hearing officer appointed by the permit authority, upon not less than fifteen (15) days written notice to the applicant. The designated hearing officer shall consider all relevant evidence at the hearing, may continue the hearing for good cause, and may require such legal briefing as may be required to address any issues raised by the appeal. Within a reasonable time, but not more than thirty (30) days following the conclusion of the hearing, the hearing officer shall issue a written decision as to whether the application shall be granted or denied, supported by factual findings and determinations referenced by supporting evidence. The written decision shall be served on the applicant as provided in Code of Civil Procedure Section 1094.6, with a copy served on the permit authority. The written decision of the hearing officer shall be final and shall be subject to judicial review according to the provisions and time limits set forth in Code of Civil Procedure Section 1094.6.

G. Display of Certificate. Each holder of a certified **massage establishment** certificate shall display that certificate in an open and conspicuous place on the premises visible from the main entry door and/or reception and waiting area of the massage establishment. Each person employed or retained by a massage establishment to perform **massage therapy** in or on the premises or through an outcall massage service shall display on his or her person the valid current photograph-bearing identification card issued to that employee by the California Massage Therapy Council pursuant to the Massage Therapy Act. A copy of each such identification card shall also be displayed in an open and conspicuous place visible from the main entry door and/or reception and waiting area of the massage establishment. The home address of any employee need not be displayed.

H. Term. A certified **massage establishment** certificate issued pursuant to the terms of this chapter shall be valid for a term of one (1) year from the date of issuance, and, unless suspended or revoked, must be **renewed** by the **massage establishment operator** annually so long as the massage establishment is **operating within the city**.

I. Requirement to Amend Certified Massage Establishment Application; Amendment Fee. In addition to the requirements of sections 5.24.140 and 5.24.150, whenever the information provided in the application for certified **massage establishment** certificate on file with the city changes, for example by a change in employees, the operator shall, within ten (10) business days after such change, file with the permit authority an application for amendment to the certified **massage establishment** to reflect such change. An application for an amendment to a certified **massage establishment** certificate shall be accompanied by a fee as established by the City's Master Fee Schedule. It shall be a violation of Section 5.24.080(C) of this chapter for the operator to allow any person to perform **massage therapy** for compensation on the premises of a **massage establishment** unless and until an amended certified **massage establishment** certificate has been issued by the permit authority identifying that person as employed or retained by the **massage establishment** to practice **massage therapy** for compensation.

J. Violations-Operator Responsibility; Suspension or Revocation of Certified Massage Establishment Certificate.

1. For the purpose of enforcing the requirements of this chapter, the massage establishment operator shall be responsible for the conduct of all massage establishment employees, agents, independent contractors, or other representatives while such persons are on the premises of the massage establishment or providing outcall massage services on behalf of the massage establishment.
2. In addition to any other remedy available to the city under this code or state law, a certified massage establishment certificate may be suspended or revoked by the permit authority as provided in Sections 5.24.120, 5.24.160, and 5.24.170. Upon revocation of a certified massage establishment certificate for a massage establishment, the massage establishment shall immediately cease operation, and, if so ordered by the hearing officer, no other massage establishment shall be permitted to operate at that location by any person for a period of not less than one (1) year ("the moratorium period"). If the operator is not also the legal owner of the real property on which the massage establishment is situated, notice of such revocation and the one-year prohibition shall be provided by the permit authority to the owner of record of the property as shown on the latest county assessment roll.
3. In addition to any other remedy available to the city under this code or state law, a certified massage establishment certificate may not be renewed or amended by the operator unless and until due and unpaid citations issued to the operator pursuant to this chapter are paid in full. Citations shall not be deemed to be due and unpaid until the 30-day period for appeal of the citation has passed.
4. Notwithstanding any other provision of this chapter, where a Notice of Revocation or Suspension has been issued to the operator of a massage establishment pursuant to Section 5.24.170 of this chapter, the permit authority shall not process or grant an application for a certified massage establishment certificate or operator permit for a new massage establishment at the same premises unless and until such Notice of Revocation or Suspension is: dismissed; or a final determination is made pursuant to that section that the current operator's certified massage establishment certificate or operator permit is not or should not be revoked; or any moratorium period imposed pursuant to this subsection or subsection 5.24.090(J) has expired.

5.24.100. Massage Business Permit for Owners and Managers Who Do Not Qualify as Massage Therapists and Who Are Not CAMTC Certified.

No massage establishment may operate in the city that does not qualify as a certified massage establishment, or do not possess a current and valid CAMTC certificate, unless and until all owners of the massage establishment have applied for and obtained a Massage Business Permit for the massage establishment from the Chief of Police, or his designee, under this section, according to the following procedures:

- A. Application for Operator Permit. All owners of the massage establishment, or their duly authorized agent, shall file an application for an operator permit for the massage establishment on a form provided by the Chief of Police, or his designee. For purposes of this section, the "applicant" for the operator permit shall refer to and include each and every owner of the massage establishment. The application shall include the following information:

1. Name, address, and telephone number of the massage establishment.
2. The name, residence address and telephone number, and business address and telephone number of the massage establishment owner(s) applying for the operator permit.
3. The form of business under which the applicant will be conducting the massage establishment, i.e., corporation, general or limited partnership, limited liability company, or other form. If the applicant is a corporation, the name of the corporation shall be set forth exactly as shown in its articles of incorporation, together with the names and residence addresses of each of its officers, directors, and each shareholder holding more than ten percent (10%) of the stock of the corporation. If the applicant is a general or limited partnership, the application shall set forth the name and residence address of each of the partners, including limited partners. If one (1) or more of the partners is a corporation, the provisions of this section pertaining to a corporate applicant shall apply. If the applicant is a limited liability company, the application shall set forth the name and residence address of each of the members. If one (1) or more of the members is a partnership, limited liability company, or corporation, the provisions of this section pertaining to a partnership, limited liability company, or corporate applicant shall apply, as applicable.
4. The name and address of the owner of the real property upon, in, or from which the massage establishment is to be operated. In the event the applicant is not the legal owner of the property, the application shall be accompanied by a copy of any written lease between the applicant and the property owner authorizing use of the premises for a massage establishment, or, alternatively, if there is no written lease, then a written, notarized acknowledgment from the property owner that the property owner has been advised that a massage establishment will be operated by the applicant upon, in, or from the property owner's property.
5. A description of the proposed massage establishment, including the type of treatments to be administered.
6. The name of each person that the massage establishment employs or retains to perform massage therapy for compensation, whether on or off the massage establishment premises.
7. For each person that the massage establishment employs or retains to perform massage therapy for compensation, whether on or off the massage establishment premises, a copy of that person's current certification from the California Massage Therapy Council as a certified massage practitioner or as a certified massage therapist, and a copy of that person's current California Massage Therapy Council-issued identification card.
8. Whether any license or permit has ever been issued to the applicant by any jurisdiction under the provisions of any ordinance or statute governing massage or somatic practice, and as to any such license or permit, the name and address of the issuing authority, the effective dates of such license or permit, whether such license or permit was ever suspended, revoked, withdrawn, or denied; and copies of any documentary materials relating to such suspension, revocation, withdrawal, or denial.

9. Whether the applicant has within the five (5) years immediately preceding the date of application been convicted in any state of any felony.
10. Whether the applicant is currently required to register under the provisions of Section 290 of the California Penal Code.
11. The applicant's business, occupation, and employment history for five (5) years preceding the date of application, and the inclusive dates of same.
12. One (1) set of fingerprints for each applicant in a form satisfactory to the permit authority. The fingerprints shall be taken at a place designated by the permit authority, and any required fee for such fingerprinting shall be paid by the applicant.
13. Such other information as may be required by the permit authority to determine compliance with any other eligibility requirements for issuance of the permit as specified by federal, state, or local law. The permit authority may waive any of the requirements of this section for an owner who is also a certified massage practitioner.

B. All massage business owner[s] and manager[s] subject to this section shall personally appear at the City Police Department to be fingerprinted. The Chief of Police, or his designee, shall conduct or cause to be conducted on its behalf a background investigation of the applicant.

C. At the time of the fingerprinting, the applicant shall pay the Police Department a fingerprinting fee and the cost of obtaining criminal history information and conducting a background investigation. Fees are set forth in the City's fee schedule in amounts established by resolution of City Council and may be amended by Council from time to time.

D. The Chief of Police, or his designee, shall determine, based on the background investigation and the information submitted with the application, whether a Massage Business Permit shall be issued. If the Chief of Police, or his designee, determines that the applicant is not qualified, the Chief of Police, or his designee, shall inform the applicant in writing and specify the reasons for the denial. The City may deny a Massage Business Permit for the following reasons:

1. The applicant has provided materially false information in applying for a Massage Business Permit.
2. Within five (5) years immediately preceding the date of the filing of the application the applicant has been convicted of, or pled guilty to, any of the following offenses: violation of Penal Code sections 243.4, 261, 266a through 266j, inclusive, 267, 288, 314 to 316 inclusive, 318, 647a, 647b, 647d, 647i, 647j, any offenses requiring registration under Penal Code section 290 or Health and Safety Code section 11590; any felony offense involving the possession for sale, sale, transportation, furnishing, or giving away of a controlled substance specified in Health and Safety Code sections 11054 to 11058, inclusive, as amended; any offense in another state which if committed in California, would have been punishable as one or more of the offenses mentioned here, any offense involving the use of force or violence upon the person of another, or any offense involving theft, embezzlement, or moral turpitude;
3. Within five (5) years immediately preceding the date of the filing of the application the applicant has had a massage license suspended or revoked; unless the applicant can show mitigating circumstances exist since the revocation or suspension.

E. Any person aggrieved by the decision of the Chief of Police, or his designee, may appeal that decision to the City Manager, or his designee, by filing a notice of appeal within ten days of being notified of the decision.

F. An appeal must be in writing, shall explain the reason(s) for the appeal and mailed to the City Manager's Office, or his designee, with a filing fee of two-hundred-fifty (\$250) dollars within five (5) days of the date of the written notice. The City Manager, or his designee, shall schedule a hearing within thirty (30) days and provide written notice of the time, date and location of the hearing to the appellant.

G. The hearing shall be conducted pursuant to Cloverdale Municipal Code 1.14.090. The City Manager, or his designee, shall render a decision within thirty (30) days of the conclusion of the hearing, unless the parties agree otherwise. The City Manager, or his designee, shall notify the appellant in writing of the decision. The decision of the City Manager, or his designee, shall be a final administrative order with no further right of appeal.

H. If a Massage Business Permit is granted by the Chief of Police, or his designee, it shall be valid until such time as the Permittee terminates the Permit or the Permit is suspended or revoked pursuant to Cloverdale Municipal Code Section 5.24.160. The Permit shall be non-transferrable and cannot be sold.

I. A Massage Business Permittee shall notify the Chief of Police, or his designee, in writing at least thirty (30) days after the sale of the massage business or establishment for which he/she obtained the Massage Business Permit is completed.

J. A Massage Business Permit shall be non-transferable and every new owner of a massage business or establishment who does not qualify as a massage therapist and is not CAMTC Certified must obtain a Massage Business Permit before operating a massage business or establishment.

K. Application Fee. Any application for an operator permit under this chapter shall be accompanied by a nonrefundable application fee in an amount established by resolution of the city council.

L. Massage Establishment Facilities and Operations. A massage establishment shall comply with the requirements of section 5.24.110.

M. Operator Permit-Criteria for Granting or Denying. The permit authority shall grant an operator permit for the massage establishment if the massage establishment owners have satisfied the requirements of this section and all other applicable laws including, but not limited to, the city's building, zoning, and health regulations, unless the permit authority determines any or more of the following to be true:

1. The applicant, or any shareholder, partner, or member of the applicant, within five (5) years immediately preceding the date of filing of the application, has been convicted in a court of competent jurisdiction of any offense that relates directly to the operation of a massage establishment whether as a massage establishment owner or operator or as a person practicing massage for compensation, or as an employee of either; or has at any time been convicted in a court of competent jurisdiction of any felony the commission of which occurred on the premises of a massage establishment; or
2. The applicant is currently required to register under the provisions of Section 290 of the California Penal Code; or
3. The applicant, or any shareholder, partner, or member of the applicant, within five (5) years of the date of application, has been convicted in a court of competent jurisdiction of any violation of Sections 266, 266a, 266e, 266f, 266g, 266h, 266i,

266j, 315, 316, 318, 647(b), [or] 653:22 of the California Penal Code, or conspiracy or attempt to commit any such offense, or any offense in a jurisdiction outside of the State of California that is the equivalent of any of the aforesaid offenses; or

4. The applicant, or any shareholder, partner, or member of the applicant, has been subjected to a permanent injunction against the conducting or maintaining of a nuisance pursuant to Section 11225 through 11235 of the California Penal Code, or any similar provision of law in a jurisdiction outside the State of California; or
5. The applicant, or any shareholder, partner, or member of the applicant, has knowingly made a false statement or omission of a material fact in the application for the permit; or
6. The applicant, if an individual, has not attained the age of eighteen (18) years; or
7. The applicant, or any shareholder, partner, or member of the applicant, within five (5) years of the date of application, and as established by clear and convincing evidence, has engaged in acts prohibited under California Penal Code Sections 266, 266a, 266e, 266f, 266g, 266h, 266i, 266j, 315, 316, 318, 647(b), or 653.22; or
8. The applicant, or any shareholder, partner, or member of the applicant, within five (5) years immediately preceding the date of filing of the application, has had a permit or license to practice massage for compensation or to own and/or operate a massage establishment revoked or denied in any jurisdiction.

N. Operator Permit-Issuance. The operator permit shall include, but not be limited to, the name of the massage establishment, the address of the massage establishment, the names of the owner or owners of the massage establishment, the date of issuance of the permit, the date of expiration of the permit, the permit number, a listing of the certified massage practitioners registered and authorized to perform massages for the massage establishment, and a listing of any other persons employed or retained to work in any other capacity on the premises.

O. Notice to Property Owner. Where the applicant is not the record owner, as shown on the latest county assessment roll, of the property upon, in, or from which the massage establishment is to be operated, then upon issuance of an operator permit, the permit authority may send a written notice to the property owner advising of the issuance of the permit and of the regulations applicable to the massage establishment and the property pursuant to this chapter. Any other notices sent to the applicant pursuant to this chapter at any time before or after issuance of the operator permit may also be sent to the property owner.

P. Notice of Denial-Appeal-Judicial Review. If an operator permit is denied, the permit authority shall serve on the applicant, in the manner provided in section 1.08.060 of this code, a written notice of denial that shall specify the grounds for the denial. The applicant shall have the right to appeal from a decision by the permit authority to deny an operator permit application by filing with the city clerk a written notice of appeal, specifying the grounds for such appeal, within fifteen (15) days after the decision has been served on the applicant. Such appeal shall be heard by a hearing officer appointed by the permit authority, upon not less than fifteen (15) days written notice to the applicant. The designated hearing officer shall consider all relevant evidence at the hearing, may continue the hearing for good cause, and may require such legal briefing as may be required to address any issues raised by the appeal. Within a reasonable time, but not more than thirty (30) days following the conclusion of the hearing, the hearing officer shall issue a written decision as to whether the application shall be granted or denied, supported by factual findings and determinations referenced by supporting evidence. The written decision shall be served on the applicant as provided in Code of Civil Procedure Section 1094.6, with a copy served on the permit

authority. The written decision of the hearing officer shall be final and shall be subject to judicial review according to the provisions and time limits set forth in Code of Civil Procedure Section 1094.6.

Q. Display of Permit. Each holder of an operator permit shall display that permit in an open and conspicuous place on the premises visible from the entrance and/or reception and waiting area of the massage establishment.

R. Term. An operator permit issued pursuant to the terms of this chapter shall be valid for a term of one (1) year from the date of issuance. A permit that has not expired and has not been suspended or revoked may be renewed for another one-year period, on submittal of a written application and payment of a renewal application fee to be established by resolution of the city council.

S. Requirement to Amend Operator Permit application. In addition to the requirements of Sections 5.24.140 and 5.24.150, whenever the information provided in the application for operator permit on file with the city changes, for example by a change in employees, the operator shall, within ten (10) business days after such change, file an amendment to the operator permit application with the permit authority. An amendment to an operator permit application shall be accompanied by a fee as established by the City's Master Fee Schedule. It shall be a violation of Section 5.24.080(C) of this chapter for the operator to allow any person to perform massage therapy for compensation on the premises of a massage establishment unless and until an amended operator permit has been issued by the permit authority identifying that person as employed or retained by the massage establishment to practice massage therapy for compensation.

T. Violations-Operator Responsibility; Suspension or Revocation of Operator Permit.

1. For the purpose of enforcing the requirements of this chapter, the massage establishment operator shall be responsible for the conduct of all massage establishment employees, agents, independent contractors, and other representatives, while on the premises of the business or establishment or providing outcall massage services on behalf of the massage establishment.

2. In addition to any other remedy available to the city under this code or state law, an operator permit may be suspended or revoked by the permit authority as provided in Sections 5.24.160 and 5.24.170. Upon revocation of an operator permit for a massage establishment, the massage establishment shall immediately cease operation, and, if so ordered by the hearing officer, no other massage establishment shall be permitted to operate at that location by any person for a period of not less than one (1) year ("the moratorium period"). If the operator is not also the legal owner of the real property on which the massage establishment is situated, notice of such revocation and the one-year prohibition shall be provided by the permit authority to the owner of record' of the property as shown on the latest county assessment roll.

3. In addition to any other remedy available to the city under this code or state law, an operator permit may not be renewed or amended by the operator unless and until due and unpaid citations issued to the operator pursuant to this chapter are paid in full. Citations shall not be deemed to be due and unpaid until the 30-day period for appeal of the citation has passed.

4. Notwithstanding any other provision of this chapter, where a Notice of Revocation or Suspension has been issued pursuant to Section 5.24.130 of this chapter to the operator of a prior massage establishment on the same premises, the

permit authority shall not process or grant an application for a new massage establishment certificate or operator permit at the same premises unless and until such Notice of Revocation or Suspension is dismissed; or a final determination is made pursuant to that section that the current operator's certified massage establishment certificate or operator permit is not or should not be revoked; or any moratorium period imposed pursuant to this' subsection or subsection 5.24.090(J) has expired.

5.24.110. Health and Safety Requirements for All Massages.

Health and safety requirements. Except as otherwise specifically provided in this chapter, all massage establishment owners, operators, employees, sole proprietors, independent contractors and any person performing massage within the City shall comply with all of the following health and safety requirements.

A. The massage establishment and massage therapists shall at all times be equipped with an adequate supply of clean sanitary towels, non-disposable coverings, and linens, and all massage tables shall be covered with a clean sheet or other clean covering for each patron. After a towel, covering, or linen has been used once, it shall be deposited in a closed receptacle and not used again until properly laundered and sanitized. Towels, non-disposable coverings, and linens shall be laundered either by regular commercial laundering, or by a noncommercial laundering process that includes immersion in water at least one hundred forty (140) degrees Fahrenheit for not less than fifteen (15) minutes during the washing or rinsing operation. Clean towels, coverings, and linens shall be stored in closed, clean cabinets when not in use. Towels, non-disposable coverings, and linens shall not be used on more than one (1) client, unless they have first been laundered and disinfected. Disposable towels and disposable coverings shall not be used on more than one (1) client. Soiled linens and paper towels shall be deposited in separate receptacles.

B. In the massage establishment all massage therapy rooms or cubicles, wet and dry. heat rooms, toilet rooms, steam or vapor rooms or cabinets, shower compartments, bathrooms, hot tubs, whirlpool baths, and pools shall be thoroughly cleaned and disinfected as needed, and at least once each business day when the premises have been or will be open and such facilities in use, with a hospital-grade disinfectant. All bathtubs shall be thoroughly cleaned and disinfected after each use, with a hospital-grade disinfectant. All walls, ceilings, floors and other physical facilities for the establishment shall be in good repair and maintained in a clean and sanitary condition.

C. All equipment used in the massage establishment shall be maintained in a clean and sanitary condition. Instruments utilized in performing massage techniques shall not be used on more than one (1) client unless they have been sterilized, using standard sterilization methods.

D. All liquids, creams, or other preparations used on or made available to patrons shall be kept in clean and closed containers. Powders may be kept in clean shakers. All bottles and containers shall be distinctly and correctly labeled to disclose their contents. When only a portion of a liquid, cream, or other preparation is to be used on or made available to a patron, it shall be removed from the container in such a way as not to contaminate the remaining portion.

E. No invasive procedures shall be performed on any patron. Invasive procedures include, but are not limited to:

1. Application of electricity that contracts the muscle;
2. Penetration of the skin by metal needles;
3. Abrasion of the skin below the nonliving, epidermal layers;

4. Removal of skin by means of any razor-edged instrument or other device or tool;
5. Use of any needle-like instrument for the purpose of extracting skin blemishes;
- and
6. Other similar procedures.

F. All bathrobes, bathing suits, and/or other garments that are provided for the use of patrons shall be fully disposable and not used by more than one (1) patron, or shall be laundered after each use pursuant to subsection (C)(1) of this section.

G. All combs, brushes, and/or other personal items of grooming or hygiene that are provided for the use of patrons shall be either fully disposable and not used by more than one (1) patron, or shall be fully disinfected after each use.

H. No patrons shall be allowed to use any shower facilities of the massage establishment unless such patrons are wearing slip-resistant sandals or flip-flops while in the shower compartment. All footwear such as sandals or flip-flops that are provided for the use of patrons either shall be fully disposable and not used by more than one (1) patron, or shall be fully disinfected after each use.

I. No massage shall be given unless the client's genitalia and female breasts are, at all times, fully covered. Genitalia shall include the genitals, anus, and perineum of any person. The patron's genitals, pubic area, anus, and areola must be fully draped at all times while any individual employed or retained by the massage establishment to practice massage for compensation, or any other employee or operator of the massage establishment, is in the massage therapy room or cubicle with the patron. No massage therapy shall be provided for sexual gratification by intentional contact, or occasional and repetitive contact, with the genitals, pubic area, anus, or areola of a patron, either covered or uncovered.

J. No alcoholic beverages shall be sold, served, or furnished to any patron; nor shall any alcoholic beverages be kept or possessed on the premises of a massage establishment. No massage establishment shall have any alcohol for consumption or illegal controlled substance on the premises at any time except for those massage establishments who obtain authorization from the Chief of Police and any licenses from the State of California that may be necessary to provide minimal quantities of alcohol to a client as a part of the establishment's services for specific occasions throughout the year such as Mother's Day, Easter, etc.

K. No massage shall be given by any massage therapist who is consuming, or under the influence of, any alcoholic beverage or illegal controlled substance.

L. Attire and Physical Hygiene Requirements. The following attire and physical hygiene requirements shall be applicable to all employees and any other persons who work permanently or temporarily on the premises, of a massage establishment within the city, including, but not limited to, all persons who are employed or retained to practice massage or bodywork for the massage establishment:

1. No person shall dress in:
 - (a) attire that is transparent, see-through, or substantially exposes the person's undergarments;
 - (b) swim attire, if not providing a water-based massage modality approved by the California Massage Therapy Council;
 - (c) a manner that exposes the person's breasts, buttocks, or genitals;
 - (d) a manner that constitutes a violation of Section 314 of the California Penal Code.

2. No massage establishment operator, employee, or visitor shall, while on the premises of a massage establishment or while performing any outcall massage service, and while in the presence of any patron, customer, employee or visitor, expose his or her genitals, buttocks, or chest.

3. All persons shall thoroughly wash their hands with soap and water or any equally effective cleansing agent immediately before providing massage therapy to a patron. No massage therapy shall be provided upon a surface of the skin or scalp of a patron where such skin is inflamed, broken (e.g., abraded or cut), or where a skin infection or eruption is present.

M. No massage therapist or massage establishment shall place, publish or distribute or cause to be placed, published or distributed any advertising material that depicts any portion of the human body that would reasonably suggest to prospective customers that services prohibited by this Chapter are available nor shall any massage therapist or massage establishment employ language in any advertising text or business name that would reasonably suggest to a prospective client that any service is available that is prohibited under this Chapter.

N. A massage therapist shall not violate the provisions of Sections 647(a) (soliciting to engage in lewd or dissolute conduct in a public place) and 647 (b) (soliciting to engage in or engaging in any act of prostitution) of the California Penal Code, or any other state law involving a crime of moral turpitude, and such practices shall not be allowed or permitted by the massage business.

5.24.120. Operating Requirements for Massage.

Operational Requirements. Except as otherwise specifically provided in this chapter, the following operational requirements shall be applicable to all massage establishments located within the city:

A. CAMTC certification shall be worn by and on the massage therapist's person during working hours and at all times when the massage therapist is inside a massage establishment or providing outcall massage. No owner, operator or manager of a massage establishment shall allow or permit a person to administer massage for such establishment unless the practitioner possesses and wears a valid CAMTC certificate.

B. Massage shall only be performed between the hours of seven a.m. (7:00 a.m.) and ten p.m. (10:00 p.m.). No massage business shall be open and no massage shall be provided between 10:00 p.m. and 7:00 a.m. A massage commenced prior to 10:00 p.m. shall terminate prior to 10:00 pm. and all clients shall exit the massage establishment prior to 10:00 pm. The hours of operation of the massage establishment shall be displayed in a conspicuous public place in the reception and waiting area and in any front window clearly visible from outside of the massage establishment.

C. Patrons and visitors shall be permitted in the massage establishment only during the hours of operation.

D. During the hours of operation, patrons shall be permitted in massage therapy rooms only if at least one (1) duly authorized certified massage practitioner is present on the premises of the massage establishment. Patrons shall not be permitted in any employee break room on the premises.

E. During the hours of operation, visitors shall not be permitted in massage therapy rooms except as follows:

- (a) the parents or guardian of a patron who is a minor child may be present in the massage therapy room with that minor child;
- (b) the minor child of a patron may be present in the massage therapy room with the patron when necessary for the supervision of the child; or
- (c) the conservator, aid, or other caretaker of a patron who is elderly or disabled may be present in the massage therapy room with that elderly or disabled person.

F. During the hours of operation, except as otherwise provided herein, no visitors shall be permitted in massage therapy rooms, break rooms, dressing rooms, showers, or any other room or part of the massage establishment premises other than the reception and waiting area or the toilets.

G. Except for a patron who is inside a massage therapy room for the purpose of receiving a massage, no patrons or visitors shall be permitted in or on the massage establishment premises at any time who are less than fully clothed in outer garments of nontransparent material, or who display or expose themselves in underclothing or similar intimate apparel.

H. A list of services available and the cost of such services shall be posted in an open and conspicuous public place on the premises, such as the reception area within the massage establishment, or provided to patrons before services are rendered. The services shall be described in English and may also be described in such other languages as may be convenient. Outcall service providers shall provide such a list to clients in advance of performing any service. No massage establishment operator, owner, or manager shall permit, and no massage therapist shall offer to perform any service other than those posted or listed, as required herein, nor shall an owner, manager, or operator nor a massage therapist request or charge a fee for any service other than those on the list of available services posted in the reception area or provided to the client in advance of any outcall services.

I. **Physical Facility and Building and Fire Code Requirements.** Except as otherwise specifically provided in this chapter, the following physical facility and building code requirements shall be applicable to all massage establishments located within the city:

1. **Main Entry Door and Reception and Waiting Area Required.** One (1) main entry door shall be provided for patron entry to the massage establishment, which shall open to an interior patron reception and waiting area immediately. All patrons and any persons other than individuals employed or retained by the massage establishment shall be required to enter and exit through the main entry door. Unless the massage establishment is a sole proprietorship or a home occupation, the main entry door shall be unlocked at all times during business hours.
2. No massage establishment located in a building or structure with exterior windows fronting a public street, highway, walkway, or parking area shall block visibility into the interior reception and waiting area through the use of curtains, closed blinds, tints, or any other material that obstructs, blurs, or unreasonably darkens the view into the premises.
3. All interior doors, including massage therapy rooms or cubicles, but excluding individual dressing rooms and toilet rooms, shall be incapable of being locked and shall not be blocked to prevent opening. Draw drapes, curtain enclosures, or accordion-pleated closures in lieu of doors are acceptable on all inner massage therapy rooms or cubicles.
4. Minimum lighting equivalent to at least one (1) 40-watt light shall be provided in each massage therapy room or cubicle.

5. A massage table shall be used for all massage therapy, with the exception of "Thai," "Shiatsu," and similar forms of massage therapy, which may be provided on a padded mat on the floor, provided the patron is fully attired in loose clothing, pajamas, scrubs, or similar style of garment. Massage tables shall have a minimum height of eighteen (18) inches.

6. Beds, floor mattresses, and waterbeds are not permitted on the premises of the massage establishment, and no massage establishment, shall be used for residential or sleeping purposes.

7. All locker facilities that are provided for the use of patrons shall be fully secured for the protection of the patrons' valuables, and each patron shall be given control of the key or other means of access.

8. The massage establishment shall comply with all applicable state and local building standards and the fire code (as adopted in Title 15 of this code).

J. The massage establishment premises and facilities shall meet and be maintained in a condition to comply with all applicable code requirements of the City, including, but not limited to, those related to the safety of structures, adequacy of the plumbing, lighting, heating, ventilation, waterproofing of rooms in which showers, water or steam baths are used, and the health and cleanliness of the facility.

K. Clients of the massage establishment shall be furnished with a private dressing room. Dressing rooms need not be separate from the room in which the massage is being performed.

L. Toilet facilities shall be provided in convenient locations within the massage establishment and shall consist of at least one (1) unisex toilet with lavatories or wash basins provided with soap and both hot and cold running water either in the toilet room or vestibule.

M. A minimum of one (1) wash basin for employees shall be provided at all times. The basin shall be located within or as close as practicable to the area devoted to performing of massage services. Soap and sanitary towels shall also be provided at each basin.

N. A copy of the CAMTC certificate of each and every massage therapist performing massage shall be displayed in the reception area or in the area where massage is to be performed. CAMTC certificates of former employees, independent contractors, volunteers shall be removed as soon as those massage therapists are no longer performing massage at the location. All records of employees, independent contractors, volunteers who have performed massage for a massage business shall be retained for a period of two (2) years.

O. Massage therapists shall be fully clothed at all times. Clothing shall be of a fully opaque, non-transparent material and said garments shall not expose their genitals, pubic areas, buttocks, or breasts.

P. Every massage business shall keep a written or electronic record of the date and hour of each treatment administered, the name and address of each patron, the name of the massage therapist administering treatment, and the type of treatment administered. Such written or electronic record shall be available for inspection by officials charged with the enforcement of this Chapter. Such records shall be kept on the premises of a massage establishment for a period of two (2) years and shall be open to inspection by the City.

Q. Where the massage establishment has staff available to ensure security, the entry to the reception area of the massage business shall remain unlocked during business hours when the establishment is open for business or when clients are present.

R. No massage establishment shall simultaneously operate as a school of massage, or share facilities with a school of massage.

S. Minimum lighting consisting of at least one (1) artificial light of not less than forty (40) watts shall be provided and shall be operating in each room or enclosure where massage services are being performed on clients and in all areas where clients are present.

T. No massage establishment shall allow any person to reside within the massage establishment or in any attached structures owned, leased or controlled by the massage establishment owners.

U. All massage establishments must comply with all state and federal laws and regulations pertaining to disabled clients.

V. All massage establishments must comply with the City's sign ordinance pursuant to Title 18, Chapter 12 of the Cloverdale Municipal Code.

5.24.130. Inspection of Massage Establishment by Officials.

- A. The investigating and enforcing officials of the City, including but not limited to the Chief of Police, or his designees, Chief Building Official or his designees, the Chief of the Fire Department or his designee, shall have the right to enter the massage establishment premises, from time to time, during regular business hours, without a search or inspection warrant, for the purpose of making reasonable inspections to observe and enforce compliance with applicable laws, statutes and regulations, and with the provisions of this Chapter. The Chief Building Official and/or the Chief of the Fire Department may charge a fee for any safety inspections, which shall be established by Council.
- B. The massage establishment operator shall take immediate action to correct each violation noted by the inspector. A re-inspection will be performed within thirty (30) days to ensure that each violation noted by the inspector has been corrected.

5.24.140. Change of business name or location.

No person permitted to operate a massage establishment under this chapter shall operate under any name or conduct business under any designation not specified in the certified massage establishment certificate or operator permit and city business license. Upon a change of location of a massage establishment where there is no change of massage establishment owner(s), an application for an amended certified massage establishment certificate or operator permit shall be filed with the permit authority, and such application shall be granted, provided all applicable provisions of this code are complied with as to the new location, and any due and unpaid citations issued to the operator pursuant to this chapter are paid in full. Citations shall not be deemed to be due and unpaid until the 30-day period for appeal of the citation has passed.

5.24.150. Sale or transfer of massage establishment or ownership interest therein.

Upon a sale or transfer of any massage establishment, or upon the sale or transfer of some or all of the interest of any massage establishment owner to a person who is not already an owner of the massage establishment, a new certified massage establishment certificate or operator permit shall be required.

5.24.160. Massage Business Permit – Grounds for Suspension and Revocation.

All massage establishment operators shall be deemed to know and understand the requirements and prohibitions of this chapter. Any operator permit or certified massage establishment certificate issued pursuant to this chapter may be suspended or revoked by the permit authority after a hearing, where it is found by clear and convincing evidence by the Chief of Police, or his designee, that one or more of the following have occurred on even a single occasion:

A. The person(s) to whom the operator permit or certified massage establishment certificate has been issued, or any person employed or retained by the massage establishment, has been found to have violated any provision of this chapter; or

B. Any owner of a massage establishment which is operating pursuant to a certified massage establishment certificate is no longer qualified as a certified massage practitioner for any reason; or

C. A Massage Business Permittee or any person employed or retained by the massage establishment has been convicted in a court of competent jurisdiction of having violated, or has engaged in conduct constituting a violation of a provision or provisions of this Chapter or the Massage Therapy Act or some other state or federal law, including any of the following violation(s) of Penal Code sections 243.4, 261, 266a through 266j, inclusive, 267, 288, 314 to 316 inclusive, 318, 647a, 647b, 647d, 647i, 647j, any offenses requiring registration under Penal Code section 290 or Health and Safety Code section 11590; any felony offense involving the possession for sale, sale, transportation, furnishing, or giving away of a controlled substance specified in Health and Safety Code sections 11054 to 11058, inclusive, as amended; any offense in another state which if committed in California, would have been punishable as one or more of the offenses mentioned here, any offense involving the use of force or violence upon the person of another, or any offense involving the use of force or violence upon the person of another, or any offense involving theft, embezzlement, or moral turpitude; or

D. The permittee/certificate holder has been subject to a permanent injunction against the conducting or maintaining of a nuisance pursuant to this code, or Section 11225 through 11235 of the California Penal Code, or any similar provision of law in any jurisdiction outside the State of California; or

E. The permittee/certificate holder or any employee of the massage establishment has engaged in fraud or misrepresentation or has knowingly made a misstatement of material fact while working in or for the massage establishment; or

F. A Massage Business Permit was obtained with fraudulent or deceitful information, or

G. The permittee/certificate holder has continued to operate the massage establishment after the operator permit or certified massage establishment certificate has been suspended; or

H. Massage treatments are or have been performed on the premises of the massage establishment, with or without the permittee/certificate holder's actual knowledge, by any person who is not a duly authorized certified massage practitioner; or

I. The massage establishment is not being maintained in compliance with the provisions of this Chapter, the Massage Therapy Act (Business & Professions Code Sections 4600-4621, any other provision of the Cloverdale Municipal Code or any other local, state or federal law and the Massage Business Permittee has failed to promptly remedy any deficiency for which they have received notice, or

J. The massage business has knowingly employed, allowed, or permitted a person who was not certified by CAMTC to perform massage services at the massage establishment, or

K. There have been one (1) or more acts prohibited under California Penal Code Sections 266, 266a, 266e, 266f, 266g, 266h, 266i, 266j, 315, 316, 318, 647(b), or 653.22 taking place on the premises of the massage establishment, whether or not any criminal prosecution has been pursued or conviction obtained for such acts, and whether or not they occurred with or without the actual knowledge of the permittee/certificate holder; or

L. The permittee/certificate holder or any person employed or retained by the massage establishment or any other person on the premises of the massage establishment has engaged in conduct or committed acts that a reasonable person in the patron's position would understand as an offer to perform on or engage in with the patron acts that are sexual in nature or that involve touching of the patron's genitals, pubic area, anus, and areola.

5.24.170. Massage Business Permit – Process for Suspension and Revocation.

A. **Written Notice Required.** The Chief of Police, or his designee, before revoking or suspending any operator permit or certified massage establishment certificate, shall serve the permittee/certificate holder, the business owner(s) or manager(s) with written Notice of Revocation or Suspension by certified mail, provided in the manner set forth in section 1.14.090 of this code, of the alleged grounds for revocation or suspension and the date for a hearing, to be held no less than ten (10) days and no more than sixty (60) days after the service of the written notice, to consider whether the permit shall be revoked or suspended. The notice shall contain an advisement of the right to request an appeal.

B. Suspension or revocation issued pursuant to subsection (a) shall be effective five (5) days from the date appearing on the notice, unless a timely appeal is filed in accordance with subsection (C)

C. **Hearing.** The permit authority shall appoint a hearing officer to hear and consider all evidence at the hearing. The hearing may, after being commenced within the time specified pursuant to subsection (A) of this section, be continued for good cause by the hearing officer from time-to-time. The hearing officer may require such legal briefing as may be required to address any issues raised at the hearing.

D. The decision of the Chief of Police, or his designee, may be appealed to the City Manager's Office, or his designee. An appeal must be in writing, shall explain the reason(s) for the appeal and mailed to the City Manager's Office, or his designee, with a filing fee of two-hundred-fifty (\$250) dollars within five (5) days of the date of the written notice. The City Manager, or his designee, shall schedule a hearing within thirty (30) days and provide written notice of the time, date and location of the hearing to the appellant.

E. The hearing shall be conducted pursuant to Cloverdale Municipal Code 1.14.090 and 1.14.100. The City Manager, or his designee, shall render a decision within thirty (30) days of the conclusion of the hearing, unless the parties agree otherwise. The City Manager, or his designee, shall notify the appellant in writing of the decision. The decision of the City Manager, or his designee, may be appealed pursuant to Cloverdale Municipal Code 1.14.110.

F. **Notice of Decision; Judicial Review.** Within a reasonable time, but not more than thirty (30) days following the conclusion of the hearing, the City Manager, or his designee, shall issue a written decision as to whether the permit/certificate shall be revoked or suspended, supported by factual findings and determinations referenced by supporting evidence. The written decision shall be served on the permittee/certificate holder as provided in Code of Civil Procedure Section 1094.6, with a copy submitted to the city clerk and the city attorney. The written decision of the

City Manager, or his designee, shall be final and shall be subject to judicial review according to the provisions and time limits set forth in Code of Civil Procedure Section 1094.6.

5.24.180. Business License Required.

It shall be unlawful for any person or massage business to conduct massage for compensation within the City without first obtaining a valid City Business License pursuant to Cloverdale Municipal Code 5.04.

A. Application for License:

1. An applicant wishing to obtain a Business License from the City shall complete a Business License Application form completely and accurately and shall provide a copy of a current and valid CAMTC certificate possessed by every person who will be performing or engaging in the practice of massage for the massage business.
2. Every massage business owner who does not qualify as a massage therapist and is not CAMTC certified must obtain a Massage Business Permit and be subject to a background check and fingerprinting pursuant to section 5.24.100(C) prior to the issuance of a City Business License. If any massage business owner[s] are denied a Massage Business Permit then a City Business License cannot be issued to the massage business until such time as the denied business owner[s] are removed from the Application for the City Business License.
3. Prior to the issuance of a City Business License, the City shall make a reasonable investigation into the information provided in the application to confirm the facts stated therein.

B. Issuance of License: All Business Licenses shall be issued in accordance with the Cloverdale Municipal Code.

C. Renewal of License:

A City Business License shall be valid for one (1) year from the renewal date, which is determined at the time the initial application is received and the Business License is issued. The City Business License must be renewed within thirty (30) days after the expiration of said City Business License. If an application for renewal of a City business license and all required information is not timely received and the license expires, no right or privilege to provide massage shall exist.

D. Fees

The fee for a City Business License shall be assessed pursuant to Cloverdale Municipal Code 5.04.170, as amended by Council from time to time.

5.24.160. Nuisance.

Any massage business or establishment operated, conducted, or maintained contrary to the provisions of this Chapter shall be unlawful and a public nuisance, and the City Attorney may, in the exercise of discretion, in addition to or in lieu of prosecuting a criminal action hereunder, commence an action or actions, proceeding or proceedings, for the abatement, removal and enjoinder thereof, in any manner provided by law, and shall take such other steps and shall apply to such court(s) as may have jurisdiction to grant such relief as will abate or remove such businesses and restrain and enjoin any person from operating, conducting, or maintaining a

massage establishment or business contrary to the provisions of this Chapter. All remedies provided for in this Chapter are cumulative.

5.24.190. Prosecutorial Discretion.

Pursuant to the City Attorney's prosecutorial discretion, the City may enforce violations of this Chapter as criminal, civil, and/or administrative violations utilizing administrative remedies. All remedies provided for in this Chapter are cumulative.

5.24.200. Criminal Prosecution.

A violation of any of the provisions or failing to comply with any of the mandatory requirements of this Chapter shall constitute a misdemeanor and at the discretion of the City Attorney, a violation of any provision of this Chapter may be prosecuted in a criminal court. Any violation of this Chapter prosecuted as a misdemeanor shall be punishable by a fine of not more than one thousand dollars (\$1,000.00), per violation or by imprisonment in the County Jail for a period of not more than six (6) months, or by both fine and imprisonment. All remedies provided for in this Chapter are cumulative.

5.24.210. Administrative Fines.

A violation of any of the provisions or failing to comply with any of the mandatory requirements of this Chapter, may result in the issuance of an administrative citation and the City may, at its discretion, seek an administrative fine of up to one thousand dollars (\$1,000.00).

A. Each violation of any provision of this Chapter shall constitute a separate and distinct violation for each and every day during which any violation of any provision of this Chapter is committed, continued or permitted by such person.

B. Notice of the assessed fine shall be served by certified mail with the legal violation and supporting facts. The notice shall contain an advisement of the right to file an appeal and the process for contesting the imposition of the fine with the City. The appeal process and timeline shall follow those procedures and timelines set forth in Cloverdale Municipal Code Section 1.14.120 through 1.14.140.

C. If an appeal is not filed and the fine is not paid within thirty (30) days from the date of the notice of fine or a notice of determination from the Hearing Officer, the fine may be referred to a collection agency within or external of the City.

D. Any outstanding amounts owed to the City may be recovered through a lien against any real property owned by the offending party or a personal obligation lien against the offending party.

5.24.220. Applicability of Other Ordinances.

Nothing contained in this Chapter shall be construed to exempt any person from complying with the provisions of any other applicable ordinance, rule, or regulation, or to exempt a massage establishment or massage therapist from the provisions of any zoning, licensing or other building ordinance, rule or regulation.

5.24.230. Notifications.

A. Any person or massage business licensee shall notify the City Finance Department of any amendments or changes necessary to the information provided to the City pursuant to Section 5.24.203.

B. Any person or massage business licensee who holds a City Business License pursuant to Section 5.04 shall inform the City Finance Department within five (5) days if any of following events occur:

1. Arrest of any employee, owner, manager, operator of the massage establishment.
2. Any event involving an employee, owner, manager, operator or independent contractor, volunteer that may constitute a violation of this Chapter or any state or federal law.

C. This provision shall be complied with even if the licensee believes that the City has or will receive the information from another source.

5.24.240. Unlawful Business Practices May Be Enjoined.

Any massage establishment or business operated, conducted, or maintained contrary to the provisions of this Chapter shall constitute an unlawful business practice pursuant to Business & Professions Code section 17200 et seq., and the City Attorney and/or District Attorney may, in the exercise of discretion, in addition to or in lieu of taking any other action permitted by this Chapter, commence an action or actions, proceeding or proceedings in an appropriate court of jurisdiction, seeking an injunction prohibiting the unlawful business practice and/or any other remedy available at law, including but not limited to fines, attorneys' fees and costs.

5.24.250. California Environmental Quality Act (CEQA).

This Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to the State CEQA Guidelines and does not constitute the approval of a "project" under the California Environmental Quality Act (CEQA) pursuant to section 15060(c)(2) and (3), 15061(b)(3), 15262, and 15378 of the State CEQA Guidelines. Specifically, it can be seen with certainty that there is no possibility that this Ordinance, containing minor amendments to the registration, inspection and revocation processes for massage establishments or its implementation, would have a significant effect on the environment and is covered by the general rule, pursuant to 14 Cal. Code Regulations Section 15061(b)(3).

5.24.260. No Mandatory Duty of Care.

This Ordinance is not intended to, and shall not be construed or given effect in a manner that imposes upon the City or any officer, agent, employee or volunteer, thereof a mandatory duty of care towards persons and property, so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

5.24.270. Severability.

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

5.24.280. Publication.

A summary of this Ordinance shall be published and a certified copy of the full text of this Ordinance shall be posted in the office of the City Clerk at least five (5) days prior to the Council meeting at which it is adopted. This Ordinance shall be in full force and effect thirty (30) days after its final passage, and the summary of this Ordinance shall be published within fifteen (15) days after the adoption, together with the names of the Councilmembers voting for or against same, in the Cloverdale Reveille, a newspaper of general circulation published and circulated in the City of Cloverdale, County of Sonoma, State of California. Within fifteen (15) days after adoption, the City Clerk shall also post in the office of the City Clerk, a certified copy of the full text of this Ordinance along with the names of those Councilmembers voting for and against the Ordinance.